THE EVOLUTION OF 'NEW' LABOUR'S EUROPEAN POLICY: EUROPE AS THE 'NEW JERUSALEM'

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ABSTRACT

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British Labour Party's attitudes and policies towards European integration have historically oscillated between varying degrees of support for concrete integration steps and obstinate opposition to it. A major and pronounced volte-face on European policy occurred after 1983 and the aim of this study is to locate the causes of this shift in European policy and its subsequent course under 'New' Labour period. The causes and motivations are searched within the general transformation of the party and they are assessed according to the changes in party's ideology and its perceptions about the needs of British national political economy. The scope of the study covers the intersection area between intra/inter-party politics and political economy. On these areas, Neo-Marxist theories of state and Regulation Approach are utilised, as well as the classical political sociology models on party politics. An historical inquiry on party policy encompassing the post-war period has been undertaken. In a similar vein, in order to compare it on ideological grounds, other European social democratic-socialist party policies are analysed alongside the British Labour case.

It is argued that party's policy preferences are strongly influenced by and shaped according to the national socio-political institutional structure. The thesis comes to the conclusion that historical institutionalist analysis coupled with a 'structural dependency to capital' theory offers a highly plausible explanation for the evolution of Labour Party's policy course on Europe, including the recent 'New' Labour period.

Keywords: British Labour Party, Social Democracy, Euroscepticism, Europeanisation

ÖZ

‘YENİ’ İNGİLİZ İŞÇİ PARTİSİ’NİN AVRUPA POLİTİKASININ EVRİMİ:
‘YENİ KUDÜS’ -YERYÜZÜ CENNETİ- OLARAK AVRUPA

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Tarihsel olarak, İngiliz İşçi Partisi’nin Avrupa bütünleşmesine yönelik tavır ve (siyasa) politikaları; somut bütünleşme adımlarını değişken derecelerde desteklemek ile inatçı bir karşı koyuş arasında salınagelmiştir. Önemli ve belirgin bir politika değişikliği, 1983 sonrası meydana gelmiştir ve bu çalışmanın amacı, Avrupa politikasında görülen bu değişimin ve daha sonraki ‘Yeni’ İşçi Partisi dönemindeki yöneliminin nedenlerini ortaya koymaktır. Neden ve gerekçeler, partinin genel dönüşümü kapsamında aranmakta ve parti ideolojisi ile İngiliz ulusal ekonomi politiğinin gereksinimleri üzerine algılamalarındaki değişiklikler bazında değerlendirilmektedir. Çalışmanın araştırma alanı, parti içi ve partiler arası siyaset ile ekonomi politiğin kesişim alanını kapsamaktadır. Bu yönden, klasik siyaset sosyolojisi modellerinin yanısıra Neo-Marksist devlet kuramları ile Düzenleme Okulu yaklaşımlarından yararlanılmıştır. Savaş sonrası dönemi parti politikasını içerecek şekilde tarihsel bir analize girişilmiştir. Aynı şekilde, parti politikasını ideolojik açıdan karşılaştırmak amacıyla, diğer Avrupa sosyal demokrat-sosyalist partilerin politikaları, İngiliz İşçi Partisi’nin yanısıra değerlendirilmiştir.

Parti politika tercihlerinin, ulusal sosyo-politik kurumsal yapı tarafından son derece güçlü bir şekilde etkilendiği ve şekillendirildiği öne sürülmektedir. Tezimiz, sermayeye yapısal bağımlılık teorisi ile birleştirilmiş bir tarihsel kurumsalcı analizin, yakın zamanlı ‘Yeni’ dönemini kapsayacak şekilde İşçi Partisi’nin Avrupa politikasının seyir ve evrimini açıklamak için oldukça inandırıcı bir yaklaşım oluşturduğu sonucuna ulaşmaktadır.

Anahtar Kelimeler: İngiliz İşçi Partisi, Sosyal Demokrasi, Avrupa Kuşkuculuğu, Avrupalılaşma

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The scholarship on the New Labour politics has grown tremendously in 1990s. And its European dimension has also been a popular academic inquiry. Here, it is my ethical duty to separately inform the reader about the existence of two unpublished theses *specifically* on New Labour's European policy; that I have encountered on the research on this matter. Aside from the similarity of subject, there are similarities on the use of methodological tools with Piculell's (2002) MA thesis at the University of Copenhagen; however different conclusions can be contrasted with it. On the other hand Mullen (2005), in his PhD thesis at the University of Bradford, studies 'the British Left' in general within a Coxian methodology. I would like to express my utilisation and inspiration of these theses, hence my thanks to the authors of them. Their works are available on the web and can be compared with the current one.

In this thesis, I try to apply a rather holistic approach via broadening the multiplicity and the ladder in the chain of causation. Doing so, somehow inevitably made it less parsimonious. I do not think that parsimony is always achievable and even desirable for understanding a complex social world. Yet, one should also refrain from making it more complex than it really *is*. Surely, this cannot be an excuse for confusion and perplexity; but it is *a priori* acceptance of the inability on behalf of the author as a young researcher to put

his case in an ‘ideal’ way. He hopes that he is at least on the way. May God give him a Nietzchean will to power before losing his sight in the jungle!

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LIST OF ABBREVIATIONS

AES	Alternative Economic Strategy
AKEL	*Anorthotiko Komma Ergazomenou Laou*, Cyprus
Benelux	Belgium, the Netherlands and Luxembourg
BiE	Britain in Europe
BNP	British National Party
BoT	Board of Trade, UK
BSP	*Bulgarska Sotsialisticheska Partiya*, Bulgaria
CAP	Common Agricultural Policy
CBI	Confederation of British Industry
CEECs	Central and Eastern European countries
CERES	*Centre d'Etudes, de Recherches et d'Education Socialiste,* France
CFSP	Common Foreign and Security Policy
CLPs	Constituency Labour Parties
CLPD	Campaign for Labour Party Democracy
CoE	Council of Europe
COMISCO	Committee of the International Socialist Conferences
CP	Comparative Politics
ČSSD	*Ceska strana socialne demokraticka*, Czech Republic
CSPEC	Confederation of Socialist Parties of European Community
DGB	*Deutscher Gewerkschaftsbund,* Germany
DIKKI	Democratic Social Movement, Greece
DNA	*Det norske Arbeiderparti*, Norway
DM	Deutsche Mark
DS	*Democratici di Sinistra*, Italy
DTI	Department of Trade and Industry, UK
EC	European Communities
ECB	European Central Bank
ECJ	European Court of Justice
ECSC	European Coal and Steel Community

EDC	European Defence Community
EDEK	*Kinima Sosialdimokraton*, Cyprus
EDM	Early Day Motion
EEC	European Economic Community
EES	European Employment Strategy
EFTA	European Free Trade Association
EMS	European Monetary System
EMU	European Monetary Union
EP	European Parliament
EPC	European Political Community
EPLP	European Parliamentary Labour Party
ERDF	European Regional Development Fund
ERM	European Exchange Rate Mechanism
ERT	European Roundtable of Industrialists
ESDP	European Security and Defence Policy
ETUC	European Trade Union Confederation
EURATOM	European Atomic Energy Community
FO-FCO	Foreign and Commonwealth Office
FPTP	First past the Post
IGC	Intergovernmental Conference
ILO	International Labour Organisation
ILP	Independent Labour Party, UK
IPE	International Political Economy
IR	International Relations
JHA	Justice and Home Affairs
LI	Liberal Intergovernmentalism
LO	*Landsorganisationen*, Denmark; Sweden
LSAP	*Letzeburger Socialistesch Arbechterpartei,* Luxembourg
MEP	Member of European Parliament
MNC	Multinational Corporation/Company
MP	Member of Parliament
MSzP	*Magyarországi Szociáldemokrata Párt*, Hungary
NATO	North Atlantic Treaty Organisation
NHS	National Health Service

NUM	National Union of Mineworkers
OEEC	Organisation for European Economic Cooperation (OECD)
OMOV	One-member-one-vote
PASOK	*Panhellinio Socialistiko Kinema*, Greece
PCF	*Parti communiste français,* France
PCI	*Partito Comunista Italiano*, Italy
PDS	*Partito democratico della Sinistra*, Italy
PLP	Parliamentary Labour Party
PM	Prime Minister
PS	*Parti socialiste,* France; Belgium; *Partido Socialista*, Portugal
PvdA	*Partij van de Arbeid,* the Netherlands
PSB	*Parti socialiste belge*, Belgium
PSD	*Partidul Social Democrat*, Romania
PSDI	*Partito Socialista Democratico Italiano*, Italy
PSI	*Partito Socialista Italiano,* Italy
PSOE	*Partido Socialista Obrero Espanol*, Spain
QMV	Qualified Majority Voting
SAP	*Socialidemokratiska Arbetarparti*, Sweden
SD	*Socialdemokraterne*, Denmark
SDL	*Strana demokratickej l'avice*, Slovakia
SDLP	Social Democratic and Labour Party, Northern Ireland
SDP	Social Democratic Party, UK
SDP	*Suomen Sosialidemokraattinen Puolue*, Finland
SEA	Single European Act
SF	*Socialistisk Folkeparti*, Denmark
SFIO	*Section Française de l'internationale ouvriere,* France
SGP	Stability and Growth Pact
SI	Socialist International
SLD	*Sojuszu Lewicy Demokratycznej*, Poland
SNP	Scottish National Party
SP.a	*Sociaal Progressief Alternatief (Socialistische Parti),* Belgium
SPD	*Sozialdemokratische Partei Deutschlands,* Germany
SPÖ	*Sozialdemokratische Partei Österreichs*, Austria
SV	*Sosialistisk Venstreparti*, Norway

SVG	Socialist Vanguard Group, UK
TGWU	Transport and General Workers' Union, UK
TUC	Trade Union Congress
UK	The United Kingdom of Great Britain and Northern Ireland
UKIP	United Kingdom Independence Party
UKREP	United Kingdom Permanent Representation to the EC/EU
UNICE	Union of Industrial and Employers' Confederations of Europe
WEU	Western European Union

"*Utinam tam facile vera invenire possim quam falsa convincere*"
(Cicero, De Natura Deorum, I, 91)

"I do not know yet what the answer is but
I do know that the questions cannot be dodged"
(Tony Benn, 14 January 1965, on the EC)

"We are inextricably involved"
(Anthony Crosland, 12 January 1977, speaking to the EP)

"If we are anxious about Europe's direction, is it best to hang back until the direction is clear; or is it best to participate fully in the hope of making the direction more our own?"
(Tony Blair, 28 November 2002)

CHAPTER 1

INTRODUCTION

> Men make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living
> (Karl Marx, The Eighteenth Brumaire of Louis Napoleon, 1852)

This is a study on the evolution of British Labour Party's European policy, with a specific focus on the era since 1983 in which a policy reversal from outright opposition to a pro-European position has occurred. This is also the beginning of Labour's general transformation into a new direction, labelled as '*New Labour*'. The aim of the study is to locate the causes of the shift in European policy. It is our assertion that the policy change should be located within the general contours of Labour Party's transformation for the '*New Times*'. The European dimension has been a central area within this broad re-orientation of the party.

It is our hope that a general depiction of the Labour Party's socio-economic trajectories both in Fordist and post-Fordist periods of capital accumulation shall serve as the underlying factor in the transformation of the party policies; which in turn mirrors in its European policy objectives and attitudes. We argue that the latter is neither a *cum hoc* –correlational- nor a *post hoc* –sequential- fallacy. But, a strict pattern of structural determinism should not be expected for political parties. Parties are assumed to be quasi-independent and reflexive actors/intermediaries, capable of transmitting their will to transform the very structure in which they operate. It would be naïve to suppose that they all bow to the economic dictates and necessities of capitalism, in a functionalist sense. It is useful to keep in mind that political parties had been established to represent particularities and particular interests –and in our case, social democracy had originated in the 19th century as the representation and vanguard of working class. Yet, adherence to a voluntaristic account would equally be misleading. It is about to what extent parties adopt and internalise the logic of capitalist socioeconomic relations and institutions –the state. Once accepting

the parameters and rules of the game and only content to rectify/reform/modernise/ameliorate it, the area of manoeuvre and options in front of them are to follow the structural dynamics of the overall system. Such a party, when in government, has to work within these marginalities available to it –as Attlee did and Blair does in economic and foreign policies. Even if not in government, a party has to take into account the constraints of electoral politics, trying to represent itself as the general/national interest and its ideology as the best way of *regulating* capitalism.

Therefore, our analysis relies on the examination of the changes in the *perception* of the necessities of British capitalism. New Labour phenomenon is explained as the ideological echo of the end of post-war 'Golden Age' and modernisation of social democracy according to British peculiarities thereafter. Here, we utilise some variants of *Regulation Approach*. This is coupled with an historical institutionalist account which helps us to explain the "historical continuities and cross-national variations in policy" (Hall, 1986:19) –in our case, the differences within the European social democracy[1]. We expect that this shall enable us to show the 'continuities within deep changes' or path-dependent nature of evolution.

Before we proceed on, it is our intention in this introduction to lay the basic leitmotif and premises of the study. The following sections provide the field and position we stand for; bearing in mind that "knowledge is not theory neutral … theoretical assumptions that we make … underpins all the empirical studies that we undertake" (editors of *British Journal of Politics and International Relations*, quoted in Marsh et al, 2001:5). I term the overall approach in this body of work as a '*domestic structural*'[2] approach for explaining Labour's EC/EU[3] policy changes.

1.1 LEVELS OF ANALYSIS

[1] By European social democracy as *famille spirituelle*, we mean parties affiliated to the Socialist International –SI. New Left/Left socialists are excluded. The nuance between socialism and social democracy shall be dealt separately and when not stated explicitly, the two are being used interchangeably.

[2] Domestic but intertwined in global; structural in economic and historical terms but mediated through ideology.

[3] Abbreviation *EC* is used for the period between the Merger Treaty of 1965 and 1993; and *EU* for the period after Maastricht Treaty. On the other hand, we use *the UK* and *Britain* (minus N. Ireland) interchangeably when not deliberately differentiated.

We are dealing here within three broad levels –terrains- of explanation. Any causation pattern should pay attention to; first, the global and European level variables. Secondly; as the party systems are still configured within the national territorial units, the historically and institutionally-specific domestic factors are important. Lastly, parties as independent entities and with their distinct ideological and organisational features are themselves another set of variable. All these variables should be weighted in order to arrive at a satisfactory conclusion. As remarked by Gramsci (1971) in a much-cited phrase: "the history of any given party can only emerge from the complex portrayal of the totality of society and State (often with international ramifications too)".

The complexity of the relationship between domestic politics and international politics is a matter of debate with a centuries-old ancestry (cf. Almond, 1989). In IR, this is reflected as the 'level of analysis' problem (Tayfur, 2000). For the most time, domestic factors had been given supremacy over international ones by both IR and comparative politics[1] scholars. In his famous article, Gourevitch (1978) reminded that the 'reverse' can equally be possible for comparativists. Since the 1970s, with the observance of increasing interdependency and later globalisation, some dominant IR theories have emphasized the systemic-level constraints on domestic politics[2]. Moreover, these new theories –here, the constructivist ones should also be added- have strongly challenged the core realist assumptions on the centrality of states and mechanisms of preference-formation by emphasizing the societal-based roots of policies with reliance on both domestic and global *non*-state actors.

Putnam (1988:433) argued that "we need to move beyond the mere observation that domestic factors influence international affairs and vice versa … to seek theories that integrate both spheres". The insight in his advocacy of a simultaneous 'two-level game theory' has been agreed on widely, and in fact these levels have been 'multiplied' at least for the European case. The general consensus today is that the boundaries between national and international have been blurred and this consequently has paved the way for greater

[1] By comparative politics –CP- we mean methodological, not a substantive difference (Lijphart, 1971). But it is the indispensable tool of political science, as put in Sartori's words: "He who knows only one country knows none" (quoted in Hooghe, 2001) reminding Kipling's phrases: "What do they know of England, who only England know?" (quoted in Keman, 2002b:33).

[2] e.g. K. Waltz's neo-realism, I. Wallerstein's world-systems theory, D. Keohane and J. Nye's interdependency theory –transnationalism and neoliberal institutionalism, various IPE approaches, neo-Gramscian perspectives following R. Cox, J. Rosenau's global governance approach. For an excellent review, see Katzenstein et al (1998).

dialogue between IR and CP (cf. Risse, 1996)[1], and perhaps the dominance of EU studies by comparativists (Hooghe, 2001) -as witnessed in the recent Europeanisation and governance literatures.

This new consensus might seem self-evident from the viewpoint of various schools of Marxism and critical theories –like Giddens' structuration theory or Bhaskar's critical realism. Such dichotomies based on exclusiveness of each level and ontological explanations, useful may be analytically, have been derived from incomplete or false understandings of the nature of modern capitalism. It is argued that a relational –mutually constructive, yet distinct (Wendt, 1987) - and holistic approach on state-society relationship –and its generalisation to the globe- is more appropriate than assigning hierarchies and strict determinisms[2]. This does not force us to abandon categorisations, as in line with Giddens' 'methodological bracketing' (cf. Hay, 2002a:chp3). As for the level of analysis, we are even taking the risk to privilege the domestic factors and contexts against 'external' factors, which are evaluated as necessary but not sufficient in themselves: "however compelling external pressures may be, they are unlikely to be fully determining" (Gourevitch, 1978:911). When applied to either Britain's or Labour Party's European policy, this last point does not contradict with our ultimate aim to relate them with the global economic-structural changes. Firstly, the national units are not separate from global economy in a clear-cut way –this is especially true for a country like Britain. Global transformations first originate within the domestic economic structures of the hegemonic centres of the system and then spread away[3]. Secondly and more crucially, any such 'external' pressure has to be internalised and translated by the leading political parties as reflexive entities and then mediated through class struggle. The final outcome is shaped and

[1] Moravcsik (1996) speaks of a "rediscovery of comparative politics among IR scholars". Some consider it more than just another *inter*disciplinary dialogue: "just as the EU itself represents the greatest transcendence of the Westphalian nation-state in the face of economic, social, and environmental forces, the EU literature has gone farthest in erasing the boundaries between the fields of IR and comparative politics. This erosion of disciplinary boundaries might be the most lasting contribution of EU studies to political science" (Jupille and Caporaso, 1999:441).

[2] I am indebted to Nazikioğlu (2004) and Oğuz's (2005) highly useful surveys of neo-(post-)Marxist conceptualisations of the relationship between 'globalisation' and state. The issue here goes deep into the agent-structure problem at the centre of social theory. The acknowledgement of such 'relational' ontologies should not derive us to truism or to choose "the best of both worlds" (Wendt, 1987). Partly as this problem is beyond our scope and mostly beyond our capabilities at this stage - which requires an extensive capturing of Marx's *Capital* and Hegelian dialectics- a richer elaboration of agent-structure framework is omitted. Yet, we are striving to utilize Jessop's and Hay's strategic-relational approaches below. For another debate over 'methodological nationalism' in social theory, see Beck (2003) and Chernilo (2006).

[3] "The management and analysis of interdependence must start at home" (Katzenstein, 1977:606).

over-determined according to *domestic* reconfiguration of power and resources available to antagonists/rivals; whether explained by purely economic terms, the autonomous role of the state and/or institutions, the role of the hegemonic ideational factors or sociological/cultural determinism. No matter how much internationalised the capital accumulation process has been, the locus for political legitimation and confrontation still continues to be primarily at nation-state level (Jessop, 2000a).

> Do international relations precede or follow (logically) fundamental social relations? There can be no doubt that they follow … However, international relations react both passively and actively on political relations (of hegemony among the parties). The more the immediate economic life of a nation is subordinated to international relations, the more a particular party will come to represent this situation and to exploit it, with the aim of preventing rival parties gaining the upper hand (Gramsci, 1971; also quoted in Jacobsen, 1996:102).

1.2 REFLECTIONS ON EUROPEAN INTEGRATION THEORIES

This study is to a great extent inspired by Simon Hix's provocative work (1994, 1995, and 1999), arguing that the traditional IR-based approaches –as the hitherto dominant paradigm for EC/EU studies- come short of explaining the complex nature of the evolving European integration and its institutional outcome. To put in simple terms, their ontology shared a core assumption of central actors as nation-*states* and politics *among* nations. "As the EU develops beyond a pure *Europe des patries*, the ability of the IR paradigm to explain how EU politics works is reduced" (Hix and Lord, 1997:202). We admit that this is a rather oversimplification of the aforementioned IR approaches[1]; however, his suggestion that the EU has developed into a *polity* with its own structures and life, and best depicted as 'multi-level' or 'poly-centric' governance, is enlightening. The new emerging polity does not replicate the form of Westphalian territorial, sovereign statehood and therefore cannot be explained with traditional state-centric lenses. 'The domestification of Europe' (Caporaso, 1997; Hooghe and Marks, 1999) and its increasing politicisation open the way for applying the more appropriate mainstream political science and CP concepts and methodologies. Hence, the possibility for utilising the tools when we deal with politics *within* the nations: political participation, political parties, interest groups, cleavage structures, public opinion, administration and so on. Labour Party operates within such a multi-level structure and its European policy is no more a foreign policy issue among others; it is rather a policy of

[1] An earlier critique had been provided by Hurrell and Menon (1996). Rosamond (2000:157) argues that this debate "rests on a narrow and largely anachronistic view of 'International Relations' in general and international theory in particular".

'who gets what, when, and how' in the classic Lasswellian sense. As in any polity, European institutions are not crudely tools of oppression in the hands of ruling classes; it is increasingly an arena of contestation (Gale, 1998).

When we look at how the early integration theories handled the domestic politics, we see that neofunctionalism had assumed an important but limited view of domestic politics. Political integration was defined as "the process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states" (Haas, 1968:16). The theory was built on the concept of *spill-over* from economics to politics, and loyalty shift from domestic to supranational. This has been much criticised as a linear, automatic conceptualisation; also conceded later by its own theoretician[1]. But the real point is not its assumption of near automaticity of shifts –which in its revised versions turns to be a *possible* way to explain social democratic policy change; it is rather its deeper apolitic and technocratic vision and separation of economics and politics (Rosamond, 2005). The role of supranational centres and domestic interest groups were emphasized at the expense of domestic political actors. It also tended to view actual integration as if an ideology-free process. When explaining the ratification of the ECSC, Haas (1968:154) stated that "the very ambiguity of the Treaty, of course, made this pattern of convergence possible. Something seemed to be 'in it' for everybody". He mentioned the Erhardian ordo-liberalism[2] in the texts and socialist proposals in the formation years, but the outcome was explained in pluralist theory, where each rational actor behaved according to their perceived interests. We argue that this cannot explain the link unless it acknowledges the asymmetrical power relations and the role of ideology. Neofunctionalism still offers insights on the role of supranational actors and the mechanisms of social learning and socialization among elites –party leaders-, but cannot provide a full-fledged explanation.

[1] These criticisms and statements of the concept's non-utility are simply exaggeration. "Haas turned out to be wrong about being wrong" (Ruggie et al, 2005:280). The automaticity of the 'gradual politicisation' argument had been revised later, especially in the 'ignored' article of Philippe Schmitter in 1969 (cf. Schmitter, 2002; Harrison, 1974:107).

[2] Gillingham (2003: Chp. 1) clearly but also in a celebratory manner demonstrates the dominant role of Hayek and Ordo-liberal economists during the formative years; namely the idea of *Marktkonform* -'market-conforming' institution building.

On the contrary, the intergovernmentalist critics of neofunctionalism –ranging from S. Hoffman, P. Taylor to A. Milward- focused exclusively on national executives and assumed the classic realist 'black box' of national interest[1]. This aspect is refined in Andrew Moravcsik's liberal intergovernmentalism –LI. His theory includes Putnam's two-level model: national preference-formation[2] and international bargaining. This is a real improvement in realist accounts, but once again domestic politics is analysed in pluralist theory; this time with central government enjoying a much greater autonomy in the aggregation of interests[3]. "*National preferences* are constrained by microeconomic interests, to be supplanted by geo-political and ideological motivations where economic preferences are diffuse, uncertain and weak" (Moravcsik, 1995:612). Another major argument of LI is that rationally-behaving nation-states delegate power to supranational authorities as long as integration actually strengthens them –consistent with the 'international regime' literature.

Despite the great eloquence of LI, we tend to side with the arguments stating that it is not a matter of strengthening versus weakening of the state, but its form and functions and their transformation to new governance structures in multi-level settings. For instance, Wincott (1995) and Fioretos (1997) criticise LI for its inadequate theory of state and preference-formation: underestimation of the state's dependence on capital[4] and the role of transnational actors and institutions. In the end, it is clear that neofunctionalism and LI do not differ on their rational/pluralist assumption of domestic politics (Moravcsik, 2005:359); but on their reliance on different levels and mechanisms to explain European integration.

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[1] For instance, according to Milward (1992), the motive of integration was the rescue of nation-state. This comes to presuppose an *independent* state interest. As Moravcsik (1995b) concludes; it is a good history, not a theory. A critique of intergovernmentalism for its negligence of domestic politics was made by Bulmer (1983).

[2] Note that, Moravcsik (1995a:612) precisely terms it as "foreign economic policy preference formation". The nuance tells much about his theory on European integration.

[3] "Groups articulate preferences; governments aggregate them" (Moravcsik, 1993:483). The detailed pluralist account of preference-formation can be found in Moravcsik (1997); and its critique in Moss (2000) on the grounds of the former's "blind[ness] to class issues". As a conflict theory of power, classical pluralism assumes near-perfect competition with a state as neutral/referee/broker model. Inequalities are acknowledged but not to the extent of domination. It concerns itself with only policy-making process. Later, driven by neo-pluralists and intersecting elitist theories, agenda-setting dimension is also inserted. But the famous third dimension, preference-formation role of power, -which has been studied by Steven Lukes- is largely ignored (Dunleavy and O'Leary, 1987; Dearlove and Saunders, 2000; Hay, 2002a:chp.5).

[4] The point is explored in a rational-choice perspective by Przeworski and M. Wallerstein (1988): the tension between the private decision to invest and the public decision to tax.

That is exactly the point we share with Uğur (1997), who points out to the neglect of a proper state-society theoretization in the field of regional integration theories.

A crude dichotomy between supranationalism and intergovernmentalism is now a matter of past. Today, we observe in European studies -within all its richness and diversity- a convergence around new concepts and tools. All now agree that 'institutions matter' and much has been written on multi-level governance[1]. This is encapsulated brightly in the following figure prepared by Philippe Schmitter on the state of art in European integration theories:

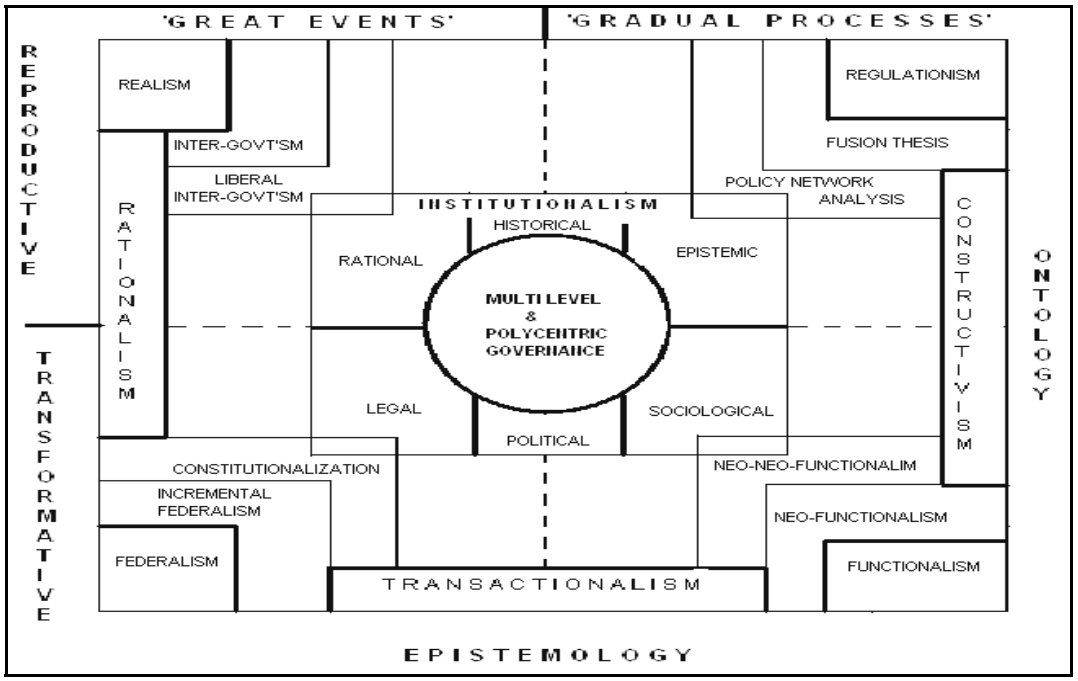

Figure 1.1 European integration theories
Source: Schmitter (2002)

What the figure tells us is the depiction of the centrality of new institutionalism within the recent work on the EU[2]. It also signals the swift from grand designs to more mid-range explanations and their semi-eclectic blends. The different variants of new institutionalism

[1] Puchala's (1972, 1975) works and his 'concordance system' in the 1970s had prefigured the multi-level governance and new institutionalist accounts later (see also Rosamond, 2000:89).
[2] New institutionalism-inspired studies are given in detail in Jupille and Caporaso (1999), Jupille, Caporaso and Checkel (2003). With this new institutionalism, Rosamond (2003) warns against 'Americanisation' of EU studies; but his warnings should be taken to be directed against the *rational-choice* variant which asserts itself to be the "normal science" (Dowding, 2000:139) in a soft-positivist sense. The leading rational-choice institutionalists can be named as F. Scharpf, G. Tsebelis and G. Garrett.

have almost replaced old theories. This is evident, on the one hand, in the rapprochement between rational-choice institutionalism and LI (Pollack, 2001) and in the similarities of inquiry between neofunctionalism, sociological institutionalism and constructivist studies[1] on the other hand. Certainly, when speaking on the rise of new institutionalist literature on the EU, we mean analyses employed for the EU level. These generally inform us on the important and *intervening* role of EU institutions; like Commission, ECJ and the bargaining process within the Council –while acknowledging the enduring centrality of governments. But it says little about domestic politics and there have been few attempts to combine it with EU-level analyses. And those attempts largely come from historical and sociological institutionalist variants. Institutionalism shall be dealt in the next section, but before moving on, some necessary remarks have to be made on other 'turns' in European studies, strongly related with the new institutionalism.

Governance in the EU context has been utilised to describe a complex, fluid, ambiguous, hybrid and evolving EU-polity, in which there are no clear demarcations of competences and powers. It depicts a system with institutional fragmentation and multiplicity; co-performing some of the tasks that were traditionally dealt within 'state-centric government' models[2]. It is not just about institutional set-up but directly related to power and the 'regulation' of society and markets by various agencies –polycentric (Scholte, 2004)- in different layers and scales.

From another aspect, the constructivist IR approaches do certainly provide a "better appreciation and theorization of domestic politics"[3] (Checkel, 2003:2) by viewing the formation of national interest in identity/cultural/discursive/sociological terms. However, we think that their utility derives from the fact of their correction of the excesses and absences in rationalism. A structure cannot be built exclusively on these 'relativist' grounds

[1] e.g. social learning and socialization process in the formation of epistemic communities, advocacy groups, policy networks, etc. The parallelism with Deutsch's transactionalism should not be neglected, too. For a recent attempt to revive transactionalism on British case, see Aspinwall (2003a).

[2] Compare Kassim (2003); Jachtenfuchs (2001); Hooghe and Marks (2001) and Jessop (2004). Yee (2004) provides an excellent overview of the usage of the concept according to different political theories.

[3] Simply because "constructivism [starts] at home", by definition (T. Hopf, quoted in Checkel, 2003:11).

and they are epiphenomenal at the last instance, no matter how useful they are[1]. They can be more appropriate to explain the *mechanisms*, not the prime causation; they are "not causally central" (Moravcsik, 2001:229).

1.3 HISTORICAL INSTITUTIONALISM

As stated above, institutional analyses can be employed at different levels. Here, we try to apply a historical institutionalist reading mainly on a single country –the UK[2]. It is our argument that this approach is appropriate to examine the national-preference formation at the domestic level. But we do not claim that it can be equally satisfactory for a higher level explanation; i.e. EU integration alone, which is beyond our inquiry.

It is important to elucidate on the so-called 'banality' of why institutions matter. The institutional inquiry in the form of legal/constitutional studies had been central to the study of politics up until the 20th century. With the development of politics as a social science, behaviourist approaches dominated the field with their strong assumption of agent-centred view of politics. The emphasis was given to the 'observance' of political action –generally deliberate, purposive and interest-driven- and the resultant polity and policies were viewed as the consequences of it (cf. Immergut, 1998). On the contrary, the main argument of the new institutionalism is that "political institutions are more than simple mirrors of social forces" (March and Olsen, 1984:739). Institutions bind behaviour of actors, "signal to actors what has to be done and what cannot be done" (Pierson, 2000:259).

The rational-choice variant, which originated from neoclassical/institutional economics, argues that even when we attribute full rationality to actors, their strategies are still bound within the institutions, of whose primary value derive from their reduction of transaction costs and uncertainties. For instance, in a well-known article, Scharpf (1988) showed how

[1] For Moravcsik (1999), the problem with constructivism is its high reliance on ideational factors, without posing testable hypotheses and testing them empirically.

[2] Also note that EU institutions do penetrate at the very institutional structure of member countries and become a part of it. It means for a political party like Labour that, it has to consider now the European Commission, ECJ, ECB as well as Treasury, the City, House of Lords, etc. Certainly, we admit that, to explain the differences between the two sides of *La Manche* according to *institutions* and traditions is a commonpiece and long-survived practice in political science (Aspinwall, 2006). Nonetheless its prevalence does not necessarily eradicate the validity of this common thinking. A critical perspective should be assumed in order to avoid reinforcing one another kind of Whiggish histography.

the EC institutional set-up helps create sub-optimal policies -joint-decision traps- for member states. The difference between rational-choice and historical/sociological institutionalism is that the former takes interests as exogenous; whereas, for the latter, preferences are endogenous, "socially-embedded" (Thelen and Steinmo, 1992:9). We do not want to mean that there is no objective generalisable interest for agents in history. The point is that this interest has to be constructed, perceived and learned in society. Agents are not immune from lack of information, biases of knowledge or 'false consciousness'. In this study, rational choice variant[1] is avoided, so we shall concentrate on the other variants.

Not just actors' strategies as in the rational-choice variant, but their very goals and choices are structured by institutional contexts. In the sociological variant, this amounts to higher degree of institutional determination, since an institution is usually defined as "a *web of interrelated norms* –formal and informal- governing social relationships" (Nee and Ingram, 1998:19) or "settled habits of thought common to the generality of men" (Veblen, quoted in Vandenberg, 2002:220). Certainly, it is a matter of abstraction and what one takes as an institution. In general, this sociological variant is preoccupied with the 'organisational' aspects of social life and the way in which actors are "socially constituted and culturally framed" (Schmidt, 2005).

The boundaries between historical and sociological variants are difficult to ascertain. Historical institutionalism can be similarly rooted in the writings of Durkheim, Weber, Polanyi and Veblen. But its idea of embeddedness is thinner than the sociological variant and it is also closer to the old institutionalism, in the sense that it tends to focus on more *formal* institutions but in a less legalistic way. As the name implies, the emphasis is on the centrality of history and the concept of 'path-dependence'. The idea seems conventional: once a decision is taken and some institutions are created, they become locked-in, sticky and resistant to change in future –the ratchet effect. Actors become cumulatively "immobilized by the dead weight of past initiatives"[2] (P. Pierson, quoted in Pollack,

[1] Rational choice approaches also assume static equilibria in which different game-theory models are applied, ignoring the specific historical dimensions. We do utilise rational choice based studies in political economy and party politics, but trying to put their underlying assumptions aside.

[2] "History creates context, which shapes choice" (Aspinwall and Schneider, 2000:16) and "path dependence, the notion that a country's starting point when it comes to consideration of types of reform limits the range of alternatives it can consider to those allowed by current institutional patterns, is a name for a concept that has been recognized since at least Aristotle's classification of Greek city states" (Page, 2003:176). Path-dependence is demonstrated by the 'increasing returns' from economics (P. Pierson, 2000).

1996:442). Similar ideas could be found in the differentiation made between majoritarian and consensual democracies by A. Lijphart and the frozen party systems model of S. Lipset and S. Rokkan[1]. Path dependence does not rule out change; change might occur via unintended consequences and chance. It might happen during 'critical junctures' via general structural change, technological change or leadership/role of ideas (Gorges, 2001). It is helpful to remind that the ideational turn in political science owes much to the new institutionalism (Finlayson, 2004:532; Hall, 1993); but ideas are rarely accorded to the position of an independent impact *per se*, they are instead thought as auxiliaries "to help other forms of explanation" (Goldstein and Keohane, quoted in Blyth, 1997:231). Recently, some authors classify a fourth variant of institutionalism –or inside the historical institutionalism- as 'discursive institutionalism'[2]. Here; ideas and discourses are inserted as more dynamic and independent causal variables in the explanation of change, accruing on the works of Foucault, Bourdieu, and Habermas (Table 1.1).

Table 1.1 New Institutionalisms

	Rational Choice Institutionalism	Historical Institutionalism	Sociological Institutionalism	Discursive Institutionalism
Object of Explanation	Rational Behavior	Historical structures	Norms and Culture	Ideas and Discourse
Logic of Explanation	Interest	Path-dependency	Appropriateness	Communication
Ability to explain change	Static--- emphasis on continuity through fixed preferences	Static--- emphasis on continuity through path dependency	Static--- emphasis on continuity through cultural norms	Dynamic--- emphasis on change and continuity through ideas and discursive interaction
Examples	Principle-agent theory; game theory	historical institutionalism process tracing varieties of capitalism	Constructivism; norms; cultural analysis	Ideas; discourse; constructivism; narratives; frames; advocacy coalitions; epistemic communities

Source: Schmidt (2005)

Yet, as often remarked, institutionalism is an approach with its strong emphasis on inertia, iterative continuity and constraints; it has the weakness in explaining change. The importance of timing and sequencing is recognised (Thelen, 1999); in addition, in order to escape from mere functionalism, many historical institutionalists emphasise the role of

[1] Historical institutionalism has its own affinities with post-war structural/functionalist sociology and holistic approaches of Marxism and neo-Marxism (cf. Hall and Taylor, 1996; Schmidt, 2005).

[2] See Campbell and Pedersen (2001) and Schmidt (2005). Within this discursive variant, V.A. Schmidt and C. Hay can be named. These can also be named under the 'cultural political economy', after the 'cultural turn' in political economy (Jessop and Sum, 2001; Sayer, 2001).

deeper political struggles and distribution of power among actors. So, history has a content, it is more than a descriptive story-telling between time '*t*' and '*t+1*'.

Historical institutionalism assigns a certain extent of autonomy for institutions, but this varies according to individual scholars. One of the origins of new institutionalism is in the 'bringing the state back in' literature. These statist accounts should be evaluated as correction against American pluralism, but also as an exaggeration of the extent of autonomy and 'bureaucratic politics' (Hall, 1986)[1]. This example shows us that institutional determinism should not be taken to its extremes. Institutional analysis should always be coupled with a much deeper structural contextualisation. The attempt should be to try "to link the politics of institutional change to the dynamics of capitalism" (Pontusson, 1995a:142). Or as Hall (1986:15) states:

> We should not lose sight of the class interests at stake in economic policy-making; but to portray the policy accurately, we should add to our outline of massive social groups a sketch of the institutional structures through which their demands are being shaped, their power is being determined, and their circumstances altered.

Institutionalist analyses are middle-range approaches; they are not grand theories like Marxism or liberalism. Systemic explanations can be provided only by the latter type theories. However, institutionalism can be incorporated into general theories for understanding the mechanisms of continuity, because institutions can be taken as the intervening variables in the grand theoretical designs. Institutionalists are totally right when they assert that institutions make a difference, but their utility will be limited unless it is complemented with a broader account of structural dynamics. Regulation Approach offers such an explanation.

1.4 REGULATION APPROACH

Because the scope and inner-diversity of Regulation Approach –RA, *école de régulation*- is immense, we are confined with a cursory reading of RA, and especially its variants that

[1] Similar warnings against apoliticism and states-as-unitary-bloc assumption of statist theory (Skocpol, Evans, Krasner, etc.) can be found in Putnam (1988) and Gourevitch (1978). Statist theory is quite different from Poulantzian idea of autonomy. In contrast to Poulantzas, statists reify a distinction between state and society, and put the first as dominating the latter (cf. Jessop, 2000c; Cammack, 1989; Jayasuriya, 2005). In most cases, identifiable interests and opinions behind institutions can be observed. Institutions are not totally independent from society and interests originating there. Such statist accounts do fit more easily with the realist accounts of European integration.

retain the initial structural-Marxist emphasis. Originated in the 1970s' France, leading regulationists -Lipietz, Aglietta, Boyer- tried to combine Althusserian structuralism with institutional economics. The main argument is that markets are not self-reproducing and self-regulating: capitalism "does not have the capacity to convert the clash of individual interests into a coherent global system … capitalism must be hemmed in by constraining structures" (Aglietta, 1998:49-50). State and complex web of institutions play a key role in the functioning of markets and ensuring the stability and predictability of capital accumulation (Jessop, 1997; 2001b). More clearly, they cannot be separated from each other as social formations should be conceived as a 'totality of instances'–following Althusser (Resch, 1992). Major concepts and arguments of the RA are as follows:

Over the long-term, the pattern of production and consumption is defined as an 'accumulation regime'. This regime is exemplified in distinct 'institutional forms'[1] and steered by a 'mode of regulation' (cf. Boyer and Saillard, 2002). These latter two constitute "ensemble of norms, institutions, organisational forms, social networks, and patterns of conduct that sustain and 'guide' a given accumulation regime" (Jessop, 2002:56). RA specifically gives the account of transition of the accumulation regime termed as 'Fordism'. Fordism is the phase emerged after the competitive/liberal capitalism period that had been based on extensive accumulation on absolute surplus value. Instead, Fordism relies on intensive accumulation through increasing relative surplus value. Fordism, being formalised around 1930s and fully institutionalised after 1945, is characterized with the combination of mass production and mass consumption. In organisational terms, it rests on Taylorist principles of standardisation and mechanisation. It is an institutionalised compromise of productivity between labour and capital through sustained real wage increases, collectivist agreements and indirect wages –the wage-labour nexus. Keynesian macroeconomics complements the necessary links in these virtuous circles –cumulative causation. Finally, Fordism necessitates sovereign but interdependent national territorialities, in which such interventions can be possible and effective.

As implied, there have been different concrete Fordisms. Their crises and transformations, the point we are interested in, also differ accordingly. The moment of crises can be dated

[1] Five institutional forms are identified as; 1) monetary regime, 2) wage-labour nexus, 3) competition, 4) international regime, and 5) state forms. Note the similarity with the five structural variables classified by Hall (1986:259): organisation of labour, capital, state, political system and the position of the country within international economy.

back to mid-1960s, which became acute in 1970s and triggered by oil shocks. As a broad church, RA provides different yet interrelated interpretations for the causes of the crises. In general, the crisis of Fordism was a crisis of *profitability* –profit squeeze caused by slowdown in the growth of labour productivity. Two reasons are provided: one is the technical/micro-level limits of Taylorism and the other is its social limits evident in rising worker resistance and unrest. Keynesian welfare institutions and availability of credits made the crises take the form of stagflation. Internationalization of production, commercial and monetary relations have accelerated after the crises as a response to economic problems at home, but at the same time this has eroded the grounds of the hitherto effective domestic institutional settings (Glyn et al, 1990).

This story certainly has its own empirical gaps[1], but a necessary caution might be to avoid technological or institutional determinism and insert the medium role of class struggle[2]. RA in general views the transformation of accumulation regimes with greater elements of contingency and chance; while bearing in mind the 'structural selectivity' of institutions. But even Boyer (2002:322) strongly argues that "conflicts, strategic behaviour and political intervention play a crucial role" in transformation. It is sure that there are always competing *accumulation strategies* advocating concrete growth models and different hegemonic projects that operate at political domain to realise the first. And these are still exclusively fought on national territorial grounds.

A final remark has to be made on the *after*-Fordist period. This is the most contested and empirically debated part of the overall approach[3]. Which model and to what extent has

[1] Debated in the four volumes of articles edited by Jessop (2001). One problem arises over the reasons of the synchronisation of domestic crises. Another is whether the decline in profit rates is *directly* related with labour productivity; which is debated by R. Brenner, G. Dumenil and D. Levy. [$r=\pi/K_u$ and $r=(\pi/Y)(Y/K_u)$=profit share × output-capital ratio. One can emphasize the first part (wages and productivity), but also the latter part (more efficiency/technological). [r= profit rate, π=profits, K_u= capital stock utilised, Y=nominal GDP]

[2] A point argued by Bonefeld (1993). He criticises Jessop for reification of structures and working under the 'general laws of natural necessities'. Certainly, institutions should not be viewed as *deux ex machina* emerging whenever necessary to rescue capital accumulation. But Jessop already acknowledges contingencies, incompleteness and denies functionalism. For warnings against technological determinism, see Rustin (1989) against the usage in *'Marxism Today'* journal and Stirati, Cesaretto and Serrano (1999) for RA generally. These resonate Clarke's (1977) critique of Poulantzas for defining the structure and classes as a technical, economic process like in structural-functionalist sociology.

[3] As for a representation of the debates over *post*- and *neo*-Fordisms and flexible specialisation, see Clarke (1990) and Leborgne and Lipietz (1992). The US and UK cases are in general given as

replaced Fordist one in each country remains to be a highly questioned issue. Some authors also try to designate prescriptions for the functioning of general system or the success of social democratic visions in a problem-solving manner. Our scope is only confined to the British case and its interaction *vis-à-vis* European dimension, trying to avoid in taking sides. In addition, we refrain from delving into the microeconomic production processes; our interest is a macro-level idea of regulating state-society relationship in the sense of an 'ideal type'.

It is evident that RA is an approach incorporating institutions *par excellence*. So why do we need to insert new institutionalist elements? In fact, institutionalism and RA share a long-time relationship (Villeval, 2002; Coates, 2005), but it was largely confined to the economic realm. First reason is our idea that historical institutionalist accounts specifically deal with political areas[1]. To utilise it seems more appropriate when we specifically deal with New Labour's European policy. On the other hand, RA offers a more general answer for the general transformation of the party within capitalism and its relationship with the British state. Our reasoning might be superfluous, but we think that the two are compatible for the explanation of different questions. A second reason is that, in general, grand structural theories envisage a general –and somehow inevitable- convergence in the long-run among the mode of regulations and institutional forms. Again, the point is put in a very crude way by us, but this nuance is documented by some leading scholars, too (Esping-Andersen, 1990:14; Hay, 2001; Coates, 2005). For instance, this is implied in accounts on the rise of competition state –Cerny- or Schumpeterian workfare state –Jessop. For us, continuity factor in historical institutionalism balances the dynamics of structural change. Jessop (2000b) himself does not rule out the new institutionalist turn in social sciences. His concern is on how to define institutions and how to conceptualise agent-structure relationship within it.

Structure/institutions "select behaviour" but do not fully determine it; actors are self-reflexive (Jessop, 2000b, 2003) and strategic "seeking to realize complex, contingent, and

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examples of neo-Taylorism –neo-Fordism without the social benefits of Fordism; while continental European and Japanese cases as Toyotism with still high levels of social cohesion.

[1] As aforementioned, RA incorporates both economic and *extra*-economic domains as a whole and by definition. However, their methodological focus –not theoretical- in most cases narrows down to pure economic realm (cf. Purcell, 2002). Interestingly, the recent 'Varieties of Capitalism' school, built on historical institutionalism, extensively -and perhaps unnecessarily- focuses on micro/firm level economics. Compare Hall and Soskice (2001) with the critique in Coates (2005).

often changing goals. They do so in a context which favours certain strategies over others and must rely upon perceptions of that context which are at best incomplete and which may very often reveal themselves inaccurate after the event" (Hay and Wincott, 1998:954). Here comes the role of ideas including cultural/identity factors and political ideologies. Ideas are in the central place whenever actors perceive and strive to pursue their interests. Without the significant role of modernisation/Third Way discourses in the UK or revisionism throughout the history of European social democracy, their European policies cannot be explained[1]. The crucial and hard thing is to accompany such paradigmatic shifts with the material –in the sense of the 'materiality' of ideologies found in Althusser- and not to tilt towards intentionalism/voluntarism/idealism, the point I criticise in neo-Gramscian perspectives[2].

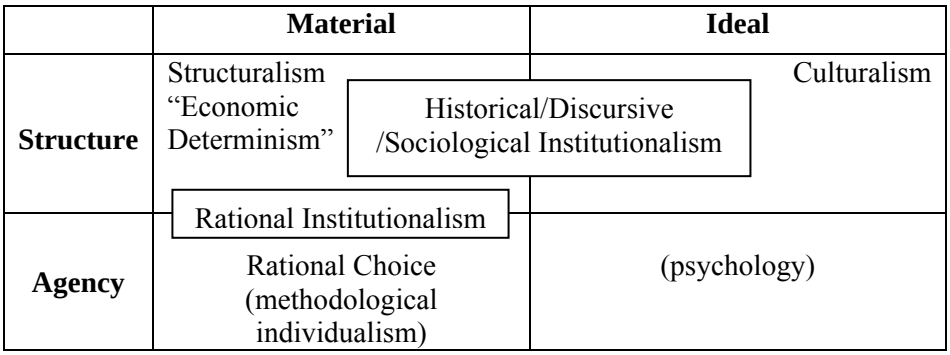

Figure 1.2 Agency-Structure and Material-Idealist factors
Source: derived from Sil (2000:360) and McSweeney and Duncan (1997)

It is the author's own reasoning that there is an overestimation of deliberate/strategic action and the angle between hegemonic project/historical bloc and the *base* is too wide in some neo-Gramscian accounts, especially in the usages by S. Gill and Van der Pijl[3] (cf. Scherrer,

[1] As mentioned earlier, there are many sophisticated and complex theories –phenomenological/hermeneutic/post-structural/post-modern/communication theories on discourse analysis, rhetoric, linguistics, and semiotics, etc. But we do not utilise them because of the author's own deficiency in these fields. We confine ourselves to a classical concentration on political ideologies. Fruitful outcomes might have been derived by utilising Raymond Williams, Stuart Hall and others in 'cultural studies' tradition.

[2] Among IR/IPE neo-Gramscians; R. Cox, S. Gill, K. Van der Pijl, O. Holman, A. Bieler, A.D. Morton, B. Van Apeldoorn, and J.M. Ryner can be named.

[3] Personally I find Holman and Van der Pijl's (1996) treatment of social democrats in *historical bloc* especially irritating. They equate Mitterrand with Monnet, Brandt with Erhard and ETUC as a capitalist plot; like a simple *träger*- a concept found in an extreme structuralism. Such a treatment can only be suited for agitation press. Overall, their theory might easily turn into conspiracy theories, in which capitalists –including social democrats- who gather together at Mont Pelerin, Bilderberg, and ERT; impose their ideas intentionally to others. Mullen's (2005) thesis, for instance, extremely

n.d.). Bieler and Morton (2001:16,19) argue that "the European left changed during the 1980s and this cannot be explained by pointing to structural and domestic events alone" which is a truism *per se*, furthermore add that "neo-Gramscians perspectives take into account the *independent* role of ideas" [emphasis added]. Their concept of hegemony is more agency-based (cf. Morton, 2002; *pace* Joseph, 2003). In addition, they overemphasise transnational actors, because of their analysis of global political economy as extremely de-territorialised in the last decades. Aside from these points, the underlying premises of this study are similar with the neo-Gramscian perspectives. In fact, Holman's (1987; 1989) work on southern European socialism presents a powerful account on how socialists re-constructed their ideologies and European policies in line with the structural necessities of their national capitalisms with the beginning of 'transnationalisation' process. Again, to explain why the strong "Swedish social democrats become neo-liberals" in the 1980s, Ryner (2002) points out the limitations of the argument of ideological hegemony and then at the end resorts to a structural argument in order to explain the *receptiveness* of social democrats as the regulators of Swedish capitalism:

> Poulantzas was correct that there is something in the 'institutionalist materiality' in the division between the economy and the state in capitalism that generates these effects … [Poulantzas] emphasized the importance of the form of state ideology in biasing state action so as to favour the representation of capital (ibid, p.186, 192).

1.5 A RE-COLLECTION AND OUTLINE

We have aimed to abandon the pluralist/liberal/rationalist assumptions of domestic politics prevalent in earlier European integration theories[1]. Instead, we have argued for a class-based explanation strongly determined by domestic structures –consisting of the economic, political and ideological dimensions. This is thought to be in parallel to Peter Cock's (1980:15) understanding of European integration as a "response to the exigencies of capital accumulation and the realization of surplus value". By inserting insights from historical institutionalism, we want to give a greater emphasis on institutional and ideational

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relies on the links between Labour Party and the CIA, on the role of MI5, 'parapolitical machinations' and so on. In essence, the radicalism and 'criticalness' of themselves and their relationship with Gramsci's *praxis* is also dubious; most of their critical thought can easily be situated within the 'old' social democratic reformism. Morton's (2006) critique of 'critical' IPE theories should have to be returned to its *own* criticalness (cf. Burnham, 1991; Germain and Kenny, 1998; Moran, 1998). There also appear differences in theoretical sophistication between those Gramsci-inspired authors like Perry Anderson and those neo-Gramscians working in IR and IPE.

[1] "It is quite frequent for empirical analyses to start by describing two theoretical approaches to the study of the European Union, intergovernmentalism and neofunctionalism, and then to proceed by stating that none of them can capture the reality of the phenomenon studied" (Tsebelis, 1999)!

mediation, without ignoring the contingency and indeterminacy of political outcomes. On agency-structure and level of analysis issues, relational-contextual theories are to be applied. However it is evident that I am a bit adamant to retain some sort of economic determinism, at the last instance; echoing Marsh (2006): "path-dependency argument inevitably privileges structure over agents, the material over the ideational, institutions over ideas and, most importantly, stability over change" in a critical realist sense and trying to avoid greater reliance on constructivist/culturalist extremism.

Institutions in mind in this study can be grouped accordingly[1]:
a) At the most general level; the state *format/form*, defined as the formal rules on the constitutional aspects: separation of powers, centralization (unitary/federal), legal veto points for public policies, etc. The one key area we focus on is the electoral system, which directly affects the party system and policy options/input capacities of the parties[2].
b) Sub-systemic rules, mechanisms and traditions for decision-making in relation to political actors and organized interests for each specific policy domain. Here our concern shall be chiefly on labour market, monetary and fiscal domains.

In Chapter 2; a longitudinal, comparative description of European social democratic policy positions and attitudes to European integration is provided. The purpose is not a complete *comparative* analysis of separate cases; instead it is a heuristic one to understand and assess the characteristics of a singular case within a universal context. Chapter 3 considers some rival or complementary causal explanations, built on Chapter 2; however it remains intuitive at best without detailed and extensive country-specific analyses, which is not undertaken here. Its utility is thought to be as of a powerful precedent for explanation in New Labour case. With Chapter 4, an historical background of Labour's European policy until 1983 is provided, following in Broad's (2001) footsteps as the most authoritative first-hand but openly pro-European histography on the subject. It aims to demonstrate the fluctuations in Labour Party's European policies whilst underlining the continuities by referring to the 'Labourism' explanations developed by British New Left in 1960s. Chapter 5 covers Labour Party policies in opposition till 1997, in which party moved from an outright opposition to first a *fait accompli* and later a wholeheartedly acceptance of the EC.

[1] For a fuller account, see Keman (2002a).
[2] One can assert that this electoral aspect is a more 'political competition' area, instead of a pure 'institutional area' methodologically. However the two are strongly related, as Lijphart's studies testimony the linkage and also informed by Anderson and Immergut (2005).

This paralleled with Delors' 'social dimension' initiative and party's change in political economic thinking that found a positive tool for the Community in the new global political economy. The limitation of pro-Europeanism is also shown with reference to British first-past-the-post electoral system and its consequent impact for parties operating under it. The period after 1997 when Labour Party has been in power is covered in Chapter 6 first chronologically. The specific important areas of policy like single currency and industrial relations are separately handled in sub-sections. It tries to combine governmental policies with the intra-party dynamics and finally it looks for administrative influence on governmental policies. It documents the minimalism in party's pro-EU position and its combination with a nationalist discourse on British interests. Finally in Chapter 7, we look for the linkage between New Labour's accumulation strategy and its European policy. It is argued that in post-Fordist period, the main contours of party policy are shaped according to the prevailing accumulation strategy. The last section is an attempt to bind the conclusions arrived throughout the study.

CHAPTER 2

SOCIAL DEMOCRACY AND EUROPEAN INTEGRATION

> Democratic socialism is international because it recognises that no nation can solve all its economic and social problems in isolation. Absolute national sovereignty must be transcended (From *The Aims and Tasks of Democratic Socialism*, adopted by the Socialist International at the Frankfurt Conference, 1951)

Any historical account of the West European social democratic party attitudes to the European integration since the end of the WWII should begin by noting the pervasive *ambivalence* found in all of them without exception. There has not been a single social democratic party which has managed to escape from being torn apart over the European issue; irrespective of the vast differences among them.

Despite the common rhetoric of internationalism –yet, adherence to which had been seriously tested during the WWI- among European social democrats, their *reactions* to the first initiatives of European economic and political integration were highly diverse. An initial explanation can be stated as that there was a discrepancy between the form of actual integration and the model envisaged in the social democratic ideology. Therefore, European integration turned into a challenge that necessitated an overall and direct self-reflection on the very *raison d'etre* and practicability –goals and means- of social democracy. Party cadres and members had to (re-)consider their ideas on the relationship between class and nation, political/economic sovereignty and value of integration, foreign and national policies, etc. For some of them, like in the Benelux countries, the policy decisions were taken rather smoothly; others had to take uneasy and costly decisions with the evolution of the party and/or integration process itself. The difficulty and significance of this ambivalence lie in the precise fact that European policy has never been peripheral to the social democrats; instead it has been strongly related with their core beliefs and policies. And in their European journey without a declared final destination, social democrats have been transformed, like in Kavafis' poem on the way to Ithaca:

For Ithaca has given you the marvellous journey/ Without her you would not have set your course/ There is no more that she can give/ And if you find her poor, Ithaca will not have deceived you/ Wise as you will have become, so full of experience/ you will have understood by then what these Ithacas mean.

In the following section, succinct histories of such illustrative cases according to nation-states are provided so as to enable us infer comparative conclusions by induction; while admitting the unavoidable risk of some repetitions. It should also be reminded that the absence of the application of a thoroughly systematic methodology in comparison is being admitted by us, partly due to research design. The role of transnational links and party federation are examined in the final part.

2.1 NATIONAL CONTEXTS

Germany: German Social Democratic Party –SPD- had been the birthplace and model for social democratic thinking since the 19th century. The internationalism of the party dates back to its early Marxist period. So, it has never been hard to distinguish ambitions and calls for a European State among its members[1]. Its Heidelberg programme of 1925 included a plea for the formation of a socialist 'United States of Europe'. After WWII, party's first priority was the re-unification of Germany. The general goal of a federal and socialist Europe still persisted[2] but it was then conditioned by the re-unification and participation with equal rights: 'a united Germany in a united Europe'.

The response of SPD to the first initiatives of European integration was hostile. For the party leader, Kurt Schumacher, the post-war integration efforts were characterised as conservative, capitalist, clerical and tailored for cartels[3]. SPD bitterly opposed the Schuman Plan[4], despite the sound approval of trade unions -DGB. First of all, the scheme avoided the

[1] Aside from relatively abstract notions of internationalism, there were more concrete proposals of Europeanism, especially on Franco-German basis, including some 'third force' idea (Maync, 2004). "In 1912, Otto Hue, leader of a miners' union, suggested a 'concerted policy for the exploitation of European iron resources … and the formation of a Franco-German iron and steel community'" (Moeller, 1996:33).

[2] In 1948, party goal was stated as one in which "in common with social democrats of all countries strives for the league of free peoples in the United States of Europe". Even when they were rejecting the first concrete plans, they were advocating a coal and steel community, central banking and credit institutions, and a monopoly commission, as early as 1944 (Featherstone, 1998: 143-4).

[3] Hence, Schumacher's famous 'four Ks': *konservativ, kapitalistisch, klerical* and *kartellistisch*. He also described them as *un*-Europe and *Little* Europe (Marcussen et al. 1999:623).

[4] There occurred a public confrontation between Wilhelm Kaisen, the popular SPD leader in Bremen, and Schumacher over the Schuman Plan. Schumacher's charisma was not all-powerful: All

re-unification. Another reason of rejection was the non-participation of Britain and Nordic countries. The party was suspicious of the French intentions and regarded the proposal as a product of power politics and military considerations (Hrbek, 1993). It also opposed the EDC plan due to the party policy of rejection of re-armament. But it should be noted that these oppositions were not symptoms of simple nationalism. SPD leaders, even Schumacher, were especially careful not to lean on a nationalist rhetoric, after the horrors of National Socialism (Tragardh, 1997).

However, party policy was changing in the 1950s, especially after Schumacher's death in 1952. With the solution of the problem of German re-armament inside the WEU and later NATO; one point of trouble for the party had been removed. Meanwhile, the popularity of European ideal was increasing among people and trade unionists. Influential party leaders, like Herbert Wehler, Carlo Schmid and Fritz Erler, were increasingly relying on European institutions (Featherstone, 1988:149). By the 1955, the change was complete. In that year, SPD entered into Monnet's *Action Committee*[1] and finally embraced the creation of the EEC and EURATOM.

This change in policy should be located within the general transformation of the party, culminated in the Bad Godesberg programme in 1959. With this programme, SPD abandoned its remaining Marxist references and tried to convert itself into a people's party - *Volkspartei* [2]- in contrast to a class-based party. As explained by Sassoon (1996), it involved the abandonment of socialism as a long-term goal –as an end-state: The short-term and long-term goals of social democracy were merged. Within this context, "the new goals were equally valid for both present and future: growth of prosperity, a just share of the national product, full employment, stable currency, increased productivity" (Sassoon, 1996:250). The new idea was to reform rather than abolish the free competition (Paterson, 1986:128). Bad Godesberg programme included the statement that "economic development calls for collaboration between European states" and valued the role of markets with the credo of "as much competition as possible; as much planning as necessary" (Padgett and

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SPD parliamentarians voted against the ECSC in Bundestag; but in the Bundesrat, SPD-governed Lander joined the Christian Democrats in approval (Orlow, 1998).

[1] As a matter of fact, Monnet's 'Action Committee for the United States of Europe' was composed of all the Socialist, Liberal and Christian Democrat party leaders -for Italy, Saragat's PSDI, not Nenni's PSI- and labour leaders (Yohdorf, 1965).

[2] This transformation was later to be the root laboratory of the 'catch-all party model' of Otto Kirchheimer.

Paterson, 1994:117). In this way, *a priori* rejection of European integration in the name of socialism was avoided. In fact, the appeal of catch-all party politics necessitated the contrary: "It was the desire to prove its suitability for government which encouraged the party to shift to a pro-integration stance … The impact of domestic public opinion –in an electoral sense- has led the party since the mid-1950s to be more favourable to European integration" (Featherstone, 1988:165). The ground of for such a transformation became electorally thornless after the ban on the communist party in 1956.

Ernst Haas had employed the SPD policy reversal as a justification of his neo-functionalist theory: "The case of the SPD is by far the most striking and the most significant in demonstrating the logic of sector integration in shaping new attitudes, if the ideology of the group fits the demands of the situation" (Haas, 1968:136). Despite the existence of SPD criticism against integration, the remedy was increasingly found in the supranational venue, "by calling for more supranationalism to meet some of the fundamental SPD economic objectives"[1] (Haas, 1968:137).

Thereafter, SPD policy on Europe was embedded within a cross-party consensus (Sloam, 2004; Hyde-Price, 2000). Differences and nuances have been observed between leftist and rightist factions inside the party[2], but the broad agreement over the issue and the dominance of the right-wing in the party ensured the continuation of support to market-led integration (Sloam, 2004). Throughout the 1960s, SPD was pressing for a 'Europe of Peoples' and opposing the policies of De Gaulle. They attained the chance of influencing the course of integration directly, when Willy Brandt became the first post-war SDP chancellor in 1969. Brandt continued his concentration on *Ostpolitik* since the days of Grand Coalition of 1966. But he also brought a new impetus to the integration process, first by supporting the British entry, advocating economic and monetary union and later helping the creation of EPC. He also argued for harmonisation of social policies (Brewster and Teague, 1989:65). Helmut Schmidt succeeded Brandt in 1974. Schmidt agreed the demands of Labour Party at the renegotiations, particularly on the budgetary contributions and regional policy. But his marked contribution was the creation of European Monetary System –EMS- in the face of

[1] Again, "SPD foreign affairs specialist, Herbert Wehner, proclaimed that what Europe needed was a unified and coordinated policy of investment, modernisation, business-cycle control and full employment, and that ECSC had not gone *far enough* along this road" (Haas, 1968:137, original emphasis).

[2] For instance, the party's influential youth branch, *Jusos* -Young Socialists, had different views than the leadership (Friedrich, 1975).

growing US pressure on DM and increasing monetary disorder. Schmidt was repeatedly acknowledging the vital importance of the EC for West German economy and emphatic to widen and deepen it. He supported the southern enlargement, with direct and important assistance to the socialist parties in Spain and Portugal.

In the 1980s, SPD's position was more assertive and embracing new dimensions, such as the promotion of peace, nuclear-free Europe, and environmental policies (Moeller, 1996). This reflected the increasing domestic influence of the Greens and peace movement in West Germany during the decade. 1980s and 1990s also witnessed a more leftist stance on the characteristics of European integration. SPD leaders, e.g. Hans-Jochen Vogel, were supporting the proposals of Jacques Delors. Despite significant reservations, particularly of Oskar Lafontaine, SPD approved the Maastricht Treaty. Lees (2002:257) exemplifies cases in which SPD flirted with some 'soft' types of Euroscepticism in the 1990s. The clearest of them occurred in the run-up to March 1996 *Länder* election in Baden-Württemberg, in which SPD described the EMU as 'hara-kiri'. Lees explains it as an electoral tactic employed by the central SPD. Yet it can also be explained as a manifestation of a new national assertiveness emerged in Germany after re-unification, which also affected social democrats. Before winning the elections, Schröder suggested in *Financial Times* that "Germany standing up for its national interests will be just as natural as France or Britain standing up for theirs" (Laffan, 1999:172).

West Germany has always been the principal contributor to the EC/EU budget and after unification this burden became problematic and unsustainable in the view of the elites including SPD: "… an unwillingness to go on being the '*Milchkuh*' (milk cow) of Europe" (Hyde-Price, 2000:194). Therefore, one of the main concerns of the Red-Green coalition headed by Schröder between 1998 and 2005 was the reform of the EU finances. If we follow the account of Adrian Hyde-Price (2000:126,220), there emerged a new concept: 'enlightened self-interest'. Hyde-Price argues that "gone is the *Bescheidenheit* and *Zurückhaltung* (modesty and reserve) of the Bonn Republic. Gone too is the unwillingness to talk about 'national interests' and preference for a 'European' rather than a 'national' identity". He also adds that this new pragmatic position did not reach an open Euroscepticism. Schröder's constructive attitude was all apparent, especially on the eastern enlargement. Schröder had asserted at his government programme presentation in the Bundestag that "today we are democrats and Europeans - not because we have to be, but

because we want to be"[1]. It was rather Lafontaine, as the finance minister who proposed more radical and interventionist policies for the EU. With his counterpart in France, Lafontaine proposed European-wide tax harmonisation and binding employment policies at the EU level[2]. But these policies did not take the support of Schröder and later Lafontaine resigned from the party in March 1999 due the domestic welfare reforms undertaken by the party (Sloam, 2003). The party is divided on the future domestic and European-wide welfare reforms, as exemplified by the debates after the joint Third Way/*Neue Mitte* publication of Blair and Schröder in 1999[3]. Nevertheless, institutionally SPD's love affair with the F-word still remains strong as manifested in its strong backing of the Constitutional Treaty.

France: French socialists were internationalists in line with the Second International tradition. Just the name of the party until 1971 is sufficient to imply this doctrine: SFIO – *Section Française de l'internationale ouvriere*. SFIO's historical leader, Leon Blum was an ardent federalist, in terms of a world federation[4]. After the WWII, Blum justified the European integration in terms of a 'third force' between the American capitalism and Soviet communism. He was the leading theoretician of European integration and justification of it as socialist[5] (Newman, 1983:21). Further integration was seen as a prerequisite for socialism; as Andre Philip[6] stated: "Socialism presupposed prosperity and

[1] Policy statement by Gerhard Schröder, 10 November 1998, http://www.germany-info.org/relaunch/politics/speeches/111098.html. Schröder also told *Spiegel* that "the generation of Helmut Kohl thought that we Germans must be European because otherwise the fear of the *'furar teutonicus'* would re-appear. His words 'Europe is a question of war and peace' could only be understood in this way. I argue that we must also be European, but regard this as a natural fact of life which we have freely chosen, rather than of historical duty. The advantage of this is that one can then be less taciturn about pursuing ones' interests than was the case in the past" (Hyde-Price, 2000:41).

[2] Lafontaine was advocating these policies since the 1980s. He had continually urged positive and concerted action at the EU level: "Wage dumping, tax dumping, and welfare dumping are not our responses to the globalization of markets ... Our efforts have to be concentrated on Europe" (Lafontaine, 1998:74).

[3] The text was written by Peter Mandelson and Bodo Hombach.

[4] Blum: "… either … shut off communications with the outside world, cut the normal current of competition and exchange, and enclose itself strictly within a despotic autarchy … or accept the idea of becoming a part of the whole and of lodging its own actions in actions which have a universal character" (Newman, 1981: 190).

[5] Blum became the President of Honour of the European Movement in October 1948. "Without his European commitment there probably would not have been an EC" comments Moss (2000:257).

[6] Philip, like Marceau Pivert, was among the leading figures in the *Mouvement socialiste pour les Etats-Unis d'Europe* –MSEUE. MSEUE advocated in its third congress in November 1949 the creation of a supranational 'European Authority' and presented a detailed programme of integration, including common socialist planning over Europe. For the programme, see http://www.ena.lu/mce.cfm

autonomy, and both of these depended on creating a European market" (Loth, 1993:26). In addition, integration would also help to solve the German problem.

Yet, Blum was also a strong Atlanticist and an admirer of Anglo-Saxon liberal democracy. This Atlanticism was widespread among the SFIO, and shared by Guy Mollet[1]. Western unity and integration for them was rather against Soviet threat: "Europeanism and Atlanticism were mutually reinforcing" (Cole, 1996:71). SFIO welcomed the Schuman Plan but regretted on the non-participation of British Labour government; because, the idea of a 'third force' was completely dependent upon the then prestigious and powerful Labour government. "There can be no Europe without Great Britain", Blum had argued like Mollet: "A continental union without Britain would soon fall under German domination and turn towards the crudest forms of capitalism" (Loth, 1993:32). SFIO tried endlessly to convert the Labour Party to the cause of European unity, both via bilateral contacts and international socialist meetings. When the socialist parties of the countries under the Marshall Plan met in London in March 1948, it was all clear that Labour Party –supported by Scandinavian parties- was adamant to any move towards supranationalism. The end of SFIO preoccupation over persuading Labour occurred after the strong declination of Labour to the Schuman Plan. SFIO had no option but to go along without Labour Party. Andre Philip then argued that:

> I fear that if our Labour friends pursue the realisation of socialism in a strictly national framework and disinterest themselves from the plight of Europe; it will eventually lead to a dangerous technocracy and a national socialism which will have nothing to do with our common ideal (Newman, 1983:27).

Schuman Plan was perceived as an appropriate way in which "German power could be controlled and harnessed to French needs" (Newman, 1983:6). Thus, ECSC ratification process was without much dispute on behalf of the SFIO. But the EDC plan was to be quite problematic. It was not easy for all the SFIO members to accept the re-armament of Germany, thanks to the living legacy of anti-Germanism. In 1954, 50 out of 105 SFIO parliamentarians voted against the EDC in the National Assembly, despite the binding decision of approval of the party congress. Mollet expelled the leaders of the rebels and suspended the membership of others remaining (Loth, 1993:41). This episode not only buried the EDC but also caused a deep crisis of party itself. The Algerian problem and Suez

[1] An excellent summary of French socialists' views on Europe can be found in the lecture given by Mollet, the party leader after Blum, on 16 February 1951. The text is reproduced at http://www.ena.lu/europe/pioneering/lecture-given-guy-mollet-1951.htm

fiasco later aggravated the party crisis. Nevertheless, European integration was relaunched after the EDC failure, but this time on economic grounds. It was the Mollet government that handled the negotiations and subsequently ratified the Treaty of Rome in 1957[1]. Mollet's insistence on a strong commitment for social harmonisation on high standards did not produce any binding rule in these founding treaties (Scharpf, 2002:646; Manow et al, 2004).

SFIO nearly collapsed alongside the Fourth Republic and remained an insignificant and loosely organised actor in the Fifth Republic, under the hegemony of De Gaulle and the existence of a powerful communist party -PCF. But its fortunes reversed with the leadership of François Mitterrand in the newly created *Parti Socialiste* –PS- in 1971. He achieved to build a personal dominance over the party with his opportunistic intra-party skills and then replaced the communists as the leading party of Left by a pragmatic policy of collaboration during the 1970s. In the first place, PS was a party of factions. Besides pro-European groups[2], there was a strong left-wing and anti-EC CERES faction[3]. Partly to appease this faction and to accommodate PCF, Mitterrand sometimes downgraded his pro-Europeanism and Atlanticism[4]. For instance, in 1972 the common programme between the PS and PCF "the socialist European ardour has been dampened" (Bell, 1975:430)[5]. The Gaullist legacy of national grandeur should also be placed in the explanation of Mitterrand's European policy[6]. He employed a vision of a strong Europe united around France. This Europe would be in line with French *dirigisme*, including the enactment of

[1] Christian Pineau, a SFIO minister during the negotiations, later summarised the role played by the SFIO in European integration: "It started in a very Christian Democratic manner which, by the way, put a lot of socialists off. But it was after all the SFIO that achieved the Treaty of Rome. Guy Mollet's contribution to the construction of Europe is often underestimated. That is not fair … The fact remains that the SFIO was the figurehead for the Rome Treaty, which is, after all, not too bad" (Pineau, 1993:62).

[2] e.g. the factions headed by Michel Rocard and Pierre Mauroy.

[3] CERES -*Centre d'Etudes, de Recherches et d'Education Socialiste*- was headed by J.P. Chevenement and was as a quasi-Marxisan group strongly opposed the form of European integration since the 1960s (Bell, 1975). The group later split from the PS under the name of *Mouvement des Citoyens* and further renamed as *Pole Republican* in 2002 (Stevens, 2003). Cole (1996:81) notes that there existed "an almost pathological distrust of Germany and German intentions" among CERES.

[4] "In the 1970s, Mitterrand steered a delicate course between different party factions, playing off one against the other, at the cost of some ambiguity in policy" (Featherstone, 1988:134).

[5] An interesting indicator for our topic and the attitude of PS is the enlargement referendum held in France in April 1972. The first enlargement was approved by French electorate by 68%, with a 60% turnout. PCF voted against, while PS abstained. According to a poll of Le Monde, 62% of PS members voted *non* first of all to British membership (Bell, 1975).

[6] Harrison's (1984) account does not include the European case, but clearly illustrates the Gaullist principles transmitted to the PS foreign policy (cf. Cole 2001:22).

social provisions of the Rome Treaty, development of common industrial policies, the reform of the CAP, the promotion of European economic independence against global rivals and the establishment of rules for regulation of the MNCs (Cole, 1996:72). His Europeanism was aimed at serving national interests, as he stated at the EP in 1984: "If the existence of a strong France conditions the progress of an independent Europe, the future of France goes via the renewal of Europe" (Featherstone, 1988:131).

However, the idealism of Mitterrand did not turn into reality after he assumed power in 1981. As a matter of fact, at the time he assumed the French Presidency with a PS-dominated government, it seemed as if socialists had the full sovereignty and freedom of action lying in front of them. In the first two years of its administration, such a *de jure* freedom was absolutely exploited to its full limits: the government initiated a massive Keynesian reflation coupled with extensive undertakings of nationalisation and greater industrial democracy (cf. Sassoon, 1996:550-2)[1]. Yet, despite much of its radical transformative rhetoric, the policies were the classical social democratic reformism (Criddle, 1986). The economic crisis erupted as France tried to reflate its own economy while the other industrial countries were applying deflationary policies. The subsequent inflationary pressure and balance of payment problem might have been avoided if only the government had chosen to devalue the franc immediately after it took power. But it was too late and in 1983, Mitterrand had only two options: either to prefer a relative autarchy by leaving the EMS, or to remain in the system. He chose the latter and applied incremental austerity measures and sound monetarism –*désinflation competitive* (Lordon, 1998). Hence, the so-called U-turn: "shifting from 'socialism in one country' to membership of EMS and the *franc fort*" (Bailey, 2005:27). PS adopted a project of the 'modernisation' of capitalism instead of its discourse of the dismantlement of capitalism. In that project, Europe's role was to be the enhancement of French domestic interests, as mentioned earlier (see also Ladrech, 2001:40).

The idea of EMU was put forward within such a context: the regaining of the monetary autonomy and safeguarding French international influence by binding –or 'bandwagoning' in neorealist term- the Bundesbank (Dyson, 1999a; Reland, 1998). It was largely a Mitterrand initiative. According to the constitutional framework of the Fifth Republic,

[1] For a detailed account of French socialist experiment after 1981, see Hall (1986), Ross and Jenson (1988), Ross (1998) and MacShane (1986).

foreign affairs have been the *domain reserve* of the president. He chose the option of Europe, but that does not directly mean to be the PS policy, and Mitterrand had to persuade his own party first (Ross, 1998:6). The main architecture would be the former finance minister, Delors, who carried out the U-turn in 1983 and then became the president of the EC Commission in 1985. Regardless of Delors' efforts, the Maastricht Treaty only satisfied the German side: "Jacques Delors himself, reporting to the EP immediately after the Maastricht European Council in December 1991, noted the weak EMU macroeconomic policy provisions and predicted that EMU would create a banker's Europe" (Ross and Martin, 2002:8). The primary French objective was attained at the Maastricht Treaty but not with the substance and form they envisaged, i.e. without the political control.

PS had to swallow the constraints of the Maastricht Treaty. Ross (1998) identifies a period of 'endogenization' of EMU after 1993; an exit option was not available for them, as Rocard stated clearly that any deviation would be "electorally damaging, economically dangerous, strategically irresponsible, and politically immoral" (Cole, 1996:75). EMU economics became *la pensee unique*. They concentrated their efforts to alter the conditions of the EMU and create new policies; like the proposals of European-wide minimum wage, a concerted anti-unemployment strategy and Euro-Keynesian policies. The preoccupation of the Lionel Jospin government of 1997 was to "positivize" the European debate (Cole and Drake, 2000:35). "Europe should be more than a market. It should proclaim a societal programme" Jospin (2001) had declared. It was a way to reconcile the traditional concept of French interventionist state with the European integration, the divergence between which had become too evident since the 1980s –in the form of the conflict between the European regulatory regime and French idea of public services or industrial policy. But Jospin had to work firstly under co-habitation and secondly in a coalition government –*gauche plurielle*- that included avowedly Eurosceptical parties.

At the Amsterdam European Council of June 1997, Jospin could not manage to constitute a *gouvernement économique* to counter the ECB, yet attained a rather symbolic Euro-11 ministerial group to accompany the ECB. The Stability and Growth Pact –SGP- was agreed on *anti*-Keynesian bases. One source of difficulty was the divergent interests of Jospin and Schröder. The two leaders occasionally confronted each other over the budget or CAP; in contrast to the collaboration between Dominique Strauss-Kahn and Lafontaine in the early phases on ambitious but unsuccessful tax-harmonisation issue. The one significant

contribution was the insertion of an employment chapter to the Amsterdam Treaty and the following 'Jobs Summits' that created EES, which also served as a domestic legitimisation tool (Howarth, 2002:358-9). On the employment policy, Jospin and Martine Aubry – Minister of Labour and Delors' daughter- had to confront this time Blair government's conflicting agenda and vision.

The final point has been put by French electorate who rejected the European Constitution in 2005. In December 2004, PS Congress had approved the Constitution[1] in a vote that was described by the former PS European Affairs minister Pierre Moscovici (2004) as PS's own Bad Godesberg. However, the party split over the Constitution between the leadership of François Hollande supporting it and the opposing minority led by Laurent Fabius[2], PS's number two.

PS envisages a strong Europe with strengthened supranational institutions, but its vision is highly *French*; given the country's strong Republican roots and idea of the nation as '*une et indivisible*'. Hincker (1997) shows that French socialism has always been a party of Republic rather than a party of Labour. A related vital notion is 'public service' on which even the enthusiastically pro-European PS can willingly risk to clash with the EU; like on secularism and French model of assimilative citizenship, hence varying degrees of 'goodness of fit', to use a popular term in Europeanisation literature[3].

Benelux: Due to the expected gains from integration, political parties of small countries *prima facie* seem to be more inclined to give their support to the European integration. But the historical account shows that such a relationship is neither automatic nor untroubled. The Dutch PvdA is usually cited as one of the most enthusiastic supporter of the European integration. But at the initial phases, an exceptional situation occurred at the party: Party cadres were more supportive to supranational types of integration, while the PvdA ministers in coalition governments were more cautious and protective of national sovereignty (Brusse, 1993). Pro-Europeans were led by Sicco Mansholt; who was the

[1] The approval rate was 59% at the party congress, but the individual PS voters rejected the constitution by 56% according to opinion polls – a striking change compared with the Maastricht referendum when four out of five PS sympathisers had voted *oui* (Hainsworth, 2006).
[2] Interestingly, as Moscovici (2004) remarks; Fabius was the signatory to SEA, party leader during Maastricht negotiations and finance minister when Euro was adopted! For the *non* side, the major objection was the neoliberal aspect of the Constitution (e.g. Emmanuelli, 2005)
[3] For a very recent account of the *misfit* between French ideas/institutions and Europe, see Schmidt (2006).

Minister of Agriculture, later became the EC Commissioner and formulated the CAP – though very different from his intentions. On the other hand, very popular party leader and Prime Minister '*father*' Willem Drees was the leading sceptic. For instance, Dutch socialists resisted French calls for social harmonisation on the grounds that it would have damaging effects on Dutch competitiveness. PvdA was also a highly pro-Atlantic party but this stance gave way to a more critical policy advocating an independent Europe in the 1970s –closely related with the radicalisation of the party under the leadership of Joop Den Uyl. Traditionally, party policies -especially those of foreign affairs- have been marked by the consensual policy-making characteristics of the Dutch politics.

In the Belgium case, we witness the crucial role played by Paul-Henri Spaak, a founding father of the EU[1]. Spaak was a key person in the conversion of the PSB into the supranational path. In fact, during the ratification of the ECSC at the Senate, 56 PSB MPs had abstained. In the chamber of deputies, socialists were again split but the treaty passed, as Spaak had threatened to leave the party in case of failure (Mommens and Minten, 1993:147). EDC ratification was even bitterer, which resulted with the expulsion of some party members. Spaak pleaded his fellows for the consideration of the *realpolitik* to decide on German re-armament. Meanwhile a party senator, Henri Rolin, founded the *Mouvement socialiste pour la paix,* opposing German re-armament. EDC was finally ratified but leaving socialist highly divided over the issue. There emerged a clear pattern of attitude over Europe: Flemish section, in comparison to Wallonian section was more sceptical to the European integration. Mommens and Minten (1993:161) explain it as the result of "deeper roots of pacifism in Flanders, one of the four main social cleavages which separate northern and southern Europe". Another point is the emphasis given to the social provisions and workers' rights by the party. PSB, unlike its Dutch counterpart, was insistently calling for a 'Europe of Workers'. But these were not translated into reality, because the negotiation of the Rome Treaty was carried out by Spaak and a few senior bureaucrats, with little input from other party officials.

[1] Spaak served several times as Belgium Prime Minister, Foreign Minister; promoted the customs union between Benelux, presided the Council of Europe and the ECSC Assembly; was the elected chairman of the first session of the General Assembly of United Nations, and finally served as the Secretary-General of NATO. But his most important contribution was the preparation of the Rome Treaties during Messina talks.

After the constitutional changes in Belgium, socialists formed their separate regional organisations in Wallonian and Flemish parts –PS and SP.a respectively. Since the 1950s, in Belgium the support for supranational and federal types of integration has acquired a status of common agreement among elites, including socialists: "Europe goes without saying" (Deschouwer and Van Assche, 2005).

Spaak asserted in 1955 that "Europe will only survive in unity! The period of small markets has ended and it is necessary to create a common market in Europe. No European country is able to assure its liberty and existence alone; together we can do it, but it is necessary to begin today". But Rolin in response asked the crucial question for our study: "When we have transferred our powers over economic, welfare, and tax policy, which powers will remain for our national parliaments?" (Haas, 1968:147-8). This dilemma was valid for even the tiny Luxembourgian Socialist Workers' Party –LSAP- and while they were mainly supportive of supranational institutions, still those willing to retain power in the national hands were present there.

Italy: Like other southern European socialist parties, Italian PSI had not denounced Marxism and it continued to compete at the similar platforms with the powerful communist parties. PSI had a very well-founded federalist background but it opposed the post-war European integration described as "Trojan horses for US imperialism and anti-Soviet propaganda" (Featherstone, 1988:215). Party had strong ties with both the Soviet Union and PCI; in fact under the hegemony of the latter. PSI was being excluded by European social democracy as it collaborated with the communists. Instead, Europeans viewed the smaller PSDI[1] as the representative of the international current in Italy.

The social-democratization and acceptance of European integration occurred after mid-1950s and reinforced each other (Favretto, 2000a). The crucial moment was the Soviet intervention in Hungary in 1956. PSI leader Pietro Nenni criticised the Soviets and began the process of distancing the party from the PCI. Favretto (2000b) shows that Nenni's model for the party was the British Labour Party –at that time the leading party of SI. A year later, PSI abstained on the EEC ratification but supported EURATOM in the Chambers of Deputies (Nolfo, 1993:97). In addition to the general transformation, another

[1] The history of social democracy in Italy is a history of splits, reunifications and the existence of more than one SI affiliated-parties –unusual in other West European countries.

reason for change was the increasing approval of integration among trade unions. Even the PCI-dominated trade union was supporting the idea. PSI further gained an area of freedom when Italian communists converted themselves into the Euro-communist path. The PSI was committed to transform the EC from within. De-radicalisation reached its zenith when PSI entered coalition governments with Christian Democrats. In the 1980s, PSI leader Bennito Craxi headed coalition governments which were generally characterised as highly pro-European and supranationalist[1]. By the time they were in power, they had already dropped much of their 'maximalist' ideas, and committed officially to "pragmatism, gradualism and reform" (LaPalombara, 1982:932).

Craxi and his PSI collapsed and disappeared with all other political parties associated with widespread corruption and scandals in the beginning of the 1990s. The only seemingly party that escaped this turmoil, PCI disorganised too, after the collapse of the Soviet Bloc. Former communists took the space of the Left under the banner of PDS, which incorporated some of the former social democrats. Organisationally, the model was the Democratic Party-USA and ideologically it affiliated itself to the SI –Italian communist MEPs had joined the Socialist group in the EP in 1992. In 1998, PDS was converted into the DS. The Olive Tree coalitions under Massimo D'Alema and Romano Prodi[2] ruled the country and managed the reforms needed for qualification for scheduled Euro entry (Sapelli, 1997). The DS has been a strong supporter of Third Way idea and European integration[3].

Southern cases: Greek PASOK, at its creation after the junta, "presented itself as a radical socialist party supporting a road to socialism different from both the communist and social democratic model" (Alkan, 2004:87). Social democracy was being denounced as the "noble face and gentle mask" of capitalism (Verney, 1996:174)[4]. Its ideology was a mix of deep populism combined with a Third Worldist anti-imperialism and dependency theory. It rejected the Greek accession to the EC, which was defined as "a club of monopolies and an

[1] Especially symbolic was Craxi's role in his call for open voting for an IGC to the astonishment of Thatcher in the Milan European Council of June 1985.
[2] Prodi, later the president of the EC Commission, can be described as a Christian Democrat and technocrat. The economic policies of Italian Left governments in the 1990s were not different from the other party governments and were highly technocratic.
[3] This point is powerfully presented in Abse (2001), Favretto (2000b, 2002) and Conti (2003).
[4] PASOK preferred to stay out of the SI until 1989.

impediment to an independent national economic policy" (Moschonas, 1999:111). Party's slogan had been 'Greece for Greeks'.

PASOK's first government term between 1981 and 1985 was marked by an uneasy relationship with the EC. It did not choose the withdrawal option and viewed the membership as a *fait accompli*. It rather insisted a special treatment, some of which were granted economically (Featherstone, 1986). Its frequent use of vetoes inside the EPC and its divergent foreign policies earned the country an infamous reputation. Things began to change with PASOK's second term. Party accepted the SEA and began to view common European foreign policy especially useful on Greek interests, as in Aegean and Cyprus[1] problems (Moschonas, 2001:13). There were several reasons in the policy change. First of all, it should be noted that the decision-making in the party was exclusively in the hands of Andreas Papandreou. Greek European policy was designed by him, helped by a small circle of civil service. The contributions from the party cadres and even the cabinet members were minimal (Verney, 1996). Therefore, the leadership effect –political and personal calculations- was highly decisive in policy reversal. A second factor, as mentioned, was the change in regional security considerations. Possibly the most visible reason was the financial aspects and the flow of EC structural funds to the country.

The road PASOK travelled from hate to love is impressive. Formerly, the right-wing New Democracy was the Euro-champions in Greece; since the 1990s this role has been taken by PASOK[2]. Kostas Simitis era became the height of pro-Europeanism[3]. In 1990s, PASOK's main goal was 'modernisation', which was synonymous with EMU and Europeanisation. European integration process and the goal of EMU has been the main driving force in the transformation of PASOK (Verney, 2004; Moschonas, 2001). Currently, party policy is a mix of national and pro-federal positions. A Eurosceptical group split away in 1995 and formed DIKKI, but it has not achieved to go beyond being as a tiny party onto the left of PASOK.

[1] Cypriot social democrats –EDEK- have been very pro-European in orientation, but unlike PASOK, not a strong party and always in the shadows of AKEL.
[2] As a party previously leading defender of intergovernmental structures, PASOK ministers did not hesitate to utter the F-word: "Theodoros Pangalos stated in July 1992 that 'the time was ripe for a major qualitative leap, for political unification. The European Union is the federal state of the future'" (Verney, 1996:186).
[3] As an irony of history; Simitis "had been expelled from the executive bureau after he authorized the circulation of a poster bearing a slogan regarded as too openly pro-EC" in 1979 (Verney, 1996:172).

During Franco years, the illegal PSOE's primary goal was the overthrow of the regime. More than anything else, Europe was an important means for that goal. But also there has been a deep philosophical tradition that considered the European connection as a necessary link for the country's modernisation and development. The party wholeheartedly followed Ortega y Gasset's famous dictum: 'Spain is the problem, Europe is the solution' (cf. Kennedy, 2001; Closa, 2001). But until the end of Franco regime, PSOE's European vision was confined to an expression of anti-Francoism, hence the absence of any concrete positive ideas (Pineyro, 1993). In the 1970s, party's European discourse became more radical, but this radicalism eventually ceased as with all other remaining Marxist references in its programme at the end of the decade. Social-democratization of the party was carried out by Felipe Gonzalez, with the tutelage of W. German SPD (Closa, 2001). Gonzalez governments since 1982 undertook a massive transition and catch-up to the model of Western liberal democracy and erection of similar welfare structures, mainly with the help of EC membership. Modernisation, i.e. Europeanisation, became the party's leitmotif (Kennedy, 1997:96). This has been elevated to a nearly total consensus among the elites and masses, unlike the NATO debate.

Spanish European discourse was pro-federal, and decided directly by Gonzalez and an inner circle of bureaucrats. PSOE input was minimal (Gillespie, 1996:157). But it did not cause much problem due to the overwhelming pro-federal consensus. Yet as Closa (2001:15) aptly underlines "this could be described as wrapping the national interest in a federalist discourse"; as exemplified by the role played in structural funds or advocation of strong relationship with Latin America and Arab world. Intra-party problems emerged after Maastricht Treaty, but the party cadres never challenged Gonzalez on European grounds. Party adhered EMU criteria in the name of being 'good Europeans'. After 1996, socialists criticised conservative Aznar governments as being too cautious and nationalist. Gillespie (1996:166) drives the conclusion that "their experience supports the contention that ideology is an influence when parties are in opposition, or have recently come into office: being in government led the PSOE, to some extent, to 'nationalize' its European policy, while never questioning its underlying support for some form of a united Europe".

In Portugal, too, like in her neighbour, Europe integration and participation in it meant to be the transition to democracy and reorganisation of the Portugal state; "a nation building

process" as termed by Lobo and Magalhaes (2001:27). PS leader Mario Soares was assisted by the German SPD in the transformation of the party and the state[1]. European integration was instrumental for the socialists to marginalise the communists and initiate the reforms which could not have been implemented in the absence of a European justification. PS currently shares the Third Way ideas; as one of its highly international figures, Antonio Guterres, usually being named a key Third Way politician, with his ambition to "lead the fight for employment in Europe" during the 1996 IGC (Vasconcelos, 2000). Both Spanish and Portuguese socialists were the main actors that enabled their countries' membership to the EC and they remain as the leading pro-Europeans in their constituencies.

Ireland and Denmark: The Irish Labour Party has been a small, neutralist and Catholicist party, generally coming third after the two traditional centrist parties of the country. The EC issue had never been salient until 1972, when Ireland followed the UK of whose economy it was closely tied to (Orridge, 1975). Party, together with the trade unions, opposed the entry, due to the fear of job losses. In May 1972 referendum, 82% voted for entry and party had to accept the result. After the referendum, it experienced an evident Europeanisation process. Once an isolated party, it found new and prestigious venues in Europe. The SEA was negotiated by an Irish coalition government in which Labour Party was present. But the majority of party members were opposing the new treaty. "The compromise that was reached saw Labour avoid adopting any official line and allowing members to choose as individuals to campaign for either side" (Holmes, 1996:194). Labour Party later accepted the Maastricht Treaty and this support continued in the two notorious referendums on Nice Treaty.

In the Northern Ireland case, Social Democratic and Labour Party –SDLP- has followed similar positions with the British Labour Party. SDLP is an independent member of the PES and takes a more pro-European stance than British party, for instance it supports Euro entry without delay. It views the EU as a helpful venue for the solution of Northern Ireland problem and beneficiary in fisheries and regional policies (on the first issue, Meehan, 2000).

[1] Portuguese case is one of the clearest places where the SI played a significant role; including the British Labour government's plans for covert military assistance to Portuguese socialists. This act of 'international solidarity' should be located within the anti-communism of social democratic movement –for a sympathetic account, see Morgan (1997:432-4).

Danish social democrats[1] –SD- were the main force in country's entry to the EC, but it cannot be viewed as an act of 'good Europeans'. In fact, for a long time they would be labelled as the most reluctant Europeans like their British and Nordic comrades (Aylott, 2002). Denmark historically preferred a foreign policy based on neutralism and free international trade as a small economy. Any first *natural* affinity of the party was towards its Nordic neighbours and Britain; even when Britain refused to raise agricultural prices and later to include agriculture in EFTA –which never proved to be a real alternative to the EC. On the other hand, there was the growing importance of trade with West Germany and the fear of the exclusion from a rising common market among the Six. The drive for EC membership was brought by this need to reintegrate with the agricultural export markets in Europe (Sorensen, 1993:178; Rasmussen, 2005). Even with a declining share of agricultural exports in total, these revenues remained very crucial for country's balance of payments.

Danish policies were highly dependent on Britain. SD applied for membership in 1961 following Britain, despite the strong opposition of trade unions –LO. In 1972, the issue turned to be a dilemma between the prospects of long-term economic interdependence and the desire to preserve high standards of Danish welfare state. The referendum in the same year caused deep divisions in social democratic movement; as many in the LO, youth section and many grassroots members actively campaigned against the entry. The referendum resulted with a 63% yes, but the party was upset and lost significant share of votes at the next general election.

Divisions have endured during the EC membership. But there has been a common agreement against any move towards supranationalism which was perceived to threat Danish welfare state and its preference for intergovernmentalism. This was the rationale behind the official opposition to the SEA, which nonetheless was approved at referendum. The pattern reversed in Maastricht ratifications, when SD-led coalition government pursued an active approval campaign in the second referendum, yet in which 50-60% of SD members still voted no (Bille, 1999). A schism between leadership and rank-and-file has been too-evident, especially as leadership has adopted more pro-EC positions since the mid-1980s (Haahr, 1993). It is important to note that the presence of the Socialist People's Party –SF- on the left of the SD highly narrows the options of the social democrats. SD

[1] Autonomous Faroe Islands chose not to join the EC and Greenland withdrew in 1985. Local social democratic parties do not consider joining unless Common Fisheries Policy is altered; as in the case of Icelandic social democrats in the *Alliance* –a merger of centre-left parties since 1999.

advocates a similar 'Social Europe' programme with other social democrats, a high-standard environmental policy, and EMU prioritising employment; but their institutional vision clearly embarks the national preference of intergovernmental forms of *cooperation*; in contrast to cultural, "mythical" and teleological federalist forms (Larsen, 1999).

Scandinavia and Austria: In 1995, countries with strong social democratic traditions became EU members. Austrian and Swedish social democratic movements have always been the intellectual and organisational admired models for the rest. But in the matter of foreign affairs, both had to work within the international neutral status of their countries, which was thought as incompatible with EC membership –unlike EFTA[1]. So, they abstained from EC integration during the Cold War. The end of the Cold War removed one of the reasons of this aloofness.

In Austria, social democrats –especially Bruno Kreisky- played an important role in the creation of EFTA. SPÖ moved from a rather sceptical position to one of full acceptance. In 1989, the party approved the decision for application and in 1994 referendum "some 66.6 per cent of Austrians voted for accession, the proportion of SPÖ partisans who did so stood at 73 per cent" (Luther, 1999:28).

The most pro-European social democrats in Nordic countries happened to be the Finnish party –SDP. Party demanded application for membership in 1991 and its supporters voted 75% affirmatively in the 1994 referendum (Johansson and Raunio, 2001:234). Party has not since faced significant dissidents over Europe and therefore represents an exception in Nordic cases according to its relative uniformity of support. On the contrary, Swedish SAP has been divided historically. The formative period after the WWII was viewed similarly conservative –*Catholic*- and capitalist by Swedish social democrats. Their functionalist ideas were in part shaped by a certain Anglophile tradition. In 1961, Prime Minister Tage Erlander made a famous speech in which he declared that "membership cannot be combined with the Swedish policy of neutrality" (Olssen, 1993:233). The post-Cold War application for membership was in part legitimised by social democrats leaders as a response to the increasing global pressures on the survival and maintenance of Swedish

[1] See Gehler (2002) on the relationship between neutrality and Austrian views of integration.

welfare model[1]. The preservation of social democratic values was linked to EU entry. This move would also reassure the capital on management of an economy highly dependent on global export markets (Bailey, 2005:20-2). In 1994 referendum, SAP leadership took a pro-EU position, but allowed its activists to campaign in both camps. The referendum resulted with a minor majority of yes -52%, but the social democrats voted reversely -56% no (Aucante, 2000:9). The same division persisted on the EMU. SAP decided to abstain from the third phase of EMU and pursued an official 'yes but later' policy. The following referendum in September 2003 resulted with a no, like the Danish rejection in three years ago.

Norway's social democrats –DNA- were also Anglophile and pro-Atlantic rather than continental Europe-oriented. Norway applied for membership in 1962 following the British lead. In 1972, the party was highly split on the issue[2]. The minister of fisheries had resigned during the negotiations. In order to secure the outcome, Prime Minister turned the referendum into a vote of confidence. The referendum resulted with a 53.5% no, whereas 60% of Labour members voted no (Geyer, 1995:85). The anti-EC faction left the party after the referendum and formed the Socialist Left Party –SV. In 1973 national election, DNA suffered a significant loss. In the succeeding years a modernisation process was initiated under the leadership of Gro Harlem Brundtland, but it could not eradicate the division lines inside the party. The Swedish application triggered a similar path in Norway and the party congress in 1992 approved such an application by a vote of 186 to 108 (Saglie, 2000:101). This time party members were free to campaign in either camps in 1994 referendum; but the leadership took a pro-EU position, whereas the trade unions, youth and women branches took part mainly in opposition. The policy was termed as "contract of disagreement" (Saglie, 2000). The result has been strikingly same as the one in 1972: 52.2% no, with the decisive opposition of public servants, farmers and fishermen largely in the rural northern peripheries (Hellevik et al, 1975; Pierce et al, 1983; Bjorklund, 1997). However, the party now managed to avoid further splits and remain in power.

We can observe a divergence between leadership and grassroots perceptions. In Sweden, Denmark and Norway, opposition to the EU is originated on a left-wing ground of welfare

[1] "SAP leader Ingvar Carlsson claimed, 'we must show that issues like social-security, unemployment and the environment will be better solved if we are in the EU than if we stand outside'" (Bailey, 2005:21). For an argumentation relying on capital-flight threat, see Wilks (1996).
[2] On the relationship between Norwegian identity and Europe, see Tanıl (2003).

state protectionism, expressed as "anxiety over the 'spectre of Europe' than confidence in the 'promise of Europe'" (Tragardh, 1997). At first glance, this seems contradictory to the seemingly progressive internationalism of Scandinavian parties. But the much remote internationalism does not pose any serious threat to Scandinavian welfare model, unlike European integration. So, there occurs a strong *nationalist* defence of 'socialism'. The concept of *folkhemmet* –people's home- highlights this idea of universalist and solidaristic welfare state. The scepticism that gives the colour of 'Scandinavian exceptionalism' has been over the protection of this *folkhem* (Lawyer, 1997). In the end, Norwegians chose to go it alone, while the others remain highly lukewarm to any move towards more federalist directions which might erode their social democratic achievements.

Central and Eastern European countries: After the collapse of communist regimes, integration process with the EU was based on a nearly-consensual elite and public basis in the CEECs. Both economic expectations and ideational values –'return to Europe'- have been influential in the aspirations of political leaders. In these countries, social democrats emerged either as the successors of former state socialist parties or as claiming the heritage of historical social democrats. All of them turned to be significant pro-EU actors in their own countries. An important goal for these parties has been to be accredited as social democrats in Western type, through membership in SI and PES. On the other hand, their apparent Europeanism is coupled with an equally strong pro-Atlantic orientation and desire for NATO membership; especially evident for Polish and Baltic social democrats.

SLD of Poland, SDL of Slovakia, and MSzP of Hungary are examples of former communists transformed into social democrats. SLD formed governments in Poland during 1990s. The party had no significant contribution to the internal aspects of the EU, but supported the inclusion of a reference to 'God' in the draft EU Constitution. It emphasizes the relations with Russia and Ukraine, and focuses on CAP and structural funds. In Slovakia, SDL remains a small party advocating European social model in line with Third Way: "SDL hoped to use European integration as a way to protect as much as possible of the Slovak welfare state" (Dauderstadt, 2005:59). In 2002, a new party –*Smer*- was founded on Third Way ideas (Dauderstadt and Joerißen: 2004) and *Smer* won the Slovak election in 2006. This path is similar for Hungarian MSzP, too (Kopecky and Mudde, 2002:308). In Czech Republic, it was the historical social democrats –ČSSD- that achieved to dominate the centre-left grounds against the communist successors. ČSSD is one of the most pro-EU

parties in the country (Baun et al, 2006). In Lithuania, the former communists and historical social democrats merged into a single party in 2000. In Baltic cases, the primary concern appears to be the security dimension. The first stages of relationship of Bulgarian –BSP- and Romanian –PSD- social democrats with the SI and PES was cautious, due to their strong linkages with the past regimes (Pridham, 2002). Yet they have eventually been admitted to these transnational bodies. As for Malta, Malta Labour Party was the only social democratic party opposing the accession during the last enlargement. In 1996, social democratic government had frozen the country's 1990 application for membership, only to be reversed by the subsequent right-wing government[1].

In the transformation of CEECs' social democrats, the German SPD and Austrian SPÖ played a crucial role due to their geographical and cultural proximity[2]. They provided the financial and organisational assistance (Sloam, 2005; Paterson and Sloam, 2005). The former uncritical support for European integration has withered away considerably, because of the growing public scepticism in these countries; and therefore CEECs' social democrats are now trying to exert influence more assertively on the EU level about their own values and preferences of the forms of integration.

2.2 TRANSNATIONAL AND SUPRANATIONAL CONTEXTS

In an article appeared during times of high hopes for the coming first direct elections to the EP, David Marquand (1978) had argued that the legitimacy problem of the EC –and possibly the crisis of social democracy- could only be cured by the transformation of the *Europe des patries* into a *Europe des partis*. This expectation has not turned into reality in the following decades, as later admitted by Marquand (1997): a directly elected EP alone cannot in itself harness the legitimacy of a polity. Nevertheless, European social democrats

[1] Malta is an interesting case for a country with a population of only 360,000 and high-levels of Euroscepticism. Labour Party's opposition is partly originating from its anti-colonial position from the past. In 2000, the party leader had told his fellow comrade, Gunter Verheugen, "not to talk too much because whoever has a long tongue should either bite it or we will bite it for you" or "Verheugen can show us his diagrams [benefits to the country-HK] for as long as he likes. We will simply show the EU the photos of what the German bombs in the Second World War brought to Malta". For further details see Briguglio (2001). The party joined the PES in 2003.
[2] For the Slovakian case of SDL, the guider was to be the Italian PDS (Pridham, 1999).

have increased their transnational cooperation considerably at the European level since that day[1].

Certainly, transnational cooperation was nothing new for social democratic 'party family'. The global locus has been the SI[2]. As a matter of fact, the first transnational organisation of European social democrats was, at least officially, a regional sub-division of the SI: *Liaison Bureau of the Socialist Parties of the EC* -1957. The task of the liaison bureau was the coordination of socialist groups in the EP[3] and Council of Europe with their national parties. The bureau was augmented in 1974 into the *Confederation of Socialist Parties of the EC* –CSPEC. Aside from some cosmetic changes in rules, CSPEC had no real power over member parties. Any remaining possibility to progress in the way to a stronger and cohesive federal organisation was impeded by each enlargement and entry of more sceptical parties into the organisation[4].

As Brandt told to the EP in 1973, for too long social democrats had not delivered their own output at the EC level (May, 1975:494; see also Paterson, 1975). Hix and Lesse (2002) point out that the first common document exclusively based on socialist principles –a text titled 'Social Europe'- was approved as late as in 1973. On the eve of direct elections to the EP, CSPEC assumed the task of preparing the common manifesto. However, the process only resulted with a common lowest denominator final text, trying to appease each single party. In addition, every party prepared its own manifesto alongside the agreed document – British Labour Party even did not take up the joint one. The priority in 1984 manifesto was to be the common socialist response to the economic crisis: For a 'European Way out of Crisis', manifesto urged a coordinated reflation, an enhanced research and industry policy,

[1] We should bear in mind that by transnational activities we mean not only the work of joint organisations but also the cross-border activities of parties and societies like *Friedrich Ebert Stiftung*, *Fondation Jean Jaures*, *Fondation Saint-Simon*, *Notre Europe*, *Alfred Mozer Stichting* -PvdA, *The Rienner Institute* –SPÖ, *Policy Network* –UK, etc.

[2] COMISCO was created in 1947 and several international socialist meetings were held until the reinstitution of the SI in 1951 (Sturmthal, 1953:142-5). The SI is based in London, but largely financed and supported by SPD (Padgett and Paterson, 1991:223).

[3] Socialist Group of Six in the ECSC Assembly was set up in June 1953. The impetus for further transnational cooperation originated from this mere existence of party groups at supranational organisations (Day, 2005).

[4] British Labour Party did not formally join until 1976, so was PASOK until 1989. PASOK MEPs were sitting with the Socialist Group whilst holding the right to vote independently from the Group. Irish Labour MEPs were regularly diverging from Group position for a purely Irish line on certain issues, the idea of a powerful EP remained to be anathema for Danes, etc. (Sweeney, 1984; Holmes, 1996).

reduction of working hours, environmental protection, a more independent foreign policy *vis-à-vis* America and increased powers for the EP[1]. With the exception of British Labour Party, the same manifesto also called for a strengthened EMS.

In the second half of the 1980s, CSPEC supported Delors' social dimension. The 1980s can be regarded as the period which the member parties more or less converge towards similar positions: organisationally, there emerged the recognition of adopting a more appropriate and effective form of response against the evolving of European polity itself[2]. Up until the 1990s, it was only the Dutch PvdA that consistently advocated a real institutional reorganisation –preferably in a federation form[3]. Such calls were rejected by most of the member parties. In November 1992, the organisational reform culminated with the establishment of the *Party of European Socialists* –PES. Hix and Lesse (2002:61), the authors of the PES history, admit that this reorganisation once again remained rather cosmetic[4] -despite the abandonment of unanimity in areas for which the Council of Ministers applies QMV (Johansson, 1996:211). The national parties still retain the ultimate control over their European policies. This is reflected in the dominant status of the party leaders' meetings, regularised as before every European summit. The dominance of party leaders in a way reinforces the priority and legitimacy of national politics (Moschonas, 2004); on the other hand, it can be viewed as a successful adaptation to the logic of EU governance on behalf of social democrats (Ladrech, 2000). Instead of evolving towards a federal party –in the absence of a European *demos*- PES functions as a *policy network* to influence policies of a multilevel, multidimensional EU polity.

Johansson (1996:223) warns us on an important point: "Transnational party organizations should be judged on their own merits and not by the same strict criteria as are usually

[1] The main thrust of the manifesto reflected –unrealised- proposals of French PS and German SDP for decoupling European interest rates from the US, which would have necessitated capital controls; and concerted international reflation respectively (Webber, 1986:46-7).

[2] Just to mention the increased powers for the EP and the inclusion of Article 138a at Maastricht Treaty: *'Political parties at European level are important as a factor for integration within the Union. They contribute to forming a European awareness and to expressing the political will of the citizens of the Union'.*

[3] The member parties even was at disagreement on the name of the CSPEC in different languages. For instance, Dutch preferred to call it 'federation' in official documents.

[4] A snapshot of organisational features and electoral destinies for the PES is provided in the Appendix F. Ladrech (2000:13) informs that PES does not have the power to force individual parties to a particular policy position; on the other hand, Hix and Lord (1997:191) give an anecdote of dispute between SPÖ and PSOE, in which "under this PES pressure, Gonzalez agreed to back down". But the pressure here seems to be rather the *informal* effect of socialization process.

applied to Europe's national political parties". The key element then in the EU polity can be regarded as to influence and alter EU agenda by aggregating national party interests (cf. Ladrech, 2000). On this aspect, the picture is rather bleak: there is a near consensus on the failure of PES in uploading its distinctive inputs to the EU-level outputs. The single but important exception might be the employment policy initiatives.

In December 1993, a PES working group headed by Allan Larsson[1] presented its report on European employment policies. The considerable impact of this report on the employment chapter of Amsterdam Treaty is acknowledged widely[2]. In 1999, Guterres report was adopted and that text put its mark on the Lisbon Strategy. But the adopted policies have been identified with soft law, voluntaristic and coordination-based approach advocated by 'Third Way' ideas (Aust, 2004). European social democrats could not repeat the same contribution on tax-harmonisation: The compromise on the 1998 PES report under Philippe Busquin was achieved hardly, but at the end, British Labour Party refused to accept its conclusions (Külahcı, 2002). Neither could they achieve to agree on significant changes in the parameters of EMU and its SGP[3].

Another arena for political parties in the EU is recruitment of the top Eurocrats. In theory, Eurocrats are expected to remain neutral, but in practice it is not a possible stance. In most of the literature, top EU echelons are supposed to be agents of neoliberal hegemony. But Hooghe (2000) shows that partisan effect is important and reflects Eurocrats' position on European capitalism: neoliberal versus regulated. Up until nowadays, many social democrats served in these top positions, but their significance –with the exception of Delors- remains a big point of question (see Appendix G).

[1] Larsson was a former SAP finance minister and later became the Director General of DG Employment and Social Affairs (Bailey, 2005:22).
[2] Johansson (1999), Merkel and Ostheim (2004), Külahcı (2004) and Manow et al (2004)
[3] On foreign policy aspects like multilaterism, human rights, development aids, and conflict prevention; Miskimmon and Sloam (2003) argues that CFSP/ESDP highly reflects the priorities of 'Third Way' foreign policies of British Labour and SDP. But they seem highly debatable to be pure, distinguishable social democratic preferences in themselves and shattered after Iraqi war.

CHAPTER 3

PROLEGOMENA *IN MEDIAS RES* TO THE EXPLANATION OF CAUSATION

There is nothing the socialists nationalise as quickly as socialism
(Ignazio Silone)

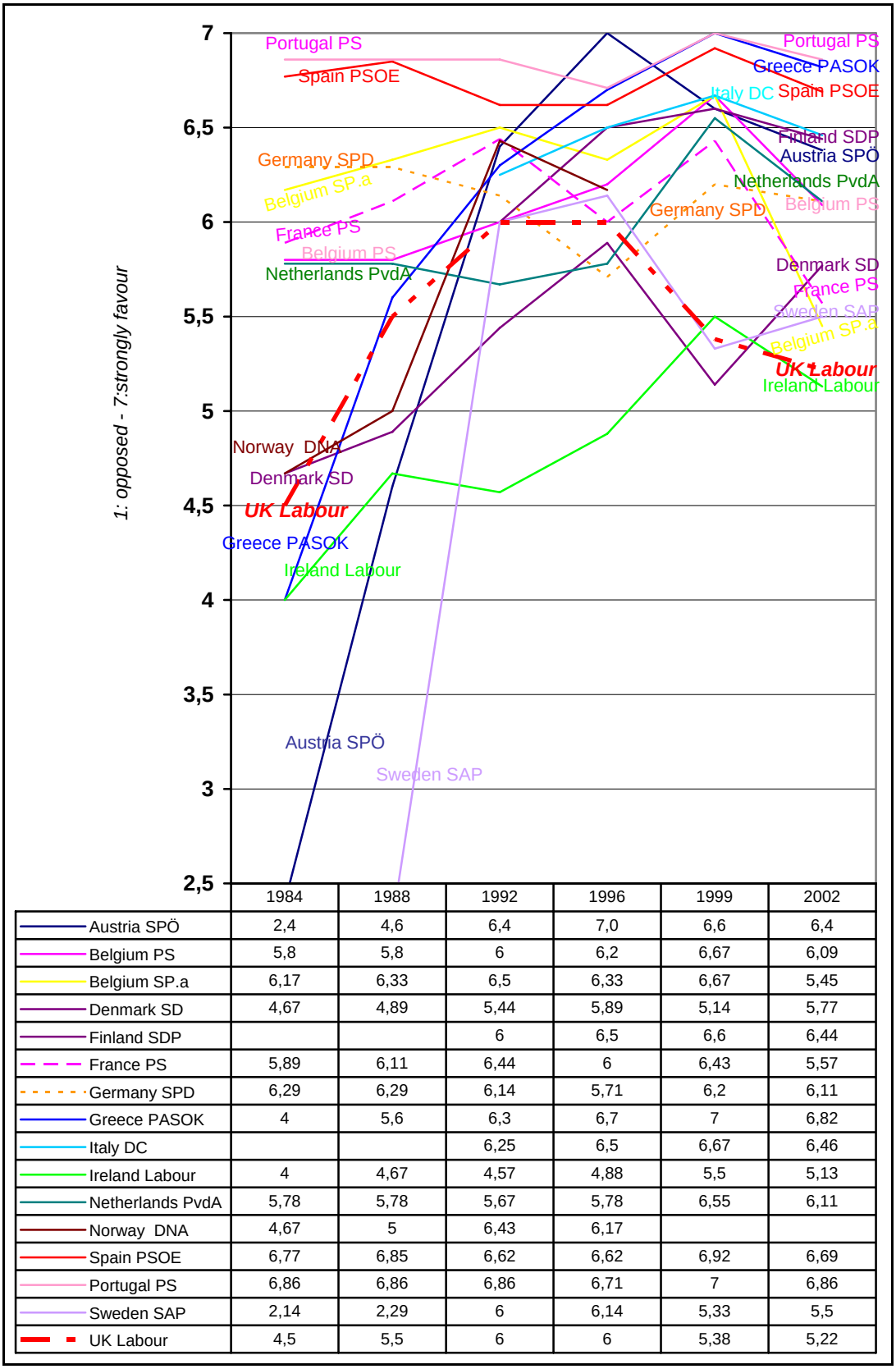
The evolution of social democratic positions narrated in the previous chapter is summarised spatially in Figure 3.1 below[1]. What emerges from that descriptive data is not only the convergence to a highly pro-European position since mid-1980s, but also the relatively diverse positions of Anglo-Saxon and Nordic social democrats. In this chapter, the move towards a pro-European position is taken as the dependent variable and we look for *explanans*. Bartolini (2005:321) suggests that the change can be explained by using four different models:

- Geopolitical: support is determined by national specific features or geopolitical interests
- Institutional: support is a function of parties being in government or opposition
- Partisan: support follows according to dimension of competition such as left/right, libertarian/authoritarian, materialist/post-materialist, etc.
- Genetic: support is shaped according to the original national cleavage positions and about the levels of internal tensions that the integration process creates within them.

He adds that most analyses take either a partisan or genetic explanation. Our explanation also follows these two models[2], but we shall continue on the conventional classification made by Featherstone (1988), bearing in mind the discussion on the interactions between national and international levels in Chapter 1. We shall therefore make an *analytical* distinction between internal and external determinants.

[1] This figure is derived from the reports and data sets of the expert surveys carried out by Ray (1999) and continued by Marks and Steenbergen (1999), Marks (2002). The methodological problems associated with such experts surveys are posited in Budge (2000). The only problem in the figure is the position of Irish Labour Party. I cannot explain its low scores, which are repeated in other findings elsewhere. Benoit and Laver's (2006, forthcoming) data in Appendix F is consistent with Figure 3.1.

[2] What Bartolini calls 'geopolitical' might be appropriate for IR theories like neo-realism and can be grouped under external factors in our classification; and 'institutional' can be studied under internal factors.



	1984	1988	1992	1996	1999	2002
Austria SPÖ	2,4	4,6	6,4	7,0	6,6	6,4
Belgium PS	5,8	5,8	6	6,2	6,67	6,09
Belgium SP.a	6,17	6,33	6,5	6,33	6,67	5,45
Denmark SD	4,67	4,89	5,44	5,89	5,14	5,77
Finland SDP			6	6,5	6,6	6,44
France PS	5,89	6,11	6,44	6	6,43	5,57
Germany SPD	6,29	6,29	6,14	5,71	6,2	6,11
Greece PASOK	4	5,6	6,3	6,7	7	6,82
Italy DC			6,25	6,5	6,67	6,46
Ireland Labour	4	4,67	4,57	4,88	5,5	5,13
Netherlands PvdA	5,78	5,78	5,67	5,78	6,55	6,11
Norway DNA	4,67	5	6,43	6,17		
Spain PSOE	6,77	6,85	6,62	6,62	6,92	6,69
Portugal PS	6,86	6,86	6,86	6,71	7	6,86
Sweden SAP	2,14	2,29	6	6,14	5,33	5,5
UK Labour	4,5	5,5	6	6	5,38	5,22

Figure 3.1 The evolution of party positions on European integration

Accordingly, the internal/domestic factors can be summarised as the basic ideology of the political parties concerned, intra-party politics and factionalism, public opinion, electoral competition with other parties, perceptions of interests and countries' own historical and institutional contexts. External factors can be named as geopolitical considerations, global socioeconomic structures, the influence of the EU institutions and transnational links.

3.1 DOMESTIC AND PARTY-LEVEL VARIABLES

Party politics has always been a fertile sub-discipline with a giant literature[1]. There are various competing models to explain different aspects of party politics. No brief examination of them can do a justice to them here. But it is possible to identify at least two competing approaches at the most abstract level: structural –either sociological or institutional- and economic/rational choice approaches (Koelble, 1991).

Party systems and institutional framework: On party systems, the leading model is the sociological cleavage model of Lipset and Rokkan (1990[1967]). They explained the development and constellation of party systems and also their differentiation according to different paths of cleavage structures: center-periphery, state-church, land-industry and finally owner-worker; each culminating over the preceding ones. The final one –as the one that shaped 20th century politics as left/right cleavage- has brought European party systems closer, but on different historical patterns determined by the first three of them. For instance, Lipset (1983:1) powerfully argued that the characteristics of working-class movement were shaped by "the nature of social system before industrialization … the way in which the economic and political elites responded to the demands of workers for the right to participate in the polity and economy"[2]. The basic historical/structural element in the model envisaged stabile and 'frozen party systems'. But since 1970s, there has been an avalanche of 'party decline' literature: decreasing turn-outs, increasing volatility, partisan

[1] Montero and Gunther (2003), Caramani and Hug (1998) are useful reviews of the development of the literature, both quantitatively and qualitatively.

[2] "In countries in which the working class was incorporated into the body politic at an early date, the chances that workers would come to support extremist or revolutionary doctrines were considerably reduced" (Lipset, 1983:12). Lipset did not omit to warn against taking history as the *sole* determinant. This theme has been developed further in Bartolini (2000: *passim*) for the whole of European Left.

dealignment, declining membership, emergence of new rival parties and the change in political culture[1]. And the clearest victims seemed to be the social democratic mass parties.

Party doom scenarios largely ignored the adaptive and constructive capacities of parties. Parties are not strictly mirror-images of cleavages that are found in society. It is not a one-way reflection, but an interaction. It was stated in a very assertive style, that "the party is not a 'consequence' of the class. Rather, and before, it is the class that receives its identity from the party" (Sartori, 1990[1968]:169). The crucial point then is the party strategies and ideologies[2].

Here, we borrow some tools from the model developed by K. Strom (1990), which is also adopted by Pennings (1999). Strom argues that parties strive for a) votes, b) office and c) policies[3]. This goes beyond the Schumpeterian and Downsian spatial models. For Downs, parties were unitary actors trying to maximize votes. His basic formulation was that "parties formulate policies in order to win elections, rather than win elections in order to formulate policies" (quoted in Strom and Müller, 1999:8). The criticism of Downsian apoliticism is rightly commonplace. But the importance of electoral calculations cannot be neglected altogether. The idea underlying Kirchheimer's catch-all party model[4] can also be interpreted as due to the requirements of electoral politics. The median voter is especially important in plurality systems[5]. Advocating unpopular policies can be suicidal in these systems. But in continental Europe where proportional electoral system is the norm, social democrats have a greater margin to assert their distinct policy options; because the party system tolerate a higher degree of polarization and centrifugal tendencies. Nevertheless,

[1] On the party decline literature; see Bartolini (2005), Smith (2003), Pennings (1998), and Wolinetz (1988).

[2] But if we tend to extent this view to its full limits, then we endanger ourselves with a political voluntarism that "renders class theory tautological" (Kitschelt, 1994:13). Yet it underlines the importance of discursive aspects in the formation of class; besides and in addition to 'objective' criteria (cf. Eley and Nied, 2000:19).

[3] Intra-party unity can be added as a fourth goal (cf. Saglie, 2000). Note that the goals are not exclusive to each other. They are inter-related and dynamic.

[4] The basic characteristics of the catch-all party are "retreat from ideology through giving priority to short-term tactics over long-term strategy; personality politics through concentrating party activity on a few leading politicians; devaluation of the party member to a regular paying voter; orientation not to the class but to the general public; and contacts with business associations of various interests" (Pelinka, 1983:29).

[5] The strong impact of electoral system on party system and individual parties are known since Duverger's (1993[1951]) classic in political science. "The simple-majority single-ballot system encourages a two-party system with alternation of power between major independent parties". In fact, this point –*the law*, as he put it- was the basic conclusion of his seminal book.

they are still left to strike the right balance between vote, office, policy and party unity. A pessimistic example of such trade-offs had been argued by A. Przeworski and J. Sprague in 1986: socialists could never win a single election on purely blue-collar working-class votes. In order to enlarge their electoral bases to middle classes, they had to compromise on delivery of policies and at the same time had to risk the alienation of some of their core supporters. In fact, this explains why 'socialists' turned to be social democrats ideologically; but does not explain the cases when parties simultaneously gain the support of both classes. Interestingly however, Przeworski's rational choice account ends up with a strong sociological determinism; because of the strict de-industrialisation and shrinking of blue-collars argument. The so-called dilemma of electoral socialism has never been so acute and fatal for social democracy[1]. When the traditional northern European social democrats began to show the signs of electoral retreat, it was compensated by the rise of Southern socialism in the 1980s. Finally, at the turn of the millennium, they altogether lived a 'magical return' to power in overall Europe, even more striking than the situation around mid-1970s where there had been a social democratic majority in EC countries except France (Appendix E).

Party strategies depend to a great extent "on the balance of fragmentation in the system of party competition" (Kitschelt, 1994:141). Any structural societal change means a new dimension in electoral competition, through de/re-alignments. However, there are various institutional barriers for new entrants. Major parties try to capture new dimensions inside the existing cleavage patterns[2]. Overall, the configuration and number of '*relevant*' parties has a strong impact on party position[3]. So we can *expect* that social democrats take different positions according to the crowdedness of the political space to the left and right of them and to the general polarization level of the system. Pennings (1998:93) concludes that

> Parties that belong to the same party family behave differently in various polities owing to the way the party system functions. The vote-, office- and policy-related forms of party competition are affected by the party system, but not all in the same direction or to the same degree. The way party systems change is path-dependent.

[1] For critiques, see Callaghan and Tunney (2000), Kitschelt (1994), Merkel (1992), King and Wickham-Jones (1990).
[2] This is in line with the idea of closure of the political market in the recent 'cartel-party' theory developed by R. Katz and P. Mair (Katz and Blyth, 2005). It combines 'catch-all party model' with the increasing role of media, party professionalisation and state-funding.
[3] For instance, Pizarro (1990[1981]:63-4) asserts: "we can confidently conclude, therefore, that, *ceteris paribus*, new entries result in more programme differentiation, whereas a lack of new entries, that is, a long permanence of the same subjects in a system, produces convergence".

It is important to note that European integration has little *direct* impact on overall national party systems (Mair, 2000). The party system change can be explained in more secular domestic changes. For instance, the number of new parties on exclusively-European grounds has been relatively few and only significant in Denmark[1]. In addition, there is no strong evidence of national electoral alliances along European issues. The effects on party systems have been important but *indirect* (Mair, 2006).

Therefore, parties have responded to the challenges of European integration by assimilating the issue into the pre-existing domestic cleavages. Since European politics is still conditioned on albeit declining class cleavage[2], we see a basic Left/Right differentiation on European integration in domestic politics. There is no new European cleavage, but the issue gains greater salience in different countries and contexts. This is a commonly-accepted point, but accounts provided by different scholars vary on important details.

According to Hix (1994; 1995; 1999), Hix and Lord (1997) and Gabel and Hix (2002); party competition on European integration is two-dimensional: Besides the Left/Right dimension, there is also an Integration/Independence dimension. Hix argues that the Left/Right dimension incorporates the classical re-distributional conflicts and the new post-materialistic issues (following Inglehart, 1990). The second, sovereignty dimension is the one envisaged by the previous regional integration theories. These two dimensions limit each other and their interaction depends upon domestic and European-level institutional configurations. The centre-parties deliberately try to suppress the salience of sovereignty issue; but whenever territorial and socio-economic interests unavoidably conflict with each other, centre-parties generally choose nationally-established policy patterns (Hix, 1995:536). This reminds us the priority of ideologies but also the embeddedness of parties to their specific national contexts. This is the reason why we do not observe a general transnational pro-European position among social democrats.

[1] Single-issue parties of Euroscepticism are significant only in Danish and to some extent French case (Taggart, 1998).

[2] "Whatever the 'new' policy dimensions in their importance they are still outdistanced by the 'old' left-right party policy dimension" (Klingemann, 2005:43). Similar empirical results are given by Caramani (2006); Van der Eijk and Franklin (2001). Gabel (2000) had argued in a controversial article that European issue became a new cleavage, but he seems to change his mind in an article written two years later (Gabel and Hix, 2002). Gabel's earlier references [Evans (1998, 1999) on British Conservatism] did not support him.

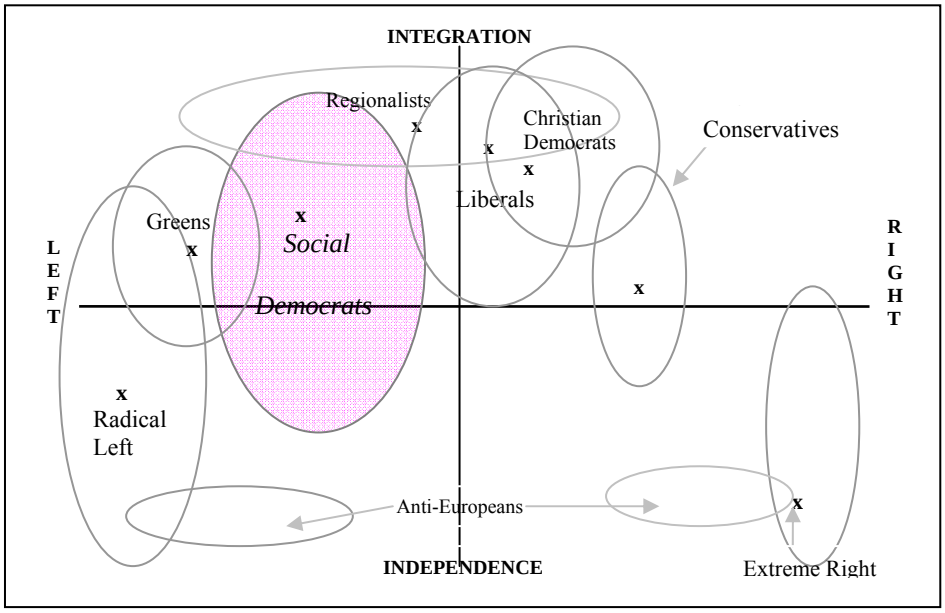


Figure 3.2 Two dimensions of party politics on European integration
Source: reproduced from Hix (1999:79) [x denotes the means for party families and circles as range]

Whereas Hix finds empirical support for the enduring saliency of sovereignty dimension, Gary Marks and his colleagues[1] incorporate this dimension via a different conceptualisation. In earlier periods, they argued that the Left/Right dimension determined the party positions on European integration, to the extent that positions were more likely to be affected by party families than the country location: "Political parties have significantly more in common with parties in the same party family that they do with other parties in the same country" (Marks and Wilson, 2000:459). The basic idea is the prevalence of pro-EU stance among centre parties, unlike radical left and right parties –an inverted U-curve. Inside the pro-EU bloc, there is also a struggle over neoliberal and regulated capitalism, the latter symbolised by social/Christian democracy. Such a regulated capitalism is defined as "a project to build environmental, social, infrastructural, and redistributive policy at the European level. As regulatory issues are taken up at the European level, social democrats

[1] Hooghe and Marks (1999); Marks and Wilson (2000); Hooghe, Marks and Wilson (2002); Marks, Wilson and Ray (2002). Hix takes the two dimensions as ***orthogonal*** factors –statistically independent (Gabel and Hix, 2002:953); for Marks and others, the two dimensions are strongly correlated: Left with integration, Right with independence.

become more favourably disposed to further integration" (Steenbergen and Marks, 2004)[1]. "As regulated capitalism at the European level became a feasible goal, and as social democratic parties came to the realization that they could not exit the single market, they sought to deepen the European Union" (Marks and Wilson, 2000:447). Whilst the market integration threatens national social democratic achievements and its future options, it opens up new possibilities at the European level. This had been the idea behind Delors' *espace organise*:

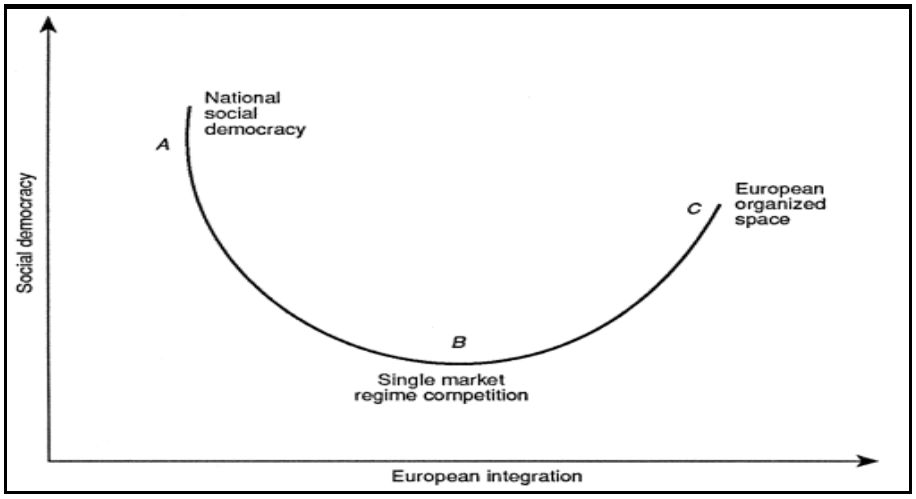


Figure 3.3 Social democratic possibility curve
Source: Marks and Wilson (2000:444)

But, their account could not explain the divergent cases within social democracy. In their more recent articles[2], these scholars employ a new dimension which was formerly included within the Left/Right cleavage: GAL/TAN[3] (cf. Kitschelt, 1994). They claim that the GAL/TAN dimension is the strongest predictor of party positions on Europe in which Eurosceptic parties are positioned on the extremes of GAL/TAN scale in Western Europe.

> Recent research arrives at a different verdict: national identity remains a supremely powerful constraint on preferences concerning the level of European integration. This is true both for political parties and for the general public. As noted above, national identity connects to the second dimension of conflict across western societies, which we describe as [GAL versus TAN] … The position of a political party on the *Gal/Tan* dimension powerfully predicts its position on European issues that engage the *level* of integration (Hooghe and Marks, 2004a).

[1] This *regulated* capitalism is more akin to the kind of holistic regulation implied by Regulation Approach, rather than the usage by Giandomenico Majone, who excludes the redistributory aspects by definition.
[2] Hooghe and Marks (2004a), Hooghe and Marks (2004b), Hooghe and Marks (2005) and Marks et al. (2006)
[3] Green/alternative/libertarian versus Traditionalist/authoritarian/nationalist

We think that their recent empirical findings are compatible with Simon Hix's sovereignty dimension. It is also taking into consideration the growing salience of identity politics[1], especially evident since Maastricht. But still this is applicable to the whole party system and does not speak for social democracy *per se*. We have to consider dynamic inter-relationship between social democrats and other parties, especially the presence of strong extremes of Left/GAL rivals on the Left-Right continuum.

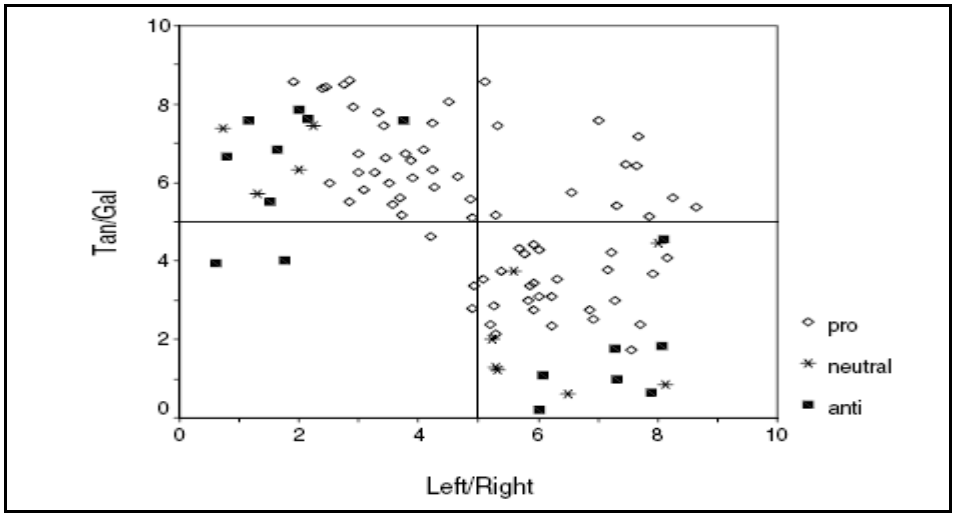


Figure 3.4 Dimensions of party competition and position on European integration in Western Europe
Source: Hooghe et al (2006:162)

Historically, southern European socialists had faced strong communist rivals. However in those countries, Europeanism was regarded as a modernisation project. It was a *Eurosocialism*: modernisation and Europe were substituted as 'emancipation' (cf. Elliott, 1993:14; Rother, 1988). Even if Europe had not been a vote-gaining issue; opposition to it would have been probably disastrous for socialists electorally. The ground for the above statement was prepared by Eurocommunism itself, as Perry Anderson (1992:316) argued. One should refer to the saliency indicators of European dimension for southern European socialists in Figure 3.5. The data imply the conclusion that as a matter of fact their Europeanism was a valuable *asset* for socialists against hard-Left (Hopkin, 2000). Currently, opposition to Europe in the southern cases takes the character of rather a right-wing neo-populism. But only in the Nordic cases we find a very strong left-wing flavour of

[1] Hooghe and Marks (2004a) conclude that "social democrats have become acutely aware that redistribution is constrained by cultural diversity … Because a shared sense of community is lacking in Europe, it is difficult for social democrats to campaign for more".

Euroscepticism, suffice it to mention the Left Party and Greens in Sweden; Left Socialists, Socialist People's Party and Greens in Denmark.

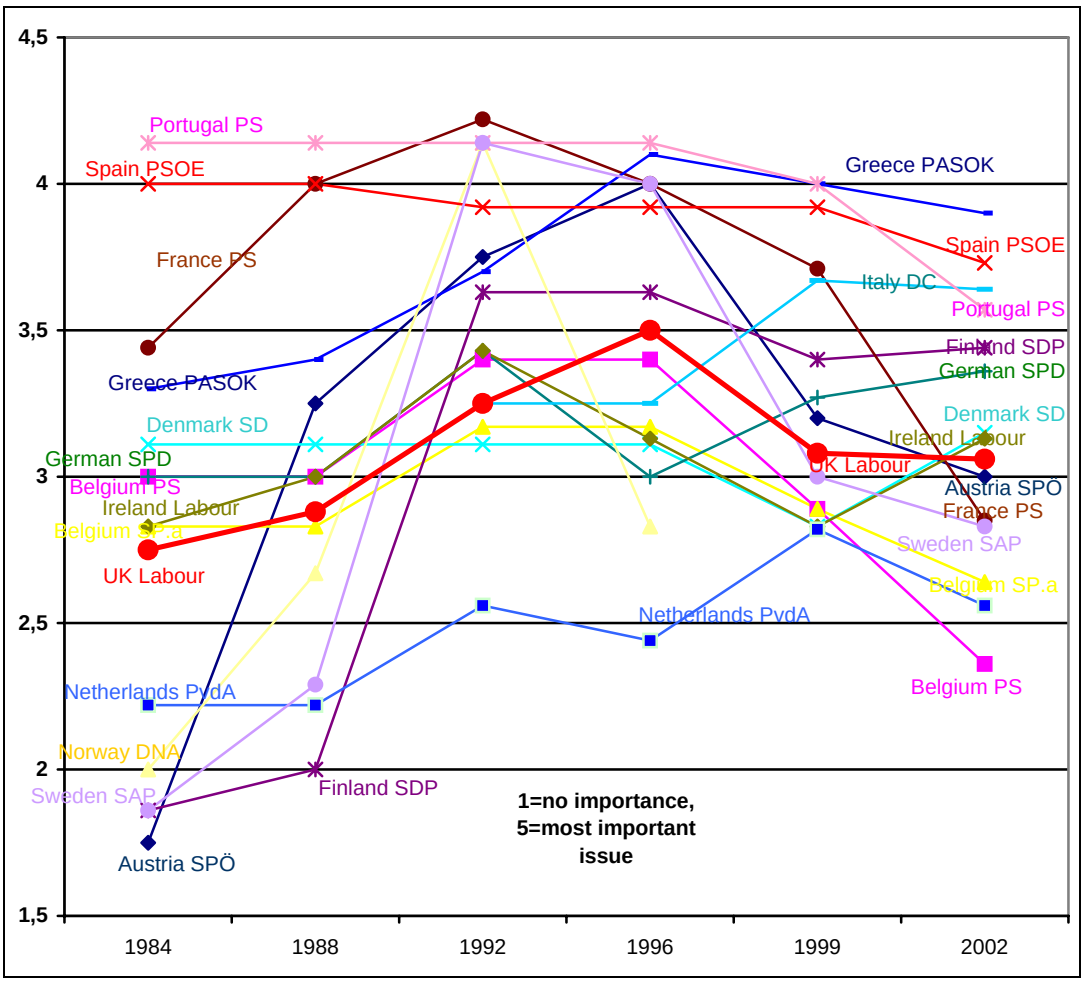


Figure 3.5 Salience of the European dimension
Source: Ray (1999), Marks and Steenbergen (1999) and Marks (2002)

My explanation will be that their European policy is strongly correlated with the degree of polarisation level in these party systems (Table 3.1). Polarisation levels follow a declining trend in most countries, indicating a convergence over positions; but this is in contrast to the French and Danish cases, or less significant in Sweden because of its initial high-level starting-point. Social democrats cannot situate themselves in an openly hard Eurosceptical position, which is the characteristic of anti-system parties. Governability, moderation and trust-factor necessitate them to avoid such positions. This is especially true for incumbent parties. The governmental position of a party has an immediate impact on party policy (Featherstone, 1988:318; Sitter, 2002:23). But mainstream parties may maintain soft

Eurosceptical positions and rhetoric within a polarised party system where protest parties attain significant influence[1].

Table 3.1 Degree of Left-Right polarisation of party systems

	1940s	1950s	1960s	1970s	1980s	1990s	**AVERAGE**
Belgium	63	36	30	29	30	13	**34**
Portugal	-	-	-	37	40	16	**31**
Luxembourg	43	40	26	38	24	23	**31**
Netherlands	31	37	31	38	24	23	**31**
Spain	-	-	-	27	29	25	**27**
Ireland	55	61	39	44	36	33	**45**
Finland	50	59	60	71	62	34	**56**
Austria	46	50	35	31	35	38	**39**
Germany	46	40	14	38	39	41	**36**
Greece	-	-	-	38	48	41	**42**
Italy	50	31	28	28	43	44	**37**
UK	47	34	26	39	42	45	**39**
France	41	45	57	50	47	50	**48**
Sweden	86	77	78	43	55	54	**66**
Denmark	31	43	61	56	61	56	**51**
AVERAGE	**49**	**46**	**40**	**40**	**42**	**36**	**42**

Source: Volkens and Klingemann (2002:156), also Klingemann (2005)[2]

In addition, in such an high-level partisan polarisation environment, the possibilities to appeal identity and values turn out to be much easier for protest parties and factions (Hobolt, 2005). Public opinion is influenced by the intensification of competing elite-cues and therefore become sharper in attitudes. We have to bear in mind that identity formation is not a natural phenomenon, rather constructed and shaped by. The Scandinavian peculiarity therefore might not be exclusively a product of cultural factors, but triggered and boasted because of the configuration of party system and institutional requirements to refer referenda so frequently[3].

[1] The ideas on Euroscepticism have been advanced by Szczerbiak and Taggart (2000), Taggart (1998).

[2] The data are from the Manifesto Research Group and represent the sum of absolute differences between Left-Right positions for all pair of parties, divided by the number of pairs. They can vary between 0 and 200. There are different measurements of polarisation –for an overall comparison and an example based on weighted parliamentary strength of political parties, see Hazan (1997).

[3] In their study of identity politics in Denmark, Schroder and Hansen (2005:37) clearly states that "this controversy can largely be ascribed to the structure of our constitutional system, which requires that all issues to do with the giving up of national sovereignty must be decided by the people through a referendum".

Intra-Party Politics: The caution against treating parties as unitary actors has been made above. One of the hypotheses of intra-party politics is that the leadership will prefer vote- and office-seeking policies while the grassroots activists will prioritise ideologically preferred policy outcomes[1]. Decentralised party organisations that enable greater say for rank-and-file in key policies and procedural affairs inevitably constraint the options of the leadership and their electorally optimal choices of strategy (Aylott, 2002; Koelble, 1991). This is also valid for working-class linkages. As Kitschelt (1994) convincingly demonstrates, the weak organisational ties with trade unions and autonomous party leadership become an *asset* for social democrats to respond to the competitive pressures of electoral politics; contrary to Przeworski's hypothesis.

The rise of catch-all parties and the decline of mass membership organisations had been mentioned earlier. The loosening of the ties with trade unions should also be added. These refer to the classical Northern social democratic type. Southern European socialism had not even acquired those aspects. Today, we witness the professionalisation of the parties under the great impact of media and marketing techniques. Homogeneity of the some parties declined with the penetration of middle-class activists bringing their own agenda. All these are translated as the strengthening of parliamentary groups and leadership over traditional party organs, like congresses or local committees. In fact, not all these sound too unique since Robert Michels' 'iron law of oligarchy', written in 1949 (Pettitt, 2004).

From another perspective, European integration itself strengthens the party leadership, because EU-specialists and those leaders participating in intergovernmental decision-making fora transcend the accountability chains in their political parties. There emerges a discrepancy due to the technocratic superiority of knowledge and information. The EU-specialists may become more exposed to pro-European positions due to these socialisation and learning process effects (Poguntke et al, 2003:7).

Parties might either tolerate Eurosceptics due to the organisational rules- as in the case of French PS- or try to co-opt them in order to bloc their defection to other parties. They might also resort to referenda even when they are not obliged to; so as to let the burden on them off to the public. These tactics are extensively documented in the literature, especially for Scandinavian social democrats (cf. Raunio, 2005). But they could not manage to suppress

[1] In rational choice terms, John May's '*law of curvilinear disparity*' (Quinn, 2004:27-9)

the divisions indefinitely. Even though the same trends of catch-all typology apply for Scandinavia, they are the ones that still retain the old features of mass membership parties. The system of collective membership of social democratic parties of Sweden and Norway by affiliated union members was abolished only in 1990 and 1997 respectively (Sundberg, 2002:204). Although the quasi-formal links have been abolished, the linkages are strong and these parties are still much decentralised organisations, unlike their counterparts in southern Europe in which even *one* charismatic leader can change the whole policy (Aylott, 2004). On all cases however the dissent level might turn out to be uncontrollable for the leadership.

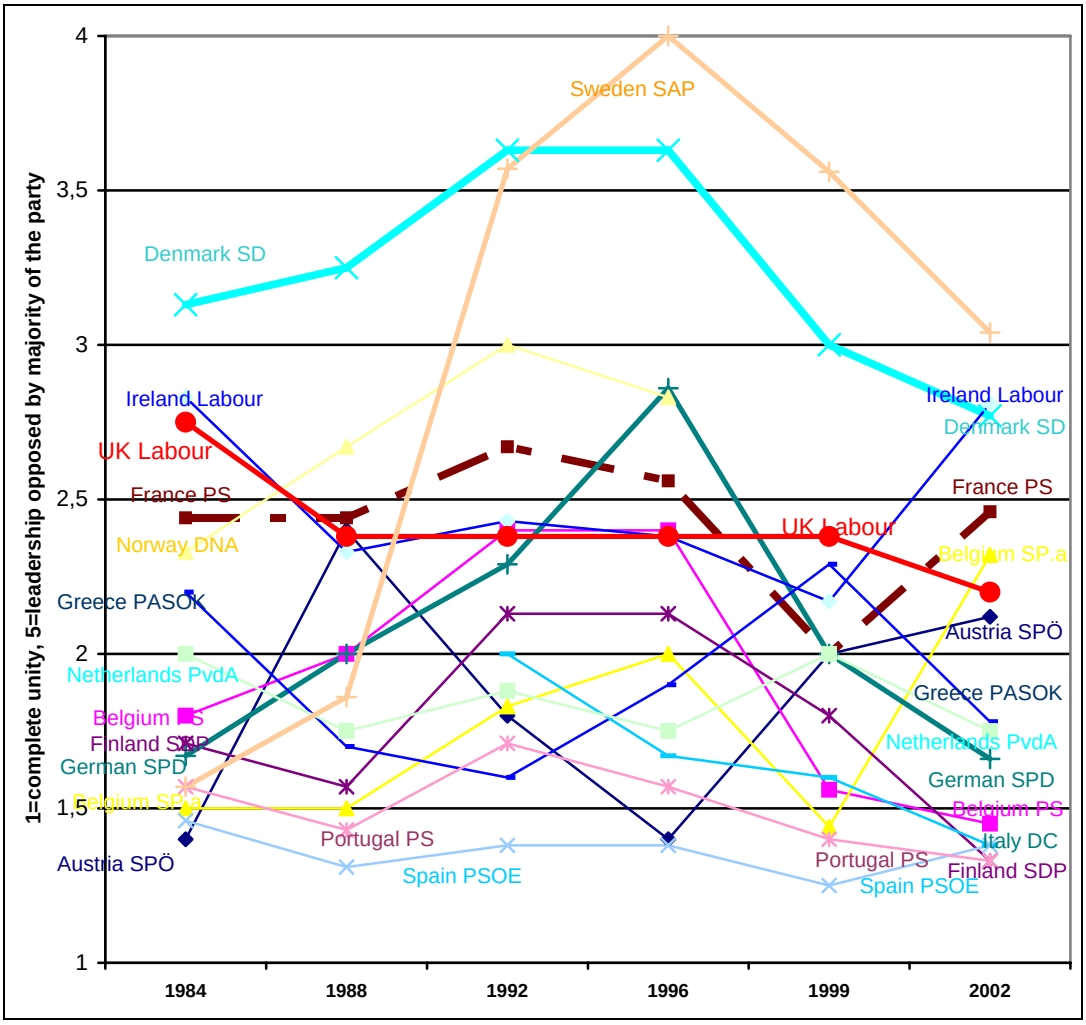


Figure 3.6 Extent of internal dissent on European policy
Source: Ray (1999), Marks and Steenbergen (1999) and Marks (2002)

Public Opinion: Leon Lindberg's famous 'permissive consensus' among masses on European integration had been taken for granted for years. An apathy and indifference

towards European integration was being observed, as being neither great opposition nor great enthusiasm (Slater, 1982). With the growth of dissent against the EU evident after Maastricht referenda, such a tolerance disappeared today, bringing vital consequences for social democratic strategies.

There are several competing models on the explanation of the individual and public support for European integration. Representing the first systematic attempt, Inglehart's (1970a, 1970b, 1971) influential work relied on two key variables: inter-generational change in values and cognitive mobilisation. Increased education and affluence, the decline of nationalism, communication with other cultures were said to raise pro-Europeanism. On the other hand, economic explanations have continued to dominate the field (Mau, 2003:291; Duch and Taylor, 1997). The utilitarian calculation and human capital models (Eichenberg and Dalton, 1993; Gabel, 1998) emphasize the cost-benefit aspects of opinion formation. It can be either on egocentric or aggregate/sociotropic levels. For instance, those with high-levels of human capital endowments tend to support integration much more than those low-skilled. On the national and regional levels; financial contributions and transfers, exposure to competitiveness, the impact of trade, investment and single currency might also affect the level of support. Thirdly, partisanship models envisage a strong role for political parties offering cues-proxies to the masses and therefore shaping public opinion (Franklin, Eijk and Marsh, 1995). Some of the latter models combine the governmental incumbency effects. And finally there are accounts that stress the pure national identity/cultural attachment factors.

Overall, the accumulated empirical findings are diverse and sometimes contradictory. There is not a single unique causation applicable to all countries in all contexts. In addition, all the models are inter-related. Human capital arguments are by definition strongly related with education, aside from the occupational situation. There are also cross-national institutional variations that alter the very calculation of economics, such as centralised wage bargaining which eliminates wide wage-dispersal between high and low-skilled workers (Scheve, 2000). Following the 'varieties of capitalism' approach, Brinegar and Jolly (2005:177) conclude that "comparative institutional differences condition or attenuate the importance of human capital in shaping attitudes towards European integration". Kumlin (2004:20-1) shows that in social democratic welfare states citizens are more prone to blame the EU for welfare state failures and he adds that "the tendency to blame Europe is stronger in member

states where the most euro-sceptic parties also tend to be the most welfare state-positive ones". The predominance of economic cost-benefit models is not surprising, but the issue of subjective perception necessitates us to take partisanship effects more seriously (McLaren, 2004).

We can safely argue that there are gainers and losers as a result of integration; however subjective perception of these influences –taking into consideration the low levels of knowledge of the EU- should be mediated through partisan and institutional contexts. Partisan-cue model remains as a strong explanation in this sense (Wildgen and Feld, 1976; Hug and Sciarini, 2000). It can be argued that there is a strong correlation between social democratic policy positions and public opinion[1]. However one cannot without difficulty ascertain whether it results from parties taking the positions of public opinion or vice versa (Carubba, 2001). Logically, the relationship seems to operate in both ways reciprocally. Social democrats, with their increased characteristics of catch-all parties, became much more sensitive to public opinion in general; but at the same time they try to reshape and construct it. The strength of party cues depends on national context and the party itself (cf. Ray, 2003). Only clear cues emanating from strong and unified parties can manage to achieve the latter, unlike the situation witnessed in Sweden or Denmark. To conclude, it is hard to ascertain a distinguished pattern of causation between public opinion and party policies. But at the most abstract level welfare state types seems to be explanatory for the differences between southern –including Ireland- and northern cases.

3.2 EXTERNAL VARIABLES

World system: The contextual framework of European integration was shaped by Cold War conditions. Geopolitical concerns have certainly shaped the options of social democrats. Such concerns can be observed in the adherence of pro-Europeanism among West German elites, in British geopolitical calculations between the US and Commonwealth, in the issues of neutral states and the containment of Germany after reunification.

[1] There appears to be two dissimilar cases from the rest: Irish Labour significantly less enthusiastic to the EU and Finnish social democrats much more pro-European in orientation than their domestic public mood.

As social democrats embraced the nation-state framework, they became wedded to its operative norms and culture. Within this framework, they did hardly differ in their foreign policies from any other bourgeois governments. Indeed, it is very dubious whether they have ever had any distinctive ideas, apart from a general liberal –and somehow pacifist- suspicion of power politics. As a consequence, they became the keen supporters of NATO against the perceived threat of communism (cf. Padgett and Paterson, 1991:256). The compromise with capitalism at home translated into a sort of "people's imperialism" at abroad, to use Oskar Lange's expression (Baran, 1970:247). Even if there is not a direct linkage between NATO and EC/EU, it is obvious that both evolved as a means of containing communism. It explains why, from the start, the USA has been a keen supporter of European integration. Certainly, the role of CIA subsidizing the social democratic organisations and pan-European movements against communism via different organisations should also be acknowledged, but not to be overemphasised (Wolfe, 1978:104).

We think that solely securitarian, world-order, power-politics arguments have little direct causal explanations for social democratic policies[1]. But global context becomes more relevant when it is considered as a post-war international 'embedded liberalism' (Ruggie, 1982). This was a combination of 'Keynes at home, Smith abroad': Bretton Woods institutions of free but optionally protective trade, fixed but adjustable exchange rates and controls on capital exchanges. European integration was created as a regional instance of such market liberalisation attempts, except agriculture. With the demise of this embedded liberalism and eurosclerosis in Western Europe, the struggle over to redefine the social purpose of integration became more acute in the 1980s. It is no coincidence then the option of regulated capitalism at the EC level became an attractive idea, with parties changing their policies to a more Euro-Keynesian –and some neo-mercantilist- path. This way was thought as a response to greater internationalisation of national economics and rescue of social democratic autonomy to implement regulatory and redistributive functions at home in a broader framework. In short, it was a belief that the regulation of the market would be a goal to be achieved by supranational means (Bailey, 2005:14). But the recent pace and characteristics of EU-led 'negative integration' show little realisations for social democratic aspirations; especially in the face of evident monetarist bias of EMU, weakness of EU social policies and increasing scope/scale of market liberalisation intruding vital and/or symbolic economic spheres (Van Apeldoorn, 2001:70-87). Their partial failure and the

[1] Emphasis found in M. Shaw (1999) and in the works of Michael Mann.

ongoing "fundamental asymmetry between economic and social aspect of integration" (Scharpf, 2002) is the reason for the recent scepticism of social democrats, especially in countries where EU becomes antithetical to the traditional social democratic models of regulation (Lemke and Marks, 1992).

Transnational links: It is assumed that participation in supranational organisations like the EP will probably change the attitudes of ones who are originally sceptical to the idea of European integration. This conversion works through exposure to new information, continuous contact with foreigners and exposure to non-national norms and pressures. However, researchers do find little empirical evidence for such a conversion. Kerr (1973) had found that it was limited to changes in cognitive, not affective, dimensions of attitude. More recently, Scully (2005) repeated similar findings. In this respect, it can be cautiously argued that the weight of the socialization effect in the EP has not been too manifest and strong for social democrats. Nevertheless, the fact that Socialist Group in the EP became more cohesive in its parliamentary politics and voting patterns should not be neglected (Hix et al, 2006). But this output aspect is a rather consequence of increasing national intakes coming from similar starting points; not much a result of insider conversion at the EP, I think.

In 1980, Karl-Heinz Reif and Hermann Schmidt had described the EP elections as 'second order' elections, similar to local elections. In these elections, relatively minor protest parties perform better than they do in national general elections, due to the low turnouts. The candidate selection, party discipline, political career, staff and money, the nature and course of EP elections are rather determined by national parties. Therefore, the first loyalties and allegiances are oriented towards national parties and the impact of EP remains low. Again, PES exhibits a certain level of cohesion and autonomy, but it is still weak and not so effective in policy transfer and imitation. Only in the case of southern and eastern enlargements, policy network effects seem to weigh significantly among others[1].

3.3 IDEOLOGY

It is important to note that historically, social democratic ideology has been characterised with heterogeneity on national grounds. At the same time, it is systematically less-

[1] The accounts in Agh (2004), Ost (1996) and Pridham (2005) support this argument.

developed due to social democratic reliance on pragmatism and empiricism, which itself is a result of self-definition as a constant revisionism following the changes in circumstances[1]: the movement is everything, the end is nothing!

Before WWI, the goal of the whole working-class political movement was socialism – defined as the control of the means of production and dismantling of capitalism –only divided over achieving it through reformist or revolutionary means. The reformist idea of power through ballot box was based on an instrumentalist conceptualization of state in the Second International tradition. In a nutshell, they believed in "*social revolution without political revolution*" (Elliott, 1993:3) to be implemented through the neutral power of the state once seized. After the war, reformist brand differentiated itself as a 'third way' in between communism and capitalism. Actually, reformists participated in governments, but though retaining the final goal, "that goal was relegated to an ill-defined future" (Przeworski, 2001:318). Certainly, at that time they were bereft of the tools and imagination necessary for its realisation, whilst occupying the still insecure grounds of governmental power –as evidenced in their timid reaction and handling of the Great Depression.

After WWII, socialism became "liberal socialism" (Sturmthal, 1953:137) in line with Bernstein's revisionism of Marxist theory. Politically, there had already developed a deep belief in parliamentary democracy and liberal state (Berger, 2002). Again, to paraphrase Elliott (1993:7), such institutions were taken for granted and the ideology was reformulated as "*social reformism without political reformism*". They became the forces of political *status quo* (cf. Pelinka, 1983:18). In Marquand's (2000:271) words, it was a "Faustian bargain with the old order: power within existing system for adherence to its norms"!

In this second period of revisionism, ultimate goals to be achieved were *equality* and *full employment,* avoiding unnecessary nationalisations. This was a transition from Marx to Keynes, from class to state/nation. Keynesian policies, for the first time, had opened the

[1] "Social democrats have always been revisionists. They have always had to modify their doctrines to take account of the latest mutations in an endlessly mutating capitalism" (Marquand, 1999:10). Diamond (2004) adapts it within a Trotskyite flavour as "permanent reformism". Note that there is no projection *beyond* capitalism.

possibility to actualise socialist goals within the markets of liberal capitalist societies[1]. Corporatist involvement of working-class, credit facilitation, state intervention through direct investment or indicative planning complemented Keynesianism in different extents. Such demand-side policies enabled a certain extract for the managerial/bureaucratic state that could be deployed to minimize social inequalities. Social democrats could still continue to view *welfare state* as a gradual transition to socialism, but only a minority of them openly tried to put it into practice[2].

Economically, competition would be the norm. The role of the social democratic governments was to remedy the imperfections of the markets and rationalise it. The compromise was viewed as a positive-sum game for both capital and labour so long as social democrats could manage the overall economic growth. *Growth* is the magical word here. When extensive *etatist* models resembling Soviet-type had been ruled out, the only way for attaining growth was inevitably through controlling workers' demands and sustaining a constant/rising level of productivity –to convince the capital to invest: Anthony Crosland had put it very clearly: "a rapid rate of growth … at least for the next decade far from being inconsistent with socialist ideals, is a precondition of their attainment … therefore, socialists must logically applaud the accumulation of private profit" (Sassoon, 1996:247)[3]. This has been the paradox of social democracy: It represents the mobilisation of working-class; but at the same time, it has to demobilise and restraint it to be successful (Aufheben, 1998, Panitch, 1986). This assertion is not directly a *function* of system, but a function of social democratic ideology. As powerfully defended by Crouch (1994) and Scharpf (1991), social democracy depended on workers' acquiescence for its success, best in the form of neocorporatism.

Their inability was soon to surface with the growing radicalism of working-class in the late-1960s. Social democratic reformism reached its limits together with the crisis of capitalism. If capital had to reproduce itself locally, it had to dismantle the structure that became an

[1] Hence Padgett and Paterson's (1991:1) most comprehensive definition of social democracy: "… the attempt to reconcile socialism with liberal politics and capitalist society"
[2] i.e. failed wage earner fund attempts in Sweden and Korpi's 'power resources model' as a left-wing variant of social democracy (cf. C. Pierson, 1991), based on the idea that "social democratic incumbency over extended periods of time opens up the possibility for major intervention in economy and society" (Huber et al, 1993:740).
[3] Helmut Schmidt had said in 1976 that "The profits of enterprises today are the investments of tomorrow and the investments of tomorrow are the employment of the day after" (quoted in Glyn, 1998:14).

hindrance. It could be achieved by reducing real and social wages, through creating a surplus reserve army of unemployed, abandoning the peak-level corporatism and reducing the tax burden on itself. The assault began with the neoliberalism of Reagan and Thatcher period. Social democrats did not immediately abandon their beliefs in traditional policies. To the contrary, the initial responses took a form of radicalism in ideology. But the failure of their macroeconomic policies[1] made them leave behind that radicalism and then apply the new orthodoxy. This happened because policy failures coupled with the growing hegemonic power of neoliberal ideas. Certainly, countries with strong neocorporatist institutions fared relatively well, but the merits and superiority of neocorporatism began to be questioned when economic problems surfaced in Sweden and Germany in mid-1980s.

In southern Europe, the presence of strong communist rivals resulted with a "of linguistic radicalism reflected in the use of a vocabulary and concepts largely eschewed by social democrats in northern Europe" (Criddle, 1986:226-7). But it only masked the ideological transformation of these 'democratic socialist' parties into classical social democratic ones. They all embraced the virtues of markets by 1980s when most of them gained power. Because of the traditional role of state in the catch-up process of industrialization, dirigiste beliefs have endured within certain limits.

In the last three decades, European social democrats in power conducted varying degrees of tight monetary policies against inflation, tax and spending cuts, deregulation and supply-side measures to improve flexibility in labour markets. They have moved towards to their right-wing competitors. In that sense, we can clearly observe a convergence among European social democracy[2]. But 'this great moving right show' starts from different origins and conditioned according to national differences. Most significantly, a less fatalistic view of globalisation makes French socialists to preserve a kind of 'chastened' Keynesian and dirigiste tradition for instance (Clift, 2004a and 2006).

If political economy does offer the above explanation, political sociology also offers some other explanations based on 'secular' trends. According to the post-industrialism thesis,

[1] Stagflation but also the 'fiscal crisis of the state' -James O'Connor. It cannot be better expressed than Roy Jenkins' words in 1976 when he told that he did "not think that you can push public expenditure significantly above 60 per cent and maintain the values of a plural society with adequate freedom of choice. We are here close to one of the frontiers of social democracy'" (Lee, 1997:118).
[2] Sassoon (1999), Jahn and Henn (2000), Esman (2002), Clasen and Clegg (2004), Schröter (2004). The spatial graphical representation is added at the end of Appendix F.

there have been structural changes as the shrinking of the ratio of manual and manufacturing working-class, because of the growth in non-industrial sectors. Concomitantly, there has been a shift to smaller units of production, undermining directly the class consciousness and solidarity (Piven, 1992). In such an environment, the role and power of trade unions declined in nearly all countries –except the ones using Ghent system- which translated into a decline in the social democratic fortunes[1], especially if they had more direct ties with those working-class organisations. It reinforced the search for electoral allies outside the core working-class basis. Therefore, electoral politics turned out to be a major stimulus for social democratic ideological shifts, necessitating a moderation to attract middle classes (Thomas, 1982; Wilde, 1994).

We do not think that this last epoch of neo-revisionism represents a wholesale sell-out of former social democratic aims, contra the claims of many critiques. What it stands for is another but different period of a mixture of liberalism and socialism, compatible with what was trying to be done in the Golden Age. Now that era, with its peculiar tools and contents of policies, has ended; what is trying to be realised today is another phase of *the* classical social democratic politics in the end (C. Pierson et al. 1999:287). If a rupture is to be searched for, it should be looked for in periods many decades ago[2]. The reader will notice that we follow Donald Sassoon's approach here[3]. The crucial point is that as social democratic ideology being adopting a more market-friendly, less state-driven, and electorally centrist road; it becomes easier for them to adopt pro-EC/EU policy options, *ceteris paribus* (cf. Aspinwall, 2002).

3.4 CONCLUSION

The first and foremost conclusion is the enduring and still strong 'methodological nationalism' (Powell, 2004) characterising social democratic parties, as an obstacle for imagination and desirability of more pan-European ways of problem-solving. This has been the result of the development of a symbiosis between the nation state and social democracy. Hence the prevalence of the 'national interest' discourses. The satisfaction of these interests

[1] Pontusson (1995b) argues for the empirical existence of a strong correlation between union density and social democratic voting (also Piazza, 2001).
[2] Beus (2000), Salvati (2001), Volkens (2004) are among the ones with this line of thinking.
[3] Eley (1998) criticises Sassoon for his structural determinism and stress on continuities with the past.

is sought in an inter-mestic economic environment. European integration becomes attractive if the national solutions are thought to have lost their efficiency. Transformations in global and regional economics and their repercussions for national economies have a very strong and defining impact on social democrats' European policies; but it is *indirect* in the sense that it is interpreted differently by social democrats. Such an interpretation depends on domestic institutions and the character of regional integration: without a 'goodness of fit', policies could backfire either among party's base or resistance from the capital. Therefore parties try to combine structural constraints with their strategic choices. Their positioning is highly a function of party system, which is the institutionalised form interaction of inter-party and intra-party politics. The whole process is tried to be illustrated below:

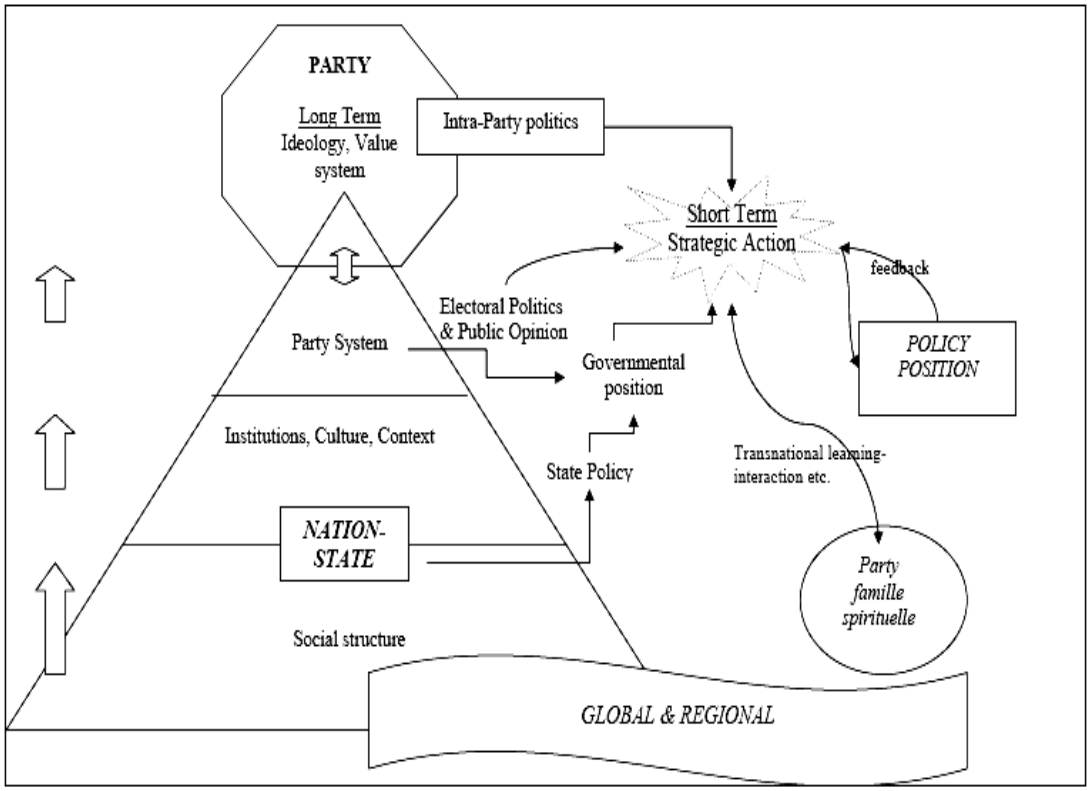


Figure 3.7 Formulation of European policy

There is a very delicate balance between satisfying capital, attracting middle class alliances and at the same time securing the loyalties of traditional working class. The account throughout Chapter 2 and 3 suggests that social democracy is a captive in between the dilemma of governmental credibility, domestic electability and policy-seeking grassroots activists.

CHAPTER 4

LABOUR'S EUROPEAN POLICY, HISTORICAL BACKGROUND 1945-1983

> Socialists cannot at one and the same time call for economic planning and accept the verdict of free competition, no matter how extensive the area it covers. The jungle is not made more acceptable just because it is almost limitless (Aneurin Bevan, 1958)

Labour Party's internationalism was based on a liberal idea of world order until 1930s. The problem was how to realise this idealism in a capitalist world, both at home and abroad. For instance, Ramsay MacDonald government of 1929 had simply ignored the French Briand Plan. Briand Plan was not based on socialist objectives, but this very early example demonstrates an inherent uneasiness between theory and practice for the Labour Party.

Participation in war cabinets and the war efforts against Nazis certainly played a large part in the disillusionment of the past internationalist ideas, to be replaced with more nationalist and realist ones. Party leadership increasingly came to the conclusion that these remote ideals should give way to a focus on "national interest in a world dominated by power politics" (D. Keohane, 2000:371). The horrors of the war and its underlying reasons also strengthened the psychological British sense of national superiority and aloofness from continental politics (Douglas, 1996), as observed by Jean Monnet: "Britain had not been conquered or invaded: she felt no need to excoriate history". But that is not to say that socialist ideology was abandoned for nationalism, instead the outcome was a mixture of both. Class interests were combined within a 'national interest' discourse that kept a close eye on domestic economic functioning.

4.1 HOPES OF A SOCIALIST FOREIGN POLICY AND EUROPE?

When Ernst Bevin took the head of Foreign Office –FO in 1945, the left-wing in the party expected a radical break with the time-honoured British foreign policies and establishment of a new path on socialist principles. In fact, by definition the upheavals and fluidity in the international system during and immediately after the war had given a certain degree of

soundness to these hopes. At that specific time, one very possible option for the Left appeared to be Europe. And this was not only limited to the Left. In a Fabian tract, appeared in 1943, it was urged that the reconstruction of Europe should be on socialist principles in order to avoid "USA economic dictatorship and the domination of Europe by American capitalists" (Labour and Europe, 1943:8-9). The cited pamphlet also spoke of a joint Anglo-Soviet initiative on three pillars:

1) central regulation of food supplies and trade
2) international control of German heavy industry after the war
3) raising the living standards of European people, especially in East Europe

These goals were to be followed under a new 'Central Planning Authority', whose responsibility would be to bring all nations under a federal socialist unity. But the point important for us is the self-exclusion of the UK from this would-be polity by the anonymous authors of the pamphlet. They, in a way, suggested that Labour Party should help create a socialist Europe, but would not be under its direct control! "European unity was seen as a Good Thing provided it did not include Britain" (Sassoon, 1996:184).

A similar view was put in an oft-cited quotation of Bevan, in which he declared in 1944 that "no progressive foreign policy is to be expected from America either under Democratic or a Republican Administration … But if America gives us headaches, Russia gives us heartaches … the only solution likely to lay the foundations for peace and prosperity … is an organic confederation of the Western European nations" (Schneer, 1984:201). Here, the word 'confederation' not only denotes the idea of a 'Third Force' Europe against American capitalism and Soviet communism, but also shows the rejection of any federal/supranational European organisation.

The 'Third Force' argument reached its zenith with the publication of a pamphlet, *Keep Left*, in May 1947; advocating more independent policies from the USA and a Britain taking the lead in Europe by forging more closer relations in the continent. *Keep Left* had a general backing among Labour backbenchers, especially its left-wing. Their prominent figures[1] played important roles in the future course of the party, but their Europeanism was not of the sort of a political union federalists dreamed of. Those years were also the heydays of British federalism, under the banner of *Federal Union*; however inside the

[1] Richard Crossman, Ian Mikardo, Michael Foot. Foot (2001) himself recalls that after the war "it was the Left in favour of going with Europe".

Labour Party, federalism never acquired a majority position[1]. Federalist cause was only associated with a few backbenchers, most notable R.W.G. Mackay, who initiated a PLP Europe Group in December 1947 together with 13 MPs. While the Third Force idea was built around the *cooperation* of separate national and preferably socialist governments; federalists like Mackay viewed European unity a priority *before* socialism. A small, right-wing group inside the party also made European unity their ultimate cause: Socialist Vanguard Group's –SVG[2]- Europeanism was grounded on ethical socialism. Lastly, though a separate party, Independent Labour Party –ILP- had already launched its official campaign of 'United States of Europe' in February 1947.

It was soon to be realised that priorities of party leadership and Bevin did not differ from their governmental predecessors, especially from the course set by Churchill. The initial high hopes of socialist foreign policy in general and European unity in special ended up with rather contradictory outcomes of more open Atlanticism and British abstention in ECSC. Was it because of a *fait accompli* by the Labour Cabinet against party demands (Epstein, 1953) or because of the role of civil service on Bevin?

4.2 BEVIN AND THE 'THREE CIRCLES', 1945-51

Bevin, the 'heavy tank' of the party, was the most powerful trade unionist in the world when he took the ministry. There is a disagreement among scholars over Bevin's personal intentions on European integration and its linkage with transatlantic relationship[3]. Melissen and Zeeman (1987) portray a Bevin in power forthrightly opposed to the idea of a supranational Europe in the name of preferring American ties. For instance, in 1950 Bevin told the House of Commons that "Europe is not enough, it is not big enough, it is not strong enough and it is not able to stand by itself. It is this great conception of an Atlantic Community that we want to build up" (Jamieson, 1994:46). In addition, Bevin was the key

[1] In his study on Fabian Society and Europe in the 1940s, Minion (2000a) observes a general pro-European feeling among Fabian members and its affiliated Labour MPs -229 of all 394 Labour MPs; especially due to the presence of war-time émigrés. But, as Minion also states, this pro-Europeanism was based on a rather functional idea of cooperation, not a future political union. Their Europeanism had economic arguments, as well as moral ones in the Fabian sense!

[2] SVG was one of the earlier entryist groups in Labour Party. It was originally the British branch of a German neo-Kantian movement, *Internationaler Jugendbund,* created by Leonard Nelson and expelled from SPD in 1925. Despite its organisational smallness and later disappearance, their theoretical journal –*Socialist Commentary*- would become a leading source of inspiration for Labour revisionists in the 1950s (Douglas, 2002; Minion, 2000b).

[3] For a general discussion, see Aybet (1997).

personality who obstructed the development of Council of Europe and OEEC in more competent paths[1]. On the other hand; in 1927, it was Bevin who had persuaded TUC to pass a resolution for a 'United States of Europe' (H. Young, 1999:28)[2]. After assuming the post in 1945, he had started to work on a customs union idea with France. Initially at least, Bevin and the FO were equally charmed with the Third Force idea. John W. Young's (2000) general revisionist argument is that Bevin engaged with Europe in a more positive way than has been previously accepted by scholars.

Leaving this debate to historians, what seems clear is the fact that Bevin, similar to his leftist critiques inside the party, had a functional and intergovernmental idea of integration[3]. The underlying tension was instead over the too-open Americanism of the government. There was not a big divergence between party leadership and left-wing on the issue of Europe (Newman, 1983:138-147). The only difference was the *speed* and *easiness* between the two in being enmeshed into the values and preferences of the Establishment. Between 1947 and 1949, Bevin accepted the traditional British foreign policy preferences in line with the Churchillian 'three circles' and distanced the country away from the European unity[4]. The first priority would be given to the Atlantic cooperation, followed by Empire/Commonwealth and only finally West European cooperation. And as will be shown, the Left in principle agreed on all those, too.

[1] Bevin's words against the dangers of federalism have become famous: "When you open that Pandora's Box, you'll find it full of Trojan horses". In an intergovernmental organisation, control would be surely in the hands of governments. Ergo, Bevin was quite comfortable to say that "we'll give them this talking shop [CoE's parliamentary assembly]".

[2] In a similar vein, Attlee had argued in 1938 that "Europe should federate or perish" (H. Young, 1999:28). Hugo Young also presents such historical federalist cries from Harold Laski and Stafford Cripps.

[3] Knutson (2000), in his dissertation, demonstrates the links between Bevin's European policy and David Mitrany's –a Labour Party member- functionalism: supremacy of economics over politics and sectoral integration on a world scale. The one significant difference was the hostility of Bevin to supranational bodies. His preferred institutional type was ILO, in which he actively worked from the start.

[4] We do not want to mean simply Bevin followed Churchill, Eden followed Bevin or vice versa. The exact statement in mind is that "whoever is in office, the Whigs are in power" (Saville, 1967)!

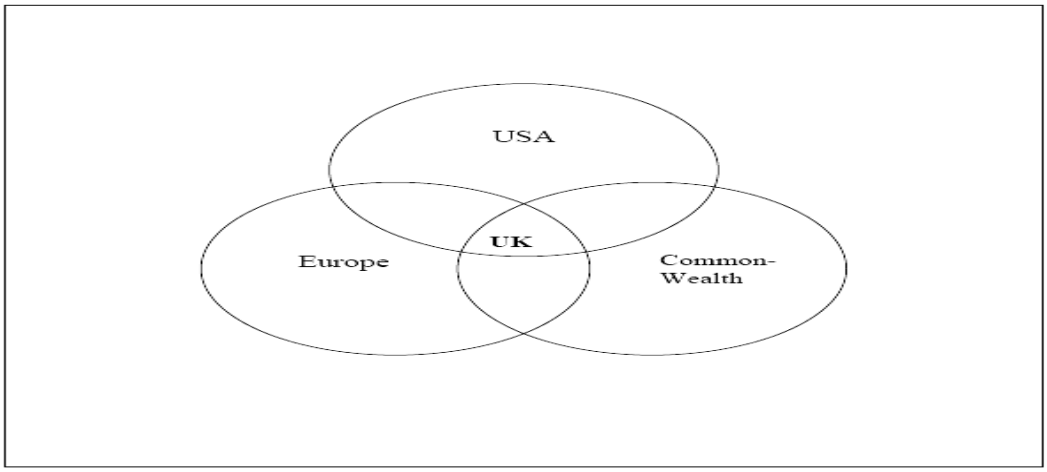


Figure 4.1 Churchill's 'three circles'

According to this view, British imperial/national *grandeur* could only be preserved by siding with the US in the so-called 'special relationship'. Despite warnings against playing the role of a great power[1]; Labour leadership, encouraged by the sense of being the victors of the war, was too-quick to play their part (Sanders, 1990; Black, 2001). Even if there were tensions in relations with the US –for instance, a general hostility to American savage capitalism, different views on German occupied lands or Middle East- two interrelated factors made them come closer:

The first was the British post-war dependency to American economic might, which was crucial to keep her troops abroad on a global scale. American power was so paramount that even in economic spheres it made its own preferences accepted on British authorities. After the termination of wartime American lend-lease[2], Labour government, represented by Keynes, had to negotiate for a $3.75 billion loan[3] in exchange for acceptance of the convertibility of sterling. When the convertibility was introduced in July 1947, the sterling collapsed instantly. In this '*annus horrendous*' year of 1947 –in the words of Exchequer Hugh Dalton (Cliff and Gluckstein, 1996:229)- British state became totally dependent on American assistance for maintaining dollar reserves, which in turn was necessary for

[1] In posthumously well-known words, "we are not a Great Power and never will be again. We are a great nation, but if we continue to behave like a Great Power we shall cease to be a great nation" a senior bureaucrat in Ministry of Defence had warned in 1949 (H. Young, 1999:24). Only a minority in the FO was sharing this view at that time.
[2] The final payment of lend-lease to the UK is due to December 2006 (Guardian, 5 May 2006).
[3] This was less than half the military spending budget of Attlee government, which continued to rise even further during Korean War (Brett et al, 1982).

keeping the reserve status of the sterling. Although Britain received another $2.7 billion from Marshall Aid, she finally had to devalue sterling in 1949.

The other factor was the *perception* of increased aggressiveness of the Soviets –communist takeovers in East Europe and the Berlin Blockade (Weiler, 1987). Indeed, beneath the surface value of Bevin's Europeanism there lied a reaction to the threat of communism in Europe. For exactly this reason, Bevin became one of the key architects of NATO and would-be WEU. His enthusiasm for economic integration in Europe revolved towards the task of creation of securitarian integration. At home, Bevin and Attlee secretly decided to develop their own bomb and opposed to reduce military spending despite the continuation of war-time economic constrictions.

On the second pillar, Commonwealth was becoming a substitute for British pretension of a global empire, which Labour did wholeheartedly agree. Economically, it was the chief trade partner of the country under the Imperial Preference System: a great export market and source of cheap raw materials and food. Again it covered the bulk of the Overseas Sterling Area –a half of world's trade. Its safeguarding was the ultimate goal of the Treasury, BoT and Colonial Office –indirectly Bank of England and the City nexus (Blank, 1977; Schenk, 2005). This vested interest behind Commonwealth and Sterling Area did not evaluate ideas of economic integration with Europe compatible with the British status inside Commonwealth. The scepticism of the economic departments against European integration is well-documented and does provide a very sufficient explanation for Labour government's European policies in the 1940s, particularly when they were headed by Eurosceptical Labour figures[1].

Turning to the party and backbenchers, pro-European cause eroded especially after events in 1947-8. As the Cold War began, the idealism of 'Third Force' and interest in European unity faded away among Labour Left[2]. At the end, Europeanism of the Left seemed only to

[1] Hugh Dalton was one of them and known for his great anti-Germanism, whom he used to call 'the Huns'. Yet even if these attitudes were understandable after Holocaust, it is not acceptable why a 'socialist' Labour Party occupation force did not liquidate former Nazi wastes immediately after the war. One of them would even become a Chancellor in German Grand Coalition of 1966, in which Willy Brandt served as foreign minister!

[2] The difference between Crossman's articles in *Political Quarterly* in 1946 and 1953 is very demonstrative. Crossman envisaged a Western Union excluding the USA in the former, whereas later he turned towards to support of Atlantic relationship while warning against a dependency relationship.

be an ephemeral phenomenon. The propagandists of 'Third Force' adopted the dominant position of the realist, pro-Atlantic line of Labour's International Department, headed by Denis Healey. From a domestic point of view, another reason was the usurpation of the European cause by Conservatives, and Labour's strategic need to put a distance with them. For instance, Labour NEC did oppose the participation of Labour MPs to the Hague European Congress, which was viewed as a Churchillian exercise abroad. Despite strong warnings from the NEC, 25 Labour MPs attended the Congress in May 1948 (Grantham, 1981).

Then came the decisive refusal of Schuman Plan. Labour Party's position defined in May 1950 (European Unity, 1950) was to view closer cooperation with Europe being as not too necessary, because it was argued that economies were not complementary. Commonwealth was a more appropriate partner. After all, Britain was "the banker of the sterling area" (ibid). A socialist Labour Party was thought to remain a minority inside a supranational organisation. Therefore any supranational move was rejected; instead intergovernmentalism was taken as the model. The new socialist New Jerusalem would be built at home and would not be shared with the continental anti-socialists: "We have our own dream and our own task. We are with Europe but not of it. We are linked but not comprised". Churchill's words were equally valid for Labour, though from a very opposite position. Labour had come to power with a commitment of the extension of welfare provisions and economic planning; therefore they had no intention to recede the tools to implement such a transformation:

> No Socialist Party with the prospect of forming a government could accept a system by which important fields of national policy were surrendered to a supranational European representative authority, since such an authority would have a permanent anti-Socialist majority and would arouse the hostility of European workers … Constitutional changes which would limit or transform the democratic authority of the sovereign peoples of Western Europe must be submitted to judgment by those peoples. No politician has the right to support such changes unless he has the honesty and courage to present them for the verdict of his own electorate (ibid).

Party leaders were fully aware of the fact that pooling of the control of coal and steel production, which had been recently nationalised in Britain in the case of coal, would have certainly caused problems inside the party and TUC. Hence Herbert Morrison's immediate reaction to Schuman Plan: "It is no good, we cannot do it, the Durham miners won't wear it" (Newman, 1993:165). Ernest Davies, a Labour minister in Attlee government, defended that the rejection of Europeanism was acceptable since Britain was at the centre of

Commonwealth and Sterling Area: "a European Community is however too small a grouping to aim at" (Davies, 1952:132). These arguments were stated in 1950 election manifesto, one of whose subtitles was 'Put the Nation First': "We are at the heart of a great Commonwealth extending far beyond the boundaries of Europe"[1]. Commonwealth was supplying the party a sense of political progressiveness and wider internationalism. Aside from the "kith and kin" argument with Old Commonwealth, Labour was being transforming into a tender party for New Commonwealth after the war (Harris, 1975).

4.3 LABOUR IN OPPOSITION, 1951-64

At the time of Messina talks, Labour was out of power. But Conservative policy on Europe did little differ from the previous Attlee governments. Tory view on Europe was best exemplified by the low-key delegate they sent to Messina: Russell Bretherton, a BoT bureaucrat, who made a famous speech[2] on the impracticability of Spaak proposals - powered by the recent EDC failure[3]. Simultaneously, Britain was also suspicious of creation of a high-tariff customs union barrier and did every effort to prevent it being realised. For British politicians and civil service, Europe still meant a trade issue; there were only few political arguments for Europe. And one of them showed his first appearance in the personality of Roy Jenkins. In July 1956, Jenkins together with 82 Labour MPs submitted an EDM for participation in the negotiations between the Six (Mullen, 2005). This position was a minority inside Labour. Campaign for Nuclear Disarmament –CND- was highly critical of the Common Market and Bevan, then the shadow Foreign Minister, would argue in 1957 that:

> The conception of the Common Market … is the result of a political malaise following upon the failure of socialists to use the sovereign power of their parliaments to plan their economic life. It is an escapist conception in which the play of market forces will take the place of political responsibility (Newman, 1993:171).

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[1] Paul (1995) notes that the 1948 British Nationality Act passed under the Labour government was a means to maintain the Commonwealth ties. The nationality criteria were intentionally broadened to cover the former colonies. This framework was retained until it was reversed by Conservatives with the 1962 Commonwealth Immigration Act.

[2] He said in his speech in November 1955: "The future treaty which you are discussing has no chance of being agreed; if it was agreed, it would have no chance of being ratified; and if it were ratified, it would have no chance of being applied. And if it was applied, it would be totally unacceptable to Britain. You speak of agriculture, which we don't like, of power over customs, which we take exception to, and institutions which frighten us. *Monsieur le president, messieurs, au revoir et bonne chance*" (Booker and North, 2003 :73)

[3] Despite much grassroots opposition, Labour leadership supported EDC and rearmament of W. Germany (Hughes, 2002).

Labour leadership welcomed the Conservative government's free trade area proposal –the so-called 'Plan G'- and it was Jenkins who spoke in favour in the House of Commons (Good, 2000:171). But the party abstained in the final voting on the creation of EFTA (Camps, 1964:229). Britain's first application to the EC was made by Conservative PM Macmillan in 1961. The role of bureaucracy was acknowledged by various scholars[1]. The global strategic calculations of the Establishment had begun to alter especially after the Suez fiasco/humiliation of 1956. British economic performance was high and/or the signs of weaknesses were not yet too-apparent. Britons, after all, had 'never had it so good before', in Macmillan's words. As Stephen George (1991:43) shows, motivations in 1961 were largely political-strategic in essence and encouraged by Kennedy administration. But domestically it was sold as a pure trade policy necessity.

At that time, Camps (1964:445-8) identified three groups inside Labour Party: a small minority of pro-Europeans led by Jenkins in Labour Common Market Committee, anti-EC group led by Foot and a more moderate anti-EC group headed by Douglas Jay. This shows that it did not follow a clear-cut left-right division. Pro-Europeans were largely from the right-wing, but there were anti-marketeer[2] right-wingers as well. TUC and big unions were dominated by right-wing trade unionists and they were rather indifferent and ready to take the position of the party leadership. In June 1961, a NEC study group was formed to formulate party position, but it could not reach a conclusion on the balance of costs and benefits. There, the famous (post-)Keynesian economist Nicholas Kaldor[3] put his opposition against entry, which would become the standard leftist critique in the years forthcoming: *Unless accompanied with a devaluation*, foreign competition would not bring British manufacturing the desired dynamism; it could harm British private profits and given the British lag in productivity growth, periodic devaluations would be too-necessary which was not compatible with the rationale of economic integration in Europe (Newman,

[1] cf. Bulmer and Burch (1998), Forster and Blair (2002).

[2] The terms 'Common Market', 'anti-marketeer' and their widely usage reflect the dominant paradigm and perspective of British understanding of the EC (Gowan, 1997:92). We keep the same terminology in this study. Note that 'Euroscepticism' is also a Britain-originated term, long before it has gained currency in Europe.

[3] Kaldor served in high level advisory posts for postwar Labour governments and also participated in Jay's Common Market Safeguards Committee (Thirlwall, 1989). Kaldor's opposition might seem strange at first glance, given the implications of Kaldor-Verdoorn 'law' of increasing returns to scale in growth and trade theory. But Kaldor's opposition, I think, originated in his unwillingness to imagine political/federal solutions at European scale. The control over exchange rate parity was too paramount for any government and he clearly realised the weak competitive position of British industry (Kaldor, 1971).

1983:164-5). Certainly, EC was seen as a capitalist club antithetical to economic planning - the new favourite economic tool of party's left-wing.

The party leader, Gaitskell, similar to the party as a whole, was initially undecided and made inconsistent speeches. When he held talks with European socialist leaders in July 1962, it became evident that there were fundamental differences in their European visions. Gaitskell was only content to support "a Europe of the OEEC" (Camps, 1964:423). In addition, in September 1962 Commonwealth leaders revealed that the Tory terms of entry were unsatisfactory for them. From that moment onwards, Gaitskell, a genuine Commonwealth-man, hardened its opposition to the entry. Party's pro-European foreign affairs spokesman, George Brown tried to balance Gaitskell's opposition. At the September 1962 party annual conference; Gaitskell made one of the most famous and unexpected speeches in the history of British politics. It is worth to quote his words for length:

> I propose to begin with the effects upon ourselves, particularly the economic effects. Are we forced to go into Europe? The answer to that is, No … if we go into this we are no more than a state (as it were) in the United States of Europe such as Texas and California … We should be like them. This is what means: it does mean the end of Britain as an independent nation state. It may be a good thing or a bad thing but we must recognise that this is so … We must be clear about this: it does mean, if this is the idea, the end of Britain as an independent European state. I make no apology for repeating it. It means *the end of a thousand years of history* (Holmes, 1994:13-37).

After blaming Tories for "selling the Commonwealth down the river", Gaitskell stated his belief in "the existence of this remarkable multiracial association of independent nations, stretching across five continents, covering every race, is something that is potentially immense value". Having rejected the Tory White Paper, he concluded that "we do not close the door. Our conditions can still be met; they are not impossible … I appeal to our Socialist comrades to use what influence they have –alas, all too little- in the Brussels negotiations, to bring this about" (ibid).

It is hard not to identify some "chauvinism" (Newman, 1993:175) in Gaitskell's speech. In these sovereignty-based arguments, assumptions of the superiority of British constitution and pragmatism were clear. The speech served first electoral considerations and then Gaitskell's own attempts to restore his leadership base after rifts over Clause IV and nuclear disarmament. In sum, "this speech, however, was a highly personal and emotional declaration … it seemed to go far beyond the agreed party line" (Crossman, 1963:738). But its impact was to draw the party into a covertly anti-Marketeer path, masked by the

rejection of Tory terms. By not officially denying entry option, the party unity was protected. The official party position was set in the five conditions for future entry (Haahr, 1993:61):

1) Strong and binding safeguards for the trade and other interests of our friends and partners in the Commonwealth
2) Freedom to pursue our own foreign policy
3) Fulfilment of the Government's pledge to our associates in the EFTA
4) The right to plan our own economy
5) Safeguards for the position of British agriculture

At the end, it was clear that Labour's majority still believed in a potent for Britain and future Labour government to follow an independent course. EC membership was not an essential goal yet. In addition, De Gaulle's veto in 1963 helpfully relieved party from delving into these economic and intra-party concerns too-deeply then.

4.4 WILSON'S VOLTE-FACE, 1966-70

After Gaitskell, Harold Wilson became the party leader and put an end to Labour's years in opposition. Wilson had been a Euro-federalist in his youth, but this was given up later. He argued in 1961 that "we are not entitled to sell our friends and kinsmen down the river for a problematical and marginal advantage in selling washing machines in Düsseldorf" (Forster, 2002:21). But he would initiate the second British application in 1967. Paul Anderson and N. Mann (1999:129) note that "what caused Wilson's conversion to the Common Market remains a mystery". Whatever his personal motivations were, a multitude of reasons can be provided for this volte-face in party policy observed during 1966-7. But as a matter of fact, the timing was conditioned only after Wilson increased his governmental majority with the 1966 general election[1].

The decision to apply was the result of Wilson government's own failures and its subsequent reassessment of the necessities of British capitalism. Before proceeding, we should underline the then popular *decline*[2] perceptions. 1960s, though height of the affluent age, was also the decade in which British relative decline became inescapable from the eyes

[1] 1966 election manifesto included a cautious statement that "Labour believes that Britain, in consultation with her E.F.T.A. partners, should be ready to enter the European Economic Community, provided essential British and Commonwealth interests are safeguarded".
[2] For the *decline and declinism* literature, English and Kenny (2000), Tomlinson (2003, 2004), and Middleton (2006). As these authors stress, decline was 1) relative, 2) less grave than historically depicted and 3) had multicausal explanations.

of the elites. The classical and early 'institutionalist' reasoning had been put forward by Andrew Shonfield in 1958. British manufacturing was in decay due to defending sterling and overseas military 'overstretch'. Domestic economics was subordinated to overambitious international goals, thanks to the dominant position of the City. That returned home as higher interest rates and lower investments in manufacturing –and a high proportion of that investment going abroad. As a result, Britain's share in world manufacturing exports, so crucial for the country to compensate its food and raw materials imports, was declining –causing balance of payments problems. The final outcome was the characteristics of overall stop-go cycles of postwar British economy.

Labour Party was surely aware of the problems, but it did not go far enough to deviate from these infamous practices. Wilson took power in 1964 with a wide range of ambitious proposals of national revitalisation and dynamism through technology and indicative planning –an image of Wilson together with the Beatles against the old aristocracy and wasted years! A Department for Economic Affairs separate from Treasury and Ministry for Technology were created. The first indicative -but 'toothless'- National Plan was introduced in 1965 and to be implemented with the help of National Economic Development Council, created by the previous Conservative government. Industrial Reorganisation Committee was set up in 1966 with the task of rationalisation of industries with a more relaxed control of mergers so as to enhance economics of scale (Thompson, 1996:183-91). A reform inside bureaucratic machinery was initiated.

But hopes would be dashed in the very lifetime of the government. It "started in an econometrician's dream world and ended in the nightmare of deflation" (Holland, 1975:26). As usual, the problem was an overvalued sterling. Wilson refused to devalue it from the start, trying not to stack Labour the image of the party of devaluation. By doing so, he sacrificed the National Plan and investment plans to the value of sterling. This insistence exacerbated the speculative attacks to sterling by "the gnomes of Zurich" (Mosley, 2003:1) as Wilson himself named. "USA, the City and the Bank of England exercised constant pressure on Labour to avoid devaluation, and provided loans to help sustain sterling" (Sassoon, 1996:312). Wilson could insist not to devalue until 1967, and with that devaluation the Sterling Area came effectively to an end[1]. Another consequence

[1] Similarly, military retreat from the east of Suez was decided after devaluation and completed in 1971-72. Accordingly the FO was reorganised as FCO.

was the highly contentious spending cuts in Jenkins' budgets and introduction of compulsory wage freeze in 1966 when voluntary income policies became ineffective. Government even risked confrontation with trade unions by introducing a new industrial relations system with the aim of reducing wage pressures (O'Hara, 2004). Barbara Castle's '*In Place of Strife*' was in fact a move to similar centralised corporatist practices in Europe but resisted against by both the TUC shop-floorism and CBI.

One of the first acts of the government was to impose a temporary 15% surcharge on manufacturing imports, manifestly in violation to GATT and EFTA liabilities. It was seen that EFTA could not be the magic Labour searched for; especially after EC rejected Wilson's initial bids for bridge-building between the Six and the Seven. On the other hand, trade balance inside the Commonwealth could not be augmented, too. To the contrary, its commercial significance for Britain was diminishing and the trade was not following the flag! Commonwealth export markets were gradually being penetrated by other economic competitors. Newly independent governments of Commonwealth were striving for economic development, even at the expense of domestic inflation; while Labour in London was trying to defend sterling. Also politically, Wilson was facing problems in relationships, like Rhodesian unilateral independence or the introduction of immigration controls. As for the Atlantic dimension, Wilson sided with Johnson over Vietnam but this was not a happy relationship for the party. The public image of the US was at its low ebbs around the world and while there were a few proposals for a free trade area with the US & Canada -D. Jay-, these did not sound very realistic options. The go-it-alone option –Japanese model as Crossman thought- was also discarded (J. Young, 2000). It seemed that there were no powerful and credible alternatives other than turning towards the rapidly developing Europe – a Europe of whose importance becoming more evident in the Kennedy Round of GATT.

Table 4.1 British export orientation

%	1955	1965	1975	1984
Exports to US + W. Europe	34.2	50.5	56.3	70.5
Exports to Overseas Sterling Area	49.2	34.8	22.3	13.2

1969	Exports	Imports
Commonwealth and Sterling Area	£2,331m	£2,908m
USA	£905m	£1,129m
EFTA	£1,076m	£1,247m
EEC	£1,521m	£1,609m

Source: Sanders (1990:119), Britain and Overseas (1971:4)

Mullen and Burkitt (2005:104) underline the great influence of pro-EC civil service. In fact this is in line with Crossman's observations on British politics, shared also by figures like Castle[1] and Benn. According to this view, the major policy decisions were increasingly being taken by a small inner circle of civil service and advisers around the PM. It is a left-wing version of *Yes Minister* caricature of British politics, but I think that it contains a great essence of truth as all abstractions carry the inevitable costs of distortion and simplification. On the other hand, Douglas Jay emphasised the role of the relationship between Wilson and the pro-European owner of the Mirror Group, Cecil King, who was collaborating with George Brown to 'coerce' Wilson for an entry bid (Forster, 2002:29). However, Labour government had its own calculations, too.

First of all, the "technological *defi americain*" and collaboration against industrial helotry (Forsyth, 1967:486; Harrison, 1974:167) was an important stimulus in Wilson's bid for Europe[2]. This emphasis was not a mere cajolery for French. Europe, by its own merits, could bring a managerial dynamism to high technology industry. Marquand (1997:15) recalls that for his generation Europe meant modernity: "Community membership was a vehicle for, perhaps a precondition of, the modernisation of Britain". Certainly, these words were more suited to modernisers following Crosland[3], but the sentiment was not shared only by them. European model was equally attractive for pragmatic centre-ground politicians. Moreover, in these years a new brand of left-wing pro-EC case resurfaced, figured by Eric Heffer who argued that "Europe will not come about by pious hopes, nor by refusing to become involved in Western Europe" (Broad, 2001:66). An extra encouraging

[1] Castle (1990:123) mentions that "the whole tenor of these official papers [bureaucrats prepared and presented to the Cabinet] ... was that it would be disastrous if we didn't get in" (20.04.1967). Right-wing Labour Foreign Minister David Owen (1991) would also complain later about the excessive Euro-federalism within the FCO and civil service's unwillingness to defend British national interests adequately. Certainly, these views became well-known with Thatcher.

[2] In his speech at the Council of Europe on 23 January 1967, he declared: "Let no one here doubt Britain's loyalty to NATO and the Atlantic Alliance. But I have also always said that that loyalty must never mean subservience. Still less must it mean an industrial helotry under which we see in Europe produce only the conventional apparatus of a modern economy while becoming increasingly dependent on American business for the sophisticated apparatus which will call the industrial tune in the 1970s and 1980s" (Leonard and Leonard, 2002:43).

[3] It is interesting to note that Crosland, though a pro-European, had never been an enthusiastic supporter. There is not much on the EC in his writings. Instead in practice, he remained a colourless ideologue in European debate, even when he served as Foreign Minister in 1976-77. Owen (1991) relates it with the personal rivalry between Crosland and Jenkins.

factor was the first-time postwar existence of a really permissive public mood in Britain. Whereas in 1961 only 49% of Conservative and 30% of Labour voters were in favour of EC membership, the figure rose to a height of a general 70% in 1966 (Spence, 1976:22-3).

As a final note, the developments in Europe were also important. The empty chair crisis was used to defy the arguments of those who feared the absolute and terminal loss of sovereignty. Pro-Europeans took an instrumental advantage to assert that national governments still took the upperhand. Besides Britain could fill the void created after French withdrawal from NATO and take the leadership in Europe[1] (Parr, 2006).

To summarise the mentioned reasons; Wilson accepted the failure of his foreign and economic policies for recovery of Britain and made his bid to enter EC with "a tacit acknowledgement that there were no national solution to Britain's problems" (Sassoon, 1996:342-3). Wilson and Brown started with a probe to European capitals to convince EC governments. Yet the presence of De Gaulle was a giant problem. There was a sense of wasting time as long as the General remained at Élysée (Castle, 1990:107; Benn, 1996:153). Nevertheless, on 30 April 1967, Labour Cabinet voted 13 to 8 in favour of application[2]. The decision was given assent in the House of Commons by 488 to 62, with only 35 Labour MPs against.

George Brown's enthusiastic words on 2 November 1967 were aimed to convince his French audience: "We have said quite plainly that we want to work out in Europe and with other Europeans our common destiny — and not just our economic destiny, but our political destiny too. Our commitment is total". The negotiating team, headed by Brown and George Thomson, was not strongly pressing on the five conditions set by the party in 1962; they were simply downplaying those conditions from the agenda. The immediate concerns were focused on the CAP and its implications. In that sense, Labour leadership's willingness for entry was genuine. However three weeks later, an unconvinced De Gaulle once again vetoed Britain, this time shattering the hopes of Labour Party. The application

[1] George Brown once told that "we have a role: our role is to lead Europe … It is our business to provide political leadership that for so long has eluded the democracies of the mainland of Europe … I don't see where else leadership can come from other than this country" (Karvounis et al, 2003:314; Rowley, 1996:60).

[2] Benn (1996:171) recalls the day: "We had Cabinet all day on the Common Market and we voted by 13 to 8 for unconditional application … I said we had to cut Queen Victoria's umbilical cord … somehow we were persuaded that the Common Market was the way of making progress [on balance of payments -HK]".

remained formally on the table and was reopened after De Gaulle's fall, but Labour had lost June 1970 election.

4.5 'THE GREAT DEBATE', 1971-74

The period after De Gaulle's rejection saw the erosion of pro-Europeanism in Labour Party, in parallel to the general public mood: support for EC dropped to a lowest point of 20%[1]. Since Wilson's application, anti-marketeers in the party succeeded to increase their strength (Byrd, 1975; Bilski, 1977). A *Labour Committee for the Five Safeguards on the Common Market* was created and it recruited people like Jay, Castle, Crossman and Shore. The Tribune Left fully lent its backing to the opposition to EC. Eric Heffer changed his mind against membership[2]. Then, the Left had seized the control of the NEC and the manoeuvre area for pro-Europeans as well as pragmatic Wilson leadership was limited.

TUC and most of its affiliated unions were undecided and pragmatic in early stages, but toughened their stance and adopted anti-entry position. For instance, Jack Jones of TGWU became an ardent opponent against entry. This also reflected the general move to the left since the late 1960s as the result of the dissatisfaction of Labour's governmental record. Added to this was the increasing polarisation between TUC and Conservative Heath government. The opposition found empirical evidence against entry in the White Paper of February 1970, which suggested a detrimental effect on balance of payments between £100m and £1.100m annually because of the tariffs to be imposed on cheap food imports from Commonwealth and British budgetary contributions[3]. Conservative White Paper was not different in its projections, too.

A special Labour conference on Common Market was held on 17 July 1971. It was the second special conference of the party after the famous one in 1918 that had decided on party constitution. Conference would not say its final word on the policy; it was arranged in

[1] Inglehart (1971), with all his wit, argued that the two vetoes, which were justified on the grounds that Britons were not genuine Europeans, had a self-fulfilling prophecy effect on British people.
[2] Heffer's (1975) radicalism spoke for itself: "the crisis of capitalism must be the occasion to introduce socialist measures and move towards a classless, egalitarian society", and it was surely not compatible with the EC.
[3] The issue was generally termed as British Budgetary Question –BBQ- or informally the *Bloody British Question*. EC budget and CAP have been the anathema of British politics in which "the British housewife will pay for the privilege of supporting the French farmer" (Callaghan, quoted in Morgan, 1997:396).

order to help the formulation of the policy, which was to be shaped later by NEC. Labour's former negotiator with the EC, George Thomson, conceded that the terms of Tory negotiations were not too unacceptable and these terms would not have been too different if negotiated by a Labour Cabinet[1]. A look at the speeches at the conference reveals that the pro-EC case was centred on the need for closer cooperation against multinationals since national governments lost the control of domestic economies. EC meant a bigger market and economic growth to sustain redistribution. Anti-marketeers only saw in these words the ruling class propaganda of national defeatism. Peter Shore tried to convince the conference with the following warning: "Do not be depressed by these feeble voices which convince you, or seek to convince you, first, that you have no capacity to solve your own problems" (Labour Party, 1971:18). The main argument of anti-marketeers was the expected rises in food prices and cost of living after the entry. But also, being in opposition forced them to oppose blindly anything they could relate with Tory government. This was the reasoning behind Neil Kinnock's opposition: "because I want to see the Tories beaten, and because I am willing to use any weapon to beat them, I am against EEC entry on these terms at this time"! A few days later, on 28 July 1971, NEC issued a declaration opposing entry on the terms of negotiated by Conservative government. In essence, this suited Wilson's tactic of opposing the Tory terms, whilst simultaneously avoiding opposing membership in principle.

In the whole debate, not surprisingly there was the shadow of the big 'sovereignty' question. Right-wing anti-marketeers like Jay and Shore[2] continued to make their case on nationalism and Parliament. This sovereignty-based defence was similarly shared by the left-wing. Certainly, the latter did also point out the market-orientation of the Rome Treaty; however it is hard not to agree with Tom Nairn's (1972) observance of Labour left's nationalism -disguised under the rubric of 'outward-looking' and broader internationalism. A strange idea, Nairn summarises, all-present in Labour members was the belief about

[1] Thomson exactly told the conference: "I say straight away the terms that have come out are not ideal. None of us ever believed in the Labour Government that ideal terms would come … if we had won the Election and had still been facing the realities, the responsibilities and limitations of government, these terms would have gone through a Labour Cabinet" (Labour Party, 1971:12). At the same conference Wilson could not back Thomson's words in front of Labour delegates.

[2] Shore (1973) advocated a free trade area between "*the four British states*, Britain, Canada, Australia and New Zealand". This expression was told to be used by the Conservative right-wing at that time (Broad, 2001:96-7). Shore also argued that "it is idle there fore to follow the will'o the wisp of an unborn and hypothetical EEC democracy. Instead we must turn to the task of strengthening, defending and improving what already exists: democracy in Britain".

"Europe's being somehow more capitalist in nature than Great Britain and British State" (ibid, 78). In Elliott's (1993:84) account, the situation was summed up with all its essence: "Once again, a party gravely divided by its governmental legacy sought redemption in playing the Union Jack against the European ace, nationalism decking itself out as internationalism". We agree with these statements that the emphasis on Crown-in-Parliament went beyond a popular conception of democracy. On the other hand, pro-marketeers were apt to give up some *formal* sovereignty, to be compensated by a greater *effective* sovereignty derived from membership[1]. Britain, they argued, had already lost its economic sovereignty.

When the day came for deciding on final decision in the House of Commons, there was a high pressure on pro-EC Labour MPs not to vote with Tories for accession to the Community[2]. Emotionally, voting with Tories against party directives was hard for Labour pro-Europeans –as if "feeling all the joy of a police informer who had turned Queen's Evidence against his own family" (Hattersley, quoted in Broad, 2001:85). But 69 Labour MPs defied their three-line whips and so the European Communities Act passed.

Table 4.2 Vote on British entry to the EC -28 October 1971

	Conservatives & Ulster Unionists	**LABOUR**	**Liberal**	**Other**	**TOTAL**
In favour	282	69	5	-	356
Against	39	198	1	6	244
Abstained	2	20			22
Unable to vote	6	2			8

4.6 RENEGOTIATIONS AND REFERENDUM

After UK became a member of EC, some anti-marketeers began to advocate the withdrawal option. But the adoption of such a policy could create serious consequences for party unity.

[1] An important *formal* sign of sovereignty had already been ceded by Wilson in 1966, when British citizens were given the right to apply to the European Court of Human Rights and therefore challenged the notion of the supremacy of Parliament. However, European Convention has never been incorporated into the UK law.

[2] Booker and North (2003:152) report the mood of the day: "The result was greeted with pandemonium. Teddy Taylor recalled this as the only time he ever heard bad language openly used in the House. One Labour MP called Jenkins a 'Fascist bastard', and friends advised him to depart quickly, for his own safety. That evening he had the dubious pleasure of reading the Evening News front-page headline: 'Witch hunt for Labour traitors'".

So, it was decided that the future Labour government would *renegotiate* the terms, as written in the election manifesto. Renegotiation was formulated as a tactical device to hold party united and heal internal wounds. In the meantime, Labour decided not to send delegates to the EP, and TUC also did not participate in Economic and Social Committee; as membership was officially in limbo for Labour.

Tony Benn[1] had proposed in 1970 for holding a referendum on membership. The idea was totally alien to British political culture and constitutional practice. The case against holding referendum was the fears of manipulation and unenlightened, right-wing outcomes, as Attlee had opposed its use in 1945 by referring its frequent usage by Nazis (Braham and Burton, 1975; Lazer, 1976). Pro-European politicians especially opposed the idea[2] and argued that MPs were enough to represent the will of their constituencies according to the constitutional traditions. Nevertheless, both as a reaction to French decision to hold referendum on enlargement and as a consequence of Benn's power in the NEC; the proposal was endorsed. As the idea of referendum was accepted by Shadow Cabinet in April 1972, Jenkins resigned immediately from his post of deputy leadership, calling in his resignation letter the referendum as "a splendid weapon for demagogues and dictators" (Duff, 1976:118).

When Labour returned to power with February 1974 elections, renegotiation process was commenced. It was a public opinion strategy, admitted by Helmut Schmidt later as "face-saving, cosmetic operation for British government" (H. Young, 1999:283)[3]. The chief negotiator was James Callaghan, assisted by anti-EC Shore and pro-EC Roy Hattersley. Callaghan started renegotiation by reading Labour Party manifesto at Council of Ministers and thus irritating other ministers according to observers[4]. He told his counterparts that

[1] To note the evolution of Benn's personal views is important, as he turned out to be the flag carrier of anti-Marketeers. He remained undecided or pro-EC until around 1971. In 1965, Benn (1996:121) had written in his diary that "this country is so decrepit and hidebound that only activities in a wider sphere can help us to escape from the myths that surround our politics". In 1972, he engaged a dual of letters with his comrade Commission President Mansholt who told that he was "*ashamed* to see my socialist friends adopt such a negative attitude". In 1974 new years' message to his constituency, he would forecast "the end of Britain as a self-governing nation". During membership, Benn (1981) was talking about "Britain being ruled from abroad".

[2] Polls continually showed a clear anti-EC majority among public.

[3] Stephen George (1998:86) describes the whole exercise as "to present the Prime Minister as a 'St. George' figure who knew how to stand up foreign dragons and would never sell his country short".

[4] *New Statesman* was describing Callaghan as the "odd and rude man of Europe" (Booker and North, 2003:175). He had already gained fame with his 'Chaucer speech' in reply to Pompidou's arrogance on French language.

monetary union was 'overambitious', political union 'unrealistic' and the CAP 'unacceptable' (Morgan, 1997:417). The symbolic clashes were frequent: A classical example was on metrics. Unnecessarily, Wilson asserted that "an imperial pint is good enough for me and for the British people, and we want it to stay that way"-but metrification had been first initiated by his government in 1965. Foot, then Employment Minister, threatened EC Commission to use his veto on a proposal for the protection of workers' rights in cases of mass redundancies[1]. As a matter of fact, the same measures were already on government's agenda. The only reason of opposition was not to give the impression that Labour was introducing these reforms at the behest of the Community (Brewster and Teague, 1989:122).

What was achieved in this renegotiation exercise has been a controversial issue. In essence, it was a ritualistic and technical routine: "all the socialist arguments against the Community were disregarded when faced with the realities of office" (Broad, 2001:100). For instance no notable change occurred on issues like state aids and planning. The Lome Convention was signed, replacing Yaoundé agreement. This gave some privileges to Commonwealth countries, on par with former French colonies. The debate on New Zealand dairy products was finalised at the Dublin summit of March 1975. ERDF was created with a subtle function to balance British contributions to EC budget. One of the rallying points of anti-marketeers was the Werner Plan. But the proposed 'snake' had long been dead by 1975, so another obstacle had disappeared. Nevertheless, a final agreement on British contributions was postponed, which later would become the continual headache in Britain-EC relations.

The Cabinet approved the terms of renegotiation by 16 to 7. Wilson declared in the House of Commons that the Cabinet members agreed to be able to support the side they wished, so abandoned collective responsibility –a cherished British tradition[2]. When it was brought to House of Commons, the majority of Labour MPs voted against their own government. The terms were passed only by the support of Conservatives and Liberals, a coalition already seen in 1971.

[1] One of the directives covered under EC Social Action Programme of 1974-76.
[2] "Harold announced a fundamental change in our constitutional convention as casually as if he had been offering us a cup of tea" (Castle, 1990:549). The dissenters were Castle, Benn, Foot, Shore, Silkin, Willie Ross and Eric Varley. The distinctive point was the swing of Callaghan himself.

Table 4.3 Vote on renegotiated terms -7 April 1975

	Yes	No	Did not vote	Total
Cabinet ministers	14	7	0	21
Other ministers	31	31	9	71
Backbenchers	92	107	24	223
All Labour MPs	**137**	**145**	**33**	**315**

The special party conference on 26 April 1975 voted for withdrawal by 3.7m to 1.99m. TUC (1975) declared that it was not satisfied with the outcome: CAP was still intact, EC would aggravate problems of balance of payments and British industry, and notwithstanding the reductions the UK would become second net contributor to the budget. The reports of the Research and International departments of the party reached the same conclusion that the outcome did not match the significant demands laid in previous party documents and manifesto (Labour Party, 1975a, 1975b). A highly unique and strange situation emerged: The party was officially and firmly opposing its own government's one of decisions which was termed in October 1974 manifesto as 'the greatest single peacetime decision of this century'!

Referendum was fought between two cross-party umbrella organisations: Britain in Europe –BiE- and National Referendum Campaign –NRC. BiE was under Jenkins and included the 'Labour Yes campaign' headed by Shirley Williams[1] with 88 Labour MPs, 21 peers and 25 top trade unionists. There were huge financial and organisational imbalances between the antagonists[2]. Media was overwhelmingly on the side of pro-Europeans (Mullen and Burkitt, 2005). The principal support to opposition came from individual trade unions. Although antis had the motivational and emotional strength to oppose something alien, this caused them put their case in very forceful but sometimes vulgar ways. Castle (1990:588) noted during the campaign that she "cannot get attuned to the over-simplified extremism of the anti-Market case". NRC was an uncomfortable coalition of extreme poles, bringing Benn and Enoch Powell under the same cause. Humorously, at one side there were the 'great and nice guys' and on the other the extremist villains *bete noire*, and this point was fully exploited by tabloid press.

Labour government posted every household in the UK three pamphlets: 'Yes', 'No' campaigns' publications and the official position that began with the statement: "Her

[1] Williams had indicated that she would leave Labour if Britain would quit the EC.
[2] "The real expenditure ratio was twelve to one" (Broad, 2001:116).

Majesty's government have decided to recommend to the British people to vote for staying in the Community" (HM Government, 1975). Wilson and Callaghan chose not to occupy the frontline in the debate and wanted to give a statesman image.

Table 4.4 Referendum on the EC membership, 5 June 1975[1]

	% TURNOUT	% YES
England	64.6	68.7
Wales	66.7	64.8
Scotland	61.7	58.4
N. Ireland	47.5	52.1
TOTAL	**64.0**	**67.1**

The result was a 2:1 majority to remain in the EC. The dramatic swing in the public opinion can be explained by the political-cues offered by elites. Public opinion on Europe until referendum was volatile and never too-salient; therefore it tended to follow political leadership (Shepherd, 1975). On aggregate levels, there was a negative correlation between 1974 Labour constituencies and 1975 yes votes. It was clear that the bulk of no votes came from Labour voters (Brier and Hill, 1977). The result was a serious moral blow for Labour left-wing –it was they who had turned to the will of people. Wilson lost no time to remove Benn from Industry to Energy.

4.7 AN AWKWARD PARTNER, 1975-79

Contrary to most contemporary views and wishes, the European issue would never be settled at the referendum once and for all. Labour governments under Wilson and Callaghan had to act within a highly divided party. This was the most plausible explanation for the famous descriptions of 'awkwardness', 'reluctance' and 'semi-detachment' of Britain's European policy inside the Community. Labour Party was losing its internal cohesion, not only on European issue but also on all other big issues of the time. This was the period when backbench rebellions were on the highest levels in British politics up to then[2]. At the same time, as Owen (1991) observed, some Cabinet Ministers were behaving as if referendum had never taken place.

[1] A special concern for referendum rules was the counting according to *county* basis, not the classical constituency basis. It was a tactic to avoid further domestic rifts by concealing how a constituency voted in general.

[2] Norton (1999), Wood and Jacoby (1984). Only Blair's second and third terms would come closer to that period.

Several examples of the period illustrate the uneasiness of Labour governments: One of the first conflicts was over British determination not to allow Brussels intervene in British energy policy in international fora, because of the prospect of North Sea oil. Other conflicts were over EC Bathing Water Directive and on EC proposal to shorten lorry drivers' working hours. When Britain assumed the presidency of EC for the first time in 1977, international negotiations on maritime borders and the reform process of the Common Fisheries Policy coincided. Labour's agriculture minister John Silkin was especially remembered with his acting like a national champion (George, 1998:122), especially for marginal seats at fishing constituencies. In the final analysis, UK presidency turned out to be a markedly troubled and obstructive period for Europe.

Another contentious issue was the passage of European 'Assembly' Elections Bill. For Foot[1] and like-minded, it was a challenge to the British Parliament. Just two days after Britain signed the ceremonial agreement on direct elections in Brussels, Labour conference of 1976 accepted a resolution against it (Northawl and Corbett, 1977). By the time, Callaghan had to rely on Liberals for his parliamentary majority after 1977. And one of the conditions of Liberals was the passage of this Bill allowing direct elections to the EP. Due to the opposition from Labour left-wing, the Bill could only be passed after a year delay and with retention of FPTP system. First direct election was overshadowed by the defeat of Labour against Thatcher a month before. It was a low-key event, fought on national issues. Labour intakes were largely anti-marketeers from traditional Labour strongholds. Labour representatives inside European institutions soon became the most troubled and controversial group (Featherstone, 1979; Holland, 1987), trying to seize every opportunity to "renegotiate past agreements, thereby paralysing concerted action" (Johnson and Painter, 1980:328). For many European socialists, this was a mere reflection of the "offshore islanders' shopkeeper mindset" (Broad, 2001:149).

[1] "Foot had a romantic attachment to Westminster Parliament" tells Owen (1991). This sounds the exact description of Westminster as the most conservative church of the world by Bevan: "[When a new MP enters] his first impression is that he is in church. The vaulted roofs and stained glass windows, the rows of statues of great statesman of the past, the echoing halls, the soft-footed attendants … Here he is, a tribune of the people coming to make his voice heard in the seats of power. Instead, it seems he is expected to worship; and at the most conservative of all religions – ancestor worship" (Riley, 1988:183). Even if EP had not a strong institutional socialisation effect, House of Commons did (Mughan et al, 1997).

The most significant decision was on EMS, which was a Jenkins-Schmidt-Giscard initiative and became operational in March 1979. Only Britain did not join in its ERM; but promised to align its policies informally with the system and not to pursue a policy of competitive depreciation; she also contributed to the ECU reserves. Callaghan's Atlanticism surely played a decisive part in Britain's non-participation. Harrop (2000:224) observes a British concern for adverse effects on 'dollar' more than Americans themselves[1]! However, arguments against EMS correctly pointed out the *potential* asymmetrical characteristics of the system, putting all the restrictive constraints onto the weak currencies against D-Mark interests. Also, the British trade patterns were still diverse from the Community. But the most visible factor was the opposition inside the party, as Aspinwall (2003b, 2003c) and Walsh (1995) demonstrate. At Labour annual conference of October 1978, a motion against EMS had been only narrowly defeated. The weak governmental majority of Callaghan could not pass the decision to participate without causing a huge rebellion inside the party just before a scheduled election upcoming. Despite the advantages of a fixed exchange rate for so-highly internationalised financial market and the support of the City; CBI with its equity-market based financing and TUC were worried on possible future damaging effects of aligning with Bundesbank policies. As 1973 programme stated against the 'snake', Labour rejected "any kind of international agreement which compelled us to accept increased unemployment for the sake of maintaining a fixed parity" (Elliott, 1999:17).

Labour Party as a whole hardened its stance against the EC year by year. 1979 manifesto was openly clear in its insistence on a "fundamental and much-needed reform of the EC". Existing compromise inside the party was finally broken with the 1980 conference decision of withdrawal[2]. TUC also approved a call in the same direction. As a last step, Labour's 1983 manifesto -'the longest suicide note in history'- was committed to withdrawal after a timetable of negotiations. Certainly, party leaders were well-informed that negotiations would involve all the past agreements with IMF, GATT, and Lome countries. In addition, re-entry to EFTA would be highly problematic, given their agreements with the EC. And all these negotiations would consume a substantial period in which there was no guarantee for the party to be re-elected to government (Palmer, 1982).

[1] Johnson and Pinter (1980:329) spoke of the "self-appointed role of British negotiators as 'watchdogs' for the dollar".

[2] At the same conference, Shore described the EC as "the rape of British people and their rights and constitution". He also told *BBC* in November 1980 that "well, you know, we've been an off-shore island for some two thousand years of recorded history, and we have been, I suppose, the most successful nation-state of all nation-states for the past 500 years" (Featherstone, 1986:255).

4.8 ECONOMIC CRISIS AND PARTY POLITICS

The root problem was that British membership coincided with gravest economic crises western industrial societies faced since the Great Depression. Taken as a whole, 1974-79 Labour governments experienced the worst global performance in this period. The blame of domestic economic deterioration was partially charged onto the EC, as put down in a NEC statement (Labour Party, 1977:1): "Both before entry and during referendum campaign the Party argued that the EEC would not and could not provide Britain with a 'miracle cure' for our economic difficulties … since joining the EEC, it is clear, our economic problems have intensified". This statement was true, for instance, on the growing trade deficit with the continent, even under the transitional phase applied until 1979. It was the static result of trade diversion after tariff removal; but more importantly dynamic result of 'cold shower' effect of competition. In the short term, immediate effects were destructive for British manufacturing which was relatively less productive (Gasiorek et al, 2002)[1]. In that sense, EC membership aggravated British economic problems. But this is only a part of the broader story.

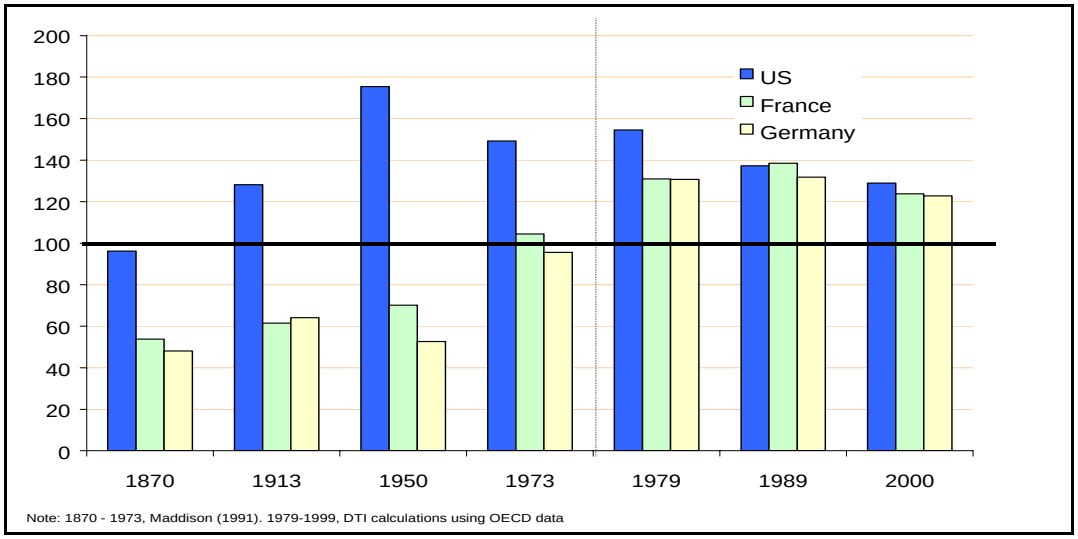

Figure 4.2 British relative decline in total productivity -UK=100
Source: Ken Warwick[2]

[1] Harrop (2000:86) notes that membership "may have added 0.75 per cent per annum to the UK inflation since 1973" due to rises in food prices. As he argues, it is very difficult to disentangle the EC effects from other causal effects.
[2] Ken Warwick, "The role of government in fostering competitiveness and growth" DTI economic adviser, dateless ppt presentation, www.dti.gov.uk

Table 4.5 UK manufacturing productivity growth

% per annum	**51-73**	**73-79**	**79-99**	**51-99**
Labour productivity	4.3	0.4	3.3	3.3
Growth of output	4.4	-0.8	0.8	2.2

Source: Broadberry (2004:59)

In 1974, TUC had brought down Heath government after the fierce controversy over Industrial Relations Act and 'who runs the country': "the most spectacular single victory of labour over capital since the beginnings of working-class organization in Britain" (Perry Anderson, quoted in Sassoon, 1996:498)[1]. A year before, Labour and TUC had agreed on a 'Social Contract' incomes policy. At the same time, left-wing dominated NEC prepared 1973 programme which included commitments to extension of public ownership, the control of 'the commanding heights of economy' and greater industrial democracy. It was a reaction to the ineffectiveness of Keynesian demand management in an age of multinationals and naïve Croslandite optimism to transform society by such means[2]. But 1974-79 governments did never attempt to carry out such policies in a degree left-wing desired, both because they *could not* and because the commanding personalities in the *government* explicitly did not belong to that radicalism[3]. Thus, Labour government's modest attempts to influence investment decisions of big corporations through planning agreements remained unsuccessful; as in the case of the newly created National Enterprise Board whose function was limited to rescue a few bankrupt private companies.

Government's initial public expenditure commitments as agreed in 'Social Contract' only fuelled further inflation which became the main concern of the country. When it faced sterling crisis in 1976, it chose borrowing from IMF and accept its conditions in terms of Healey's public expenditure cuts. In a much-cited speech, Callaghan told party delegates

[1] In order to give an image of the seriousness of the polarisation (trade unions, Northern Ireland, inflation and unemployment) we can refer to the rumours of a military coup against Wilson in 1974. Allegedly involved parts were M15, British army, royal family, CIA and South African intelligence service. Before his departure, Wilson himself had implied such a plot (*BBC2* programme 'The Plot against Harold Wilson' 16 March 2006).

[2] The new radical thinking was constructed by figures like Stuart Holland, Ken Coates of the Institute for Workers' Control, and academicians around Cambridge Economic Policy Group (Thompson, 1996).

[3] Left-wing radicalism was defeated three times during Labour governments –the EC entry, party leadership contest after Wilson and IMF crisis- and was a minor force inside government.

that Keynesianism was now moribund[1]. He briefly managed to persuade TUC for a sort of wage restraint. The agreement was broken in late 1978, hence the infamous 'Winter of Discontent'. As the most authoritative analyses point out, government's only chance was voluntary wage restraints (Scharpf, 1991). However, the nature of Fordism in Britain, depicted as 'flawed' in comparison to Europe, was a real obstacle against this: the decentralised industrial relations, loose coordination inside/between TUC and CBI; and already high level of exposure to international economy.

As mentioned, left-wing inside the party had a different vision for getting out of crisis. But first it had to ensure that its proposals would not be ignored by Labour governments. In fact this was nothing new; it was a historical feature of intra-party tension between a conference having the ultimate power, a NEC representing the highest policy-making organ during intervals, and a PLP enjoying a *de facto* independence from them[2]. The Campaign for Labour Party Democracy[3] –CLPD- had been formed in 1973. Its three aims were designed so that PLP could not bypass official party positions:

1) Mandatory re-selection of Labour MPs by constituency parties (MPs generally could stand for the next elections)
2) Election of party and deputy leaders by the whole of the party (only PLP had been involved)
3) Passage of the responsibility to prepare manifestos solely to the NEC (it was a joint responsibility of NEC and Cabinet/Shadow Cabinet)

CLPD aims were in parallel to the parliamentary group of Labour Coordinating Committee –LCC- founded in 1978 by the Bennites. These groups successfully challenged leadership policies on especially three areas: European, defence and economic policy. Starting from 1973 Programme, in each year's conference and NEC decisions, the influence of radicalism could be observed, thanks to the growing support of trade union bloc-votes. For instance, whereas 1973 Programme advocated free trade, in 1976 it turned into controls over imports and capital movements.

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[1] "The cosy world we were told would go on for ever, where full employment would be guaranteed by a stroke of the Chancellor's pen, cutting taxes, deficit spending –that cosy world is gone … what is the cause of unemployment? Quite simply and unequivocally it is caused by paying ourselves more than the value of what we produce. There are no scapegoats … We used to think that you could spend your way out of a recession and increase employment by cutting taxes and boosting Government spending. I tell you in all candour that that option no longer exists" (Callaghan, quoted in Sassoon, 1996:500).

[2] On party's organisational aspects Seyd (1978), Shaw (1994b), Allan (1997) and Quinn (2004).

[3] CLPD was a wide-range extra-parliamentary group consisting of New Left and the more traditional Labour Left elements. These grassroots activists made huge road in 1970s to grasp the influence in the party through trade unions and CLPs.

But the Left had to wait until 1979 electoral defeat to take the ascendancy inside the party. The first two aims of CLPD were achieved thenceforth. Mandatory re-election of MPs passed in 1980 conference, in which Foot replaced Callaghan as the new party leader[1]. The system of party and deputy leadership election was altered at the special conference in January 1981[2]. The decision to withdrawal in 1980 then has to be contextualised within such a dominance of left-wing and trade union activism in the party. On the other hand, right-wing had been in retreat, some of its key figures out of politics: Jenkins was out in Brussels since 1976, and Crosland died in 1977. Manifesto Group and its extra-parliamentary Campaign for Labour Victory were less neatly organised than their rivals and demoralised with the performance in power. They were the target of the new organisational decisions adopted by the Left and now at the risk of being refused by radicals in the CLPs (Mitchell, 1980). It did not take much time for 'Gang of Four'[3] to take the decision to quit and form Social Democratic Party in March 1981. European issue was among the reasons of the split: it became "the most specific catalyst" as Hugo Young (1999:302) stated. Indeed, such a split could have occurred in 1971 but at that time the pragmatist leadership had found the compromise position. With the SDP split, some of key pro-Europeans left the party leaving the room for Labour Eurosceptics[4].

Left's economic strategy, termed as Alternative Economic Strategy –AES- was built on rationalisation of industry by greater public ownership, Keynesian reflation and devaluation to boost manufacturing exports. In order to insulate British economy from international pressures, these policies would be coupled by controls on imports and capital mobility, on which last restrictions were removed by Thatcher in 1979. In short, it was "socialism in one country strategy" (Sassoon, 1996:525) or a classical textbook example of a closed-economy Keynesianism: *status quo ante* corrected for its previous flawed sides.

[1] It is revealing to point out that all candidates were leading Eurosceptic figures: Foot, Shore, Silkin and Healey –only Healey less sceptical.
[2] Rather than being only PLP, the new voting system was a combination of 30:30:40 per cent for PLP, CLPs and affiliated organisations respectively. It should be noted that 1981 Wembley conference showed the limits of hard-left radicalism when Benn could not get elected to deputy leadership.
[3] Owen, William Rodgers and Shirley Williams, later joined by Jenkins.
[4] Foot (2001) informs that Hattersley, Smith and Healey would have also left the party unless converted by him. Foot also defends himself by arguing that the 1983 pledge was not absolutely intended to withdraw, but a reconsideration of EC membership.

4.9 IN PLACE OF CONCLUSION: LABOURISM

By the 1960s, several New Left writers developed the concept of '*Labourism*' in order to explain the ideological and organisational 'peculiarity' of Labour Party. The distinctiveness of the party laid in its birth, being created 'out of the bowels' of trade union movement. The initial goal was the representation of working class interests inside the Parliament when Liberals could not do furthermore[1]. Labour was the perfect *class* party, however not set up as a pure *socialist* party. Party included a broad coalition including Marxists, yet the latter's influence was highly irrelevant when compared with other continental sister parties. More important elements that gave party its true ideological colour were New Liberalism, Fabianism, and some radicalism through ethical and guild socialism (Judge, 1993). It is clear therefore that the party was born as a *reformist* party from the start. But the presence of different streams meant that an ambiguity of purpose would continue in the future[2]. The biggest difficulty was over the presence of Clause IV[3] -put down in 1918. It was not as radical as it seems and had little influence on Labour's governmental record later; but the point there, was a nationalist appeal in Marxisan terminology and a Fabian belief in technocratic management by state.

At the most general level, there have been two brands among party's ranks: a very native and complex combination of right-wing social reformers and left-wing reformist socialists (Elliott, 1993). The latter remained in minority whilst the former took the lead during most of party history. Their similarities in broad perspectives outweighed their differences within the post-war settlement. There was nothing like a picture of left-wing demanding a revolutionary path and right-wing constantly betraying it (Newman, 2003; Coates and Panitch, 2003). One cannot be condemned for abandoning something which has never been espoused. Labour's governmental record is full of structural limitations as any other

[1] 'Out of the bowels' argument also explains the transference of the 'conservative' working class features directly to the party (Aranowitz, 1990:176) in addition to its economism observed since Lenin. Ross McKibbin's thesis is that it was the working class culture in Britain that obstructed the development of socialist ideology –from bottom to the top (Callaghan, 2003).

[2] Another source of this ambiguity was an antipathy to systematic political theory and preference to rely on pragmatism (Harris, 2000) and best exemplified in Peter Mandelson's grandfather Herbert Morrison's words: "Socialism is what a Labour government does"!

[3] "*To secure for the workers by hand or by brain the full fruits of their industry and the most equitable distribution thereof that may be possible upon the basis of the common ownership of the means of production, distribution, and exchange, and the best obtainable system of popular administration and control of each industry or service*" (Dearlove and Saunders, 2000:392).

European socialist parties have faced; but in British case it seems to be that these limitations have been more *self*-inflicted, because of party's deeper and long-standing ideological instincts. However it should have been the contrary: the unchecked 'executive dictatorship' of Westminster model, the strength and unity of working class and absence of a communist rival were all exceptional assets no other continental leftist party could ever dream of!

Party's primary failure was its parliamentarism and strong adherence to British state and constitution. It never attempted to build a counter-attack against dominant interests and institutions of British capitalism; its focus was always betterment of it in a gradual way[1]. According to Anderson-Nairn theses[2], this capitalism was built on archaic remnants of the historical compromise between landed aristocracy and a mercantile class. Finance capital had the precedence over industrial interests and the imperial legacy gave it a *laissez faire* and international orientation. Unlike the late-comer states, the role of British state in economy remained minimal and its operational ethos and industrial policies never became similar to a developmental type[3]. "The first but the least of bourgeois revolution" (Marquand, 1997) had set the course of future development of British political system: "unlike the Bastille, the Tower of London never fell; Labour has, as it were, consistently been its captive" (Elliott, 1993: xiii). The British socialism mirrored the vices of British capitalism, not just in its general political set-up but also its cultural and nationalistic values. And Labour legitimised its own course in a way by putting nation over class - "nationalisation of class … class *as* seduced by nation" (Nairn, 1972:44)[4]. As Hugo Young (1999:260) sharply summarised: "opposition in short gave control to the instincts of the Party, government gave it to the perceived necessities of the country"[5].

This account reveals why Labour so forcefully stressed British parliamentary sovereignty and why its opposition to EC was so continually blurred by Atlanticism, country's global

[1] "How can they assault bourgeois property if they dare not refuse pocket money to the Prince of Wales?" Trotsky had questioned once ("One or Two Peculiarities of English Labour Leaders" www.marxists.org).
[2] Overbeek (1989), Hay (1994a), Davis (2003), Wickham-Jones (2003). For the criticism, of course, one should refer to debates between P. Anderson and E.P. Thompson.
[3] Later these critiques have been incorporated into mainstream and also Labour Left thinking, like in Marquand's 'developmental state' or Will Hutton's 'short-termism of finance' arguments.
[4] Here is a nation whose identity is formulated in terms of self-governing Protestant people as "God's Elect" against Catholic Europe -the 'other' (Colley, 1992; Kumar, 2000).
[5] That also explains why Labour boosted with the most liberal and right-wing structures and policies, whilst at the same time its positions were similar to radical parties like French Communists.

missionary duties and 'Open Doors' free trade advocacy (Nairn, 1972:61)[1]. On the other hand, left-wing's opposition also shows that the struggle for defining the mode of regulation is a contested terrain. AES was an attempt to reconfigure the international link in that mode of regulation without much revision in the political system and state terrains. It was the reflex of British working class in nationalist terms. No hegemonic order can be totally complete on its target. As Anderson (1992:167) also concedes, maybe more emphasis should be focused on structural impediments on Labour governments –as D. Coates- and its organisational aspects –as R. Miliband.

[1] Intergovernmentalism, Atlanticism and market liberalisation are the three core elements Geddes (2004) identifies in his historical institutionalist reading of the British-EU relations.

CHAPTER 5

LABOUR'S EUROPEAN POLICY, TRANSITION TO NEW LABOUR 1983-97

> By 1984 we were not for withdrawal any longer but for renegotiating the Treaty of Rome … In 1987 we were pro-Europe, by 1992 we were enthusiastic about Europe, and now positively bubbling with enthusiasm (Austin Mitchell, 1995)

"One way of looking at the history of Labour is to see it as in permanent tension between what the activists would like it to be and what the first-past-the-post system forces it to be" (Biagini, 1999:98). Tony Benn could argue that one in four voted *for* socialism in 1983, but in Britain this is merely enough for a party to reflect that socialism onto public policy. Being in opposition in Westminster system stands for being in a practically irrelevant position for public policy making. "In the British political system, electoral support is the *sine qua non*" as Haahr (1993:35) repeats the common acceptance[1]. FPTP system is highly biased against policy-seeking strategies and favours vote/office-seeking ones. Caught between the Scylla and Charybdis of votes and office, one possible option for Labour leadership could be trying to move the median voter towards leftwards –*preference shaping* as Hay (1994b) termed and advocated- rather than moving rightward itself –*preference accommodation*. Labour chose the latter after its second consecutive electoral defeat in 1983.

5.1 IN THE HEART OF DARKNESS, 1983-87

The severity of 1983 defeat was firmly the foremost impetus in Labour's turn to moderation. In order to be elected Labour had always relied on a penetration into middle class voters, while holding the majority of working-class votes. 1983 election demonstrated that party was even losing its hold among working class. Only a third of skilled workers

[1] Again, this was another indicator of Labourism. After having defeated Liberals as the second party, Labour did not attack FPTP unlike other European socialist did, because of the dream that huge working class base would guarantee Labour being 'the natural party of government' in the future. In fact, it made Labour a prisoner of catch-all politics (Anderson, 1992:350; Singer, 2000)

voted for the party and less than a half for semi- and unskilled (Byrd, 1987:207-8)[1]. The new party leader Neil Kinnock like many others in the party realised that the utmost necessity was to regain public support by removing unpopular left-wing policies. The task set ahead was to reverse the excesses of the past. But the reversal followed a gradual and calculated course: changing policies first necessitated a reaffirmation of the control of PLP leadership over party and its activists through organisational reform. This also necessitated some loosening of the trade union link.

It should be noted that European issue was a part and parcel of overall policies evaluated as electorally damaging. However it did not have a high priority on Kinnock's agenda, because of its low salience among electorate. Instead, the tactic was to downgrade it from party discussion (Holden, 2002). There was not an immediate pressure to change the official withdrawal policy as long as Labour remained in a position not able to implement it.

One of the more urgent items to be dealt by Kinnock was the completion of the purge of Militant Tendency entryism. This strategy served several ends: It pressured hard-left sections –especially Socialist Campaign Group around Benn- to downplay their radicalism, and cemented the unity between soft-left groups like Tribune with the remaining right-wing groups. Finally it served as a public relations message to the electorate. The main reason behind Kinnock's –son of a miner- reluctance in 1984 to stand up alongside NUM miners against Thatcher government was related to his desire to put a distance against grassroots radicalism and refute the argument that party was a prisoner of obstructive trade unionism. Additionally, a new Campaigns and Communications Unit was created under Peter Mandelson with the task of improving party's public image. New marketing techniques borrowed from across the Atlantic were utilised to present a strong party leadership package centralised around Kinnock.

Nevertheless, the change did not advance in a smooth course. Kinnock's attempt to broaden the electoral basis of MP candidate selection at the CLPs by 'one member one vote' –OMOV- was successfully blocked by trade unions in 1984 conference. OMOV was the weapon of the left-wing in 1970s in the name of inter-party democracy and accountability;

[1] Certainly there were the specific effects of council housing sales, Falklands War, Thatcherite consumerism and the most visible reason of SDP defections.

ironically after 1983 it would be used to enhance the autonomy of the leadership. Modernisers, as the team around Kinnock was known, thought that powering individual members would moderate the demands of activists (Seyd, 1999). OMOV was partially accepted in 1987 and as a compromise it was accepted to apply fully for CLP delegate selection to NEC.

As early as 1984, there emerged the signs that Labour's efforts were concentrating on reform demands *within* the Community. Kinnock's *New Socialist* article in 1984 revealed his personal thinking that "in the age of multinational capitalism democracy must be multinational, too" (Featherstone, 1988:345). However this was not necessarily a support for supranational EC integration. The idea in mind was a new intergovernmental initiative for coordinated reflation: a 'Euro Bretton Woods' and a new round of Messina talks to eliminate supranationalism within the EC. Such a coordinated reflation idea was originating directly from the same economists who had formulated AES since 1970s. Stuart Holland and Francis Cripps were reversing the focus and tools of economic recovery programme to European level. French U-turn from 'socialism in one country' coincided and reinforced this search for a coordinated reflation. The two authors prepared the text of 'Out of Crisis' which was adopted as CSPEC manifesto in 1984. Therefore AES became Alternative European Strategy including four dimensions (Corbett and Harris, 1985):

1) A joint reflation
2) Monetary cooperation against dollar
3) A common industrial and technological policy (Mitterrand's EUREKA)
4) Strengthened common regional and social policies

Finally Barbara Castle, then the leader of Labour MEPs, was arguing that withdrawal would not work and trying to change the *acquis* with the help of European socialists was a more plausible road to take. The withdrawal remained written in statutes, but informally it was then being considered only as a last resort action.

Party's performance in 1984 EP elections was better than the disaster a year ago. But as a result of the candidate selection process, Labour's elected MEPs in 1984 were more anti-EC than the first term. Headed by Alf Lomas, who replaced Castle, new MEPs were regularly calling for a new commitment for withdrawal and trying to bring Labour out of the Socialist Group in EP (Grahl and Teague, 1988). In fact, it was the opposite direction the domestic party leadership was striving to adopt. Being in continual retreat against Thatcherite hegemony at home, Labourist arrogance against 'collaborative' European social

democracy and their achievements was fading away. Party documents were becoming full of references and comparisons with Europe. The new mode was to emulate their lessons through increased formal and informal contacts[1] (Tindale, 1992). One symbolic action taken in 1986 was the adoption of European social democrats' red rose as party logo instead of the historical red flag of the party.

In principle Labour was not against bigger markets. But its reaction to SEA in 1986 was unsurprisingly hostile, as Single Market was by definition including liberalisation but hardly carrying accompanying measures for social protection on a par with the former. Note that it was still a year before Delors' efforts for a social dimension would intensify and there were no concrete steps from the Commission yet (Mosley, 1990). Labour's 1987 manifesto contained no reference to withdrawal[2], but the tone of the related statement could neither be described as enthusiastic at all. Membership was dully and only conditionally accepted. The conversion "occurred not because it [Labour] saw the light but because it tired of the darkness" (H. Young, 1999:473).

5.2 FINDING THE LIGHT, 1987-94

Labour's third defeat in 1987 election sparked a new momentum for further change. Up to then, there had been little formal policy change. A 'Policy Review Process' was initiated under joint NEC-Shadow Cabinet working groups. The involvement of the latter enhanced the influence of leadership, unlike the traditional NEC sub-committee system. After four years of work, several papers introduced packages of innovations in key policy areas. Direct references to EC were rare; however the introduced macroeconomic and foreign affairs policy changes implied the full acceptance and reality of EC. For instance in May 1988 NEC approved the text '*Britain and the World*' which included the acceptance of the continuation of British EC membership despite the criticisms of Benn and Ken Livingstone[3].

[1] The opening up the London office of Friedrich Ebert Stiftung was an important development for the increase in density of the contacts.
[2] "Labour's aim is to work constructively with our EEC partners to promote economic expansion and combat unemployment. However, we will stand up for British interests within the European Community and will seek to put an end to the abuses and scandals of the Common Agricultural Policy. We shall, like other member countries, reject EEC interference with our policy for national recovery and renewal".
[3] Livingstone would change his mind within a year, unlike Benn (1996:612) who recalled the day as follows: "this is the Thatcherism of Labour Party"!

The outcome of the review process was marked by the modernisers[1] like John Eatwell, Kinnock's economic adviser, and Tom Sawyer, Kinnock's arm inside trade unions. In fact, it was a return to normalcy after the excesses of early 1980s, as Shaw (1993) evaluates. But there was also more emphasis on the centrality of liberty, choice and individualism. The adopted texts embraced the virtues of free markets and dropped ideas of massive public ownership including the re-nationalisation of Thatcherite privatisations. State intervention to markets would be *ad hoc* and only when necessary. A new realism on economy developed emphasising stability and international factors[2] including the vitality of Single Market for British jobs. Eatwell was especially influential in underlining the stability factor in economic management and the possible positive role EC could contribute for it. But there was a related but more explanatory reason why Labour Party came along loving the common market.

Social Dimension and the TUC: Delors' speech at 1988 TUC conference constitutes the oft-referred turning point in Labour Party's European policy. The episode and ovation was not so heroic itself as commonly repeated; however it had a high symbolic value signifying the growing importance attached to European-level activity among trade unionists. For years, trade unionism in Britain had been under heavy attack of Thatcherite legislation and public demonisation. The classical New Right argument put the blame for the 'British disease' on the trade union power and its hindrance on productivity. Thatcher was following Hayek's claim that "there can be no salvation for Britain until the special privileges granted to the trade unions three-quarters of a century ago are revoked" (Standing, 1988). Successive Tory legislation removed trade union immunities and their collective rights. As a result, trade unions faced significant loses in membership and collective bargaining coverage. Between 1979 and 1990 total membership dropped from 13.3 million to 10 million, mainly in the manufacturing sector which underwent a 'deindustrialisation' process in the exact meaning of the term. Sector's share in employment fell from 29.5% to 23.3% in the same period. The high levels of unemployment and weakened unionism kept wages lower and more unequally dispersed.

[1] The hard Left was eroding and losing key posts since 1983. The removal of Bryan Gould in October 1989 from the head of economic policy review group was a crucial turning point. Benn had lost leadership contest against Kinnock by a large margin in 1988. The other Left figures like David Blunkett and Peter Hain were more ready to accept the continued membership.

[2] On the international dimension, the strong influence of the 'New Times' analyses in *Marxism Today* circle should be acknowledged.

The newly created jobs in services sector were low-skill, low-wage, part-time and temporary ones occupied mainly by female workers. Issues like working time, unfair dismissal and minimum wage were only lightly regulated and with the lowest standards in Europe. For those unemployed, the replacement rates of unemployment benefits were reduced substantially. In short, the UK was being transformed into the deregulated sweatshop of Europe under Thatcher[1], boosting labour productivity in manufacturing at the expense of reduced social protection and scaling-down in employment.

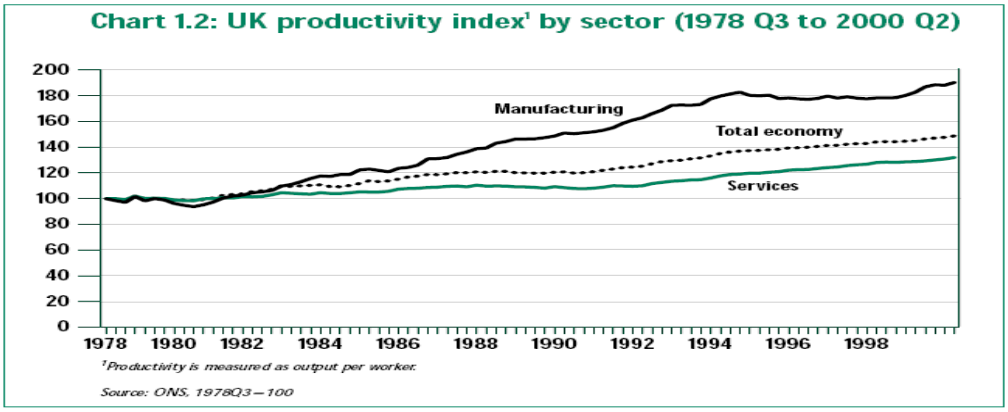

Figure 5.1 Rise in labour productivity under Thatcher
Source: HM Treasury (2000)[2]

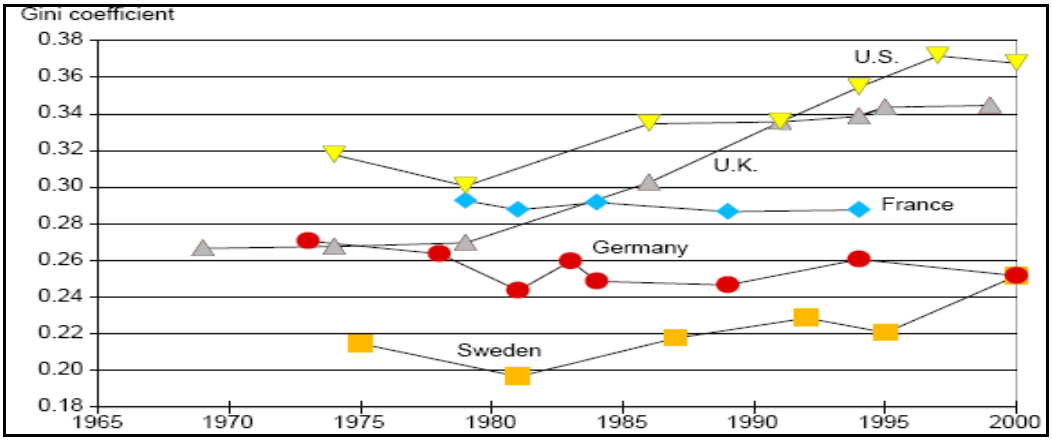

Figure 5.2 Gini coefficient
Source: Dunford (n.d.:15)

By the same token, trade unions lost their relatively privileged position to influence public policies they had enjoyed during the 1970s[1]. Their domestic exclusion was best depicted by

[1] For details on labour market dynamics under Thatcher; Robinson (1997), Smith (1994), McIlroy (1988), Freeman and Blanchflower (1993).
[2] This rise in manufacturing labour productivity was higher than the USA and Germany: 4.1% per annum between 1979 and 1986 (Smith, 1994).

Rod Todd of TGWU who told in 1988 that "in the short term we have not a cat in hell's chance of achieving in Westminster. The only card game in town is in a town called Brussels" (Rosamond, 1998:143). The promise of the EC for the trade unionists was to recover the ground they were losing domestically at the European level. The Social Charter was at the negotiating table and its action programme would be initiated in coming years. Some of the measures were in non-binding form and not so impressive by continental high standards[2]; however the prospect of these proposals were especially challenging when considered for a country like Britain. Geyer (1995:51) observes that throughout 1988, Labour and TUC publications were full of praises for Delors' social dimension. TUC reports of 1988 and 1989 were welcoming his proposals. 1988 TUC conference also accepted a report titled '*Maximising the Benefits, Minimising the Costs*' which extended the new realism in trade unionism to the European sphere. British trade unionists gradually adopted the language of 'social partners' and 'partnership' which were in the past easily dismissed as class collaboration[3]. And this new realism enabled Shadow Employment Secretary Tony Blair drop party's support for closed shop (George and Rosamond, 1992:175-6). In 1989, TUC also supported the British participation in the ERM. One important point to be underlined is that pro-Europeanism was not uniform. TUC was more inclined towards European road, while differences among its affiliated unions endured slightly due to differentiated levels of exposure of single sectors to the global economy (Van der Mass, 2004).

Eleven days after Delors' speech in Bournemouth, Thatcher delivered her famous Bruges speech in which she declared that "we have not successfully rolled back the frontiers of the state in Britain, only to see them reimposed at a European level". And two weeks after Bruges speech, Labour conference on 6 October 1988 finally acquiesced membership by dropping the official withdrawal policy[4]. The slogan of European Labour Forum sums up

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[1] Tindale (1992:291) points out that the good old days of 'beer and sandwiches at Number 10' were now replaced with 'wine and cheese at Berlaymont in Brussels'.

[2] For the list and texts of the adopted legislation under Social Charter of 1989 later Social Chapter, see Addison and Siebert (1997). Main items on the list were on safety and health at work, working time, indiscrimination, vocational education, mobility, information and consultation, maternity rights, temporary and part-time workers and so on.

[3] Delors' attempt to foster European-wide corporatism were continually resisted by UNICE and CBI inside it. Similarly British governments were successful in opposing the Vredeling proposal on European Work Councils and only gave acquiescence once the initial proposals were watered down.

[4] We had the opportunity to read annual conference reports between 1987 and 1992 at Sussex University Library. Composite motions show mixed attitudes of individual affiliated organisations. After 1988, it is not so hard to observe in them the centrality of EC social dimension and Social

the mood: "Socialism through the back door. Come in! Don't bother to knock" (Rosamond, 1998:143). Kinnock replied Thatcher that "we are no more prepared to leave the field of Europe to the operations of an unrestrained market capitalism than we are willing to leave Britain to the operations of Thatcherism". His words reminded Labour Party that the stage should not be left to Lord Cockfield at the European level (Martin, 1988).

1989 EP elections coincided with the publication of the final outcome of policy review, '*Meet the Challenge, Make the Change'* which included a powerful pro-Europeanism with an explicit neo-mercantilism against the rivalry of US and Japan industry. Similarly the manifesto was advocating "upward harmonisation of all social standards across the Community to the highest possible level" (Haahr, 1993:136). In 1989 then it was Labour Party the most pro-European among the two big parties. 1989 became the first grand election in the last 15 years in which Labour succeeded to beat Conservatives. Labour's success in the election reinforced the pro-Europeanism inside the party. At the end of the year, the fall of Berlin Wall gave another reason for Kinnock (2002) to assert his European orientation, so evident in his speech to the SPD congress in the same year.

The social dimension also created a powerful echo among the leftist factions, especially those coming from New Left currents of 1970s. These included Livingstone, Ken Coates and Brian Sedgemore, whose positions were indeed well ahead of a social democratic 'Social Europe' and more akin to the support of a 'Socialist Europe' coupled with environmental, non-nuclear and feminist pledges.

Another contribution for the alteration of the direction emerged from the work of Labour MEPs. Strasbourg's own Guy Fawkes's were gradually becoming the loyal Europeans. George and Haythorne (1996) provide individual accounts of MEPs converted to pro-Europeanism inside the EP. The most explicit reference comes from Ann Clwyd's –MEP 1979-84- House of Commons speech in 1986:

> Members of this place who were formerly Members of the European Parliament will remember working with parliamentarians of other nationalities from day to day. I can assure the House that that is a sobering experience. Initially I was opposed to the European Community, but I found after a period as a member of the European Parliament that there were advantages in working with people of other nationalities from day to day … It had a profound effect on me and it changed my attitudes towards the European Community.

Charter. Mullen (2005) excellently quantifies the themes in these motions and resolutions, and finds a "seismic change of attitude towards European integration in 1988".

Initially, MEPs' status inside the party and relationship with PLP was considered as being second-rate at best. Until 1991, they did not have the right for voting in party leadership elections. But their lobbying inside the party and EP surely had an impact on attitudes of Labour. In some cases, pro-Europeanism of MEPs even caused troubles for leadership. Such tensions could be damaging for the party, given the increasing sensitivity of Conservative sceptics to exploit every small detail and opportunity on Europe. One instance occurred in February 1990 when Kinnock opposed extension of QMV in Council of Ministers and EP powers, while EP accepted a report prepared by Labour MEP David Martin calling measures in the mentioned direction (Haahr, 1993:140). When the tension was resolved a month later, it was the leadership who took the position of its MEPs, not vice versa.

Labour's history of conversion overlapped with a parallel growing pro-EC public mood in mid-1980s[1]. MORI survey data in Figure 5.3, though discontinuous, demonstrate the shift from early 1980s until 1991. Evans' (1998) own data depict the same result: the peak level was reached around 1991 and the support decreased dramatically after Maastricht Treaty ratification debate and ERM crisis. Evans' data also show that by 1992 average Labour voter was more pro-European than the Conservative one. But we should clarify the point that the shift in public mood also includes the effects of Labour's self-conversion. As Berrington and Hague (2001) argue, the ordinary voters of parties are more inclined to take positions on Europe the ones their party leadership adopt and advise. Nevertheless, there has to be an autonomous effect in the rise and fall of pro-European attitudes distinct from party positions.

[1] The evolution of the general public attitude to the EC/EU since UK membership is illustrated in Appendix C. It is strikingly clear that during the late 1980s Britain witnessed the most pro-European phase in her history, despite and in reaction to Thatcher.

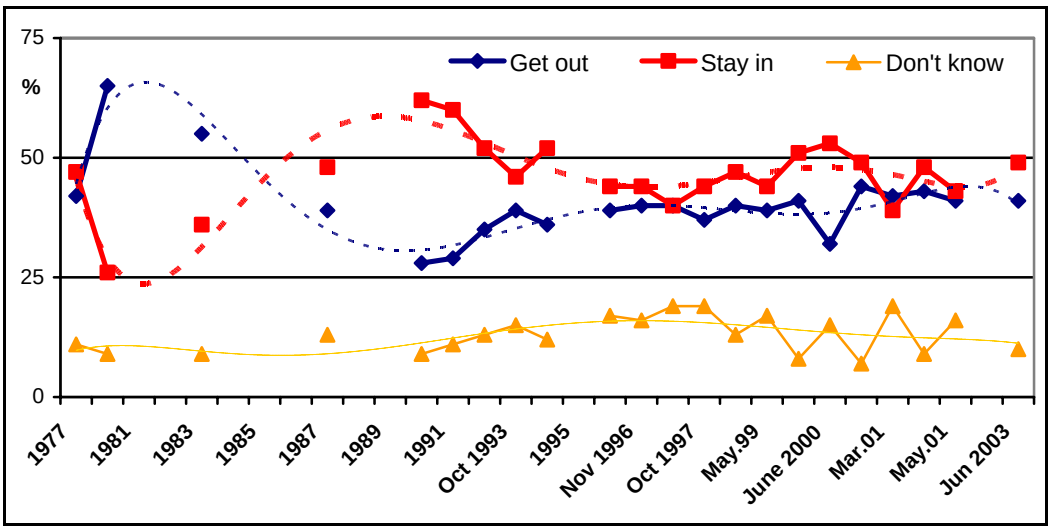

Figure 5.3 MORI referendum trends -membership
Source: www.mori.com, (*If there were a referendum on British membership on the EC/EU, how would you vote?*)

ERM: One of the most controversial issues of the 1980s was British participation in ERM. Conservative policy of inflation-targeting through money supply volumes was largely unsuccessful and Chancellor Nigel Lawson sought solution through exchange rate parity –a position Thatcher and advisers around her opposed. On the other hand, by 1989 Labour economic policy makers -Kinnock, John Smith and Gordon Brown- came to the conclusion that Britain should enter ERM but with the right parity[1]. Their support to ERM even before the government illustrated the ongoing change in ideas over economic management. ERM was thought to supply credibility to party's economic policy when contrasted with Conservative government's inner divisions[2]. The signal to the City was that a future Labour government would not engage in short-term discretionary policies. Aside from persuading others, Labour economists seemed to be genuinely persuaded by the argument: ERM would be a strong anchor against inflation. However, this also brought the acceptance that ERM would pressure employers to lower their wage costs to the expected lower inflation rate in line with rational expectations theory and the result would be more unemployment *if*

[1] A confidential paper of 1989 in the economic policy review group noted that "on inflation, we could solve a large number of our problems at a stroke by declaring that it is our intention to join the EMS ... it would transform the perception of how serious our economic policy really is" (Shaw, 1994a:97).
[2] In October 1989 Lawson and in November 1990 Geoffrey Howe resigned due to the differences over style and content of European policy. The downfall of Thatcher herself in November 1990 was closely related to the weight of the rifts over Europe (George, 1996:142). At least, the visible setting was on Europe and ERM.

Britain entered at an overvalued parity and tried to preserve its position with higher interest rates. (Burnham and Bonefeld, 1995; Buller, 2004)

On 8 October 1990, Shadow Chancellor Smith and Kinnock welcomed government decision to enter ERM within the broad band. They did it by abandoning their earlier condition of adjusting parity before entry, meaning that the priority of employment was now secondary for the party after the goal of lower inflation[1]. Kinnock also moved to acceptance of EMU provided that ECB accountability guaranteed and goals set up for employment. In December 1990, he signed a declaration with continental social democrats in support of EMU. A year later NEC even positively agreed that EMU required further fiscal harmonisation, indicating that the latter was a desirable goal. Note that party had ignored the MacDougall report of 1974 which had recommended expansion of EC budget and greater fiscal harmonisation.

1991 would be the year of the climax of Labour's pro-Europeanism. As one EPLP brochure of September 1990 declared, Europe developed as the first reference point for Labour to differentiate itself from Tories:

> Europe is the issue that defines politicians and parties in modern Britain … Labour is *the* serious European party in Britain … we are Europeans too, and we know that Europe is our future … Europe must be a Community for people, not merely a Market for business … This is a wonderful time to be a European. The revolutions in Central and Eastern Europe, the ending of the Cold War, the unification of Germany, all open up for us and our children the prospect of living in a Europe which is whole and at peace (EPLP, 1990).

There appeared to be a new intellectual and emotional reconfiguration of Europe as the 'New Jerusalem'. Labour found the possibility of an alternative political economy in Europe which was only a growing thorn in Tory side (MacShane, 1995). Labour was accusing Tories making Britain a second division actor inside Europe although John Major had promised a policy of being at the heart of new Europe. But once again Labour saw its fourth defeat in 1992 elections, and this happened despite all pre-election predictions and the recession of 1991. After Kinnock resigned, John Smith and Bryan Gould emerged as the candidates for leadership. Piculell (2002) shows that during the leadership campaign, Europe was one of the major issues the two candidates clashed over. At the end, Smith

[1] Later, it has become known that Kinnock would devalue sterling if he had won 1992 election. Only Kinnock and Eatwell knew the secret deal with the Bank of England. And that decision might have buried Smith's political career who promised before election that there would be no devaluation (Marc Stuart, 'The truth about John and Neil' *New Statesman*, 20 June 2005).

became the first party leader who had a renowned pro-European background in his entire political career. In the meantime leading Eurosceptics like Denis Skinner and Tony Benn could not be re-elected into NEC. Later Gould also resigned from Shadow Cabinet over European issue[1]. Now pro-European leadership, aided with 1993 organisational changes, gained all key powers inside the party. Party's pro-Europeanism was tested and confirmed during Maastricht Treaty ratification. Major's governmental majority in 1992 had fallen to a mere 21 and the ratification process provided Labour an invaluable opportunity to shake Conservative Party by playing on their internal divisions. It was also a showcase to the public for condemning government's opt-out from Social Charter. In the Commons debates, Kinnock, Smith and George Robertson all showed a general acceptance for the Treaty; however as a result of the opt-out the official party line was determined as of abstention.

While ratification process was proceeding on, British government had to exist ERM after having hopelessly tried to defend the value of sterling, resulting with the lose of £3.3 billion[2] reserves on 16 September 1992 –'Black Wednesday'. With their case being strengthened after ERM crisis Labour Eurosceptics demanded a referendum on the Treaty. Shadow Cabinet opposed this proposal as it could evoke the old memories of internal party rivalries. Nevertheless, 61 Labour MPs at the second reading and 66 at the third voted against Maastricht.

During 1994 EP elections[3], Conservative strategy to accuse Labour for its willingness to give up British vetoes helped them little. On the contrary, Labour's significant unity over European issue was utilised as a reverse image of the bitter divisions among Conservatives and their "destructive and chauvinist line on Europe" (Baker and Westlake, 1995:26). Labour Party, despite the sudden death of Smith before elections, won one of its greatest victories exploiting their adversaries' mismanagement of economy during the ERM crisis. Such an image also assisted Labour for its credibility as a potential party of government. But one significant point in the election was party's neglect of the 35-hours working week commitment in PES joint manifesto. Both because of Tory propaganda and because of the

[1] Gould quit British politics and went to his native New Zealand. *Financial Times*' headline on 28 September 1992 was: "Gould Quits over 'Gag' on Europe" (Geyer, 1995:304).
[2] Corrected figures declared by HM Treasury in 2005. About £1b of that sum is estimated to go George Soros.
[3] In their study on 1994 EP elections, Heath et al (1999) confirm the second-order nature of EP elections in the UK.

traditional preference for voluntarism instead of statutory approach in industrial relations, Labour did not include that pledge in its own national manifesto.

5.3 NEW LABOUR IN OPPOSITION, 1994-97

We have argued that Labour changed its European policy primarily motivated by electoral concerns and it was coupled with a process of ideological renewal. The latter was the logical consequence of the changing perceptions on the limitations and opportunities for Labour leadership. The emergence of the EC social dimension appealed as an upgrading chance of the current social rights at home to the continental levels. Similarly Delors' *1993 White Paper on growth, competitiveness and employment* offered a watered-down Euro-Keynesianism combined with supply-side measures. These measures had a resonance with variants of the new social democratic agenda built on 'progressive competition/flexibility' and 'negotiated involvement' ideas; thus trying to combine European competitive advantage through high value-added products with certain preservation of social protection and high wages for employees[1]. The important point is that major demand-side measures were still retained alongside the new emphasis on supply-side; though by the Essen summit of 1994, much of these demand-side measures in content and binding regulation form recommended in the White Paper would be given up for a more voluntaristic, flexibility-oriented approach by member states in the accepted joint employment strategy (Deppe et al, 2003).

Nevertheless, up until 1994 we could speak of a 'Europeanisation' of Labour Party in the sense that Europe became an integral part of party's discourses, policies and in a limited way its identity (Featherstone and Radaelli, 2003). The issue was no more over membership and any remaining individuals advocating withdrawal was only too marginal. The importance of Europe for the country could even be argued by referring only to the trade statistics.

> John Smith [1993]: "In a world more and more interdependent, in a Europe more and more united, it is essential to reinforce economic cooperation. In a world where financial markets and industrial systems are more and more integrated, no modern industrial country can permit itself to neglect others to survive alone (Ladrech, 2000:74).

[1] For the general summary and discussion of 'progressive competition' see Strange (1997, 2002 and 2006).

Figure 5.4 EU share in total British foreign trade
Source: Harris (2000)

More crucially, party's economic policy illustrated a mix of supply-side 'socialism' and demand-side measures for a Croslandite egalitarianism[1]. And those were overlapping with Delors' initial aims, clearly acknowledged in party's policy brochure of '*A People's Europe*' in 1995. Thus, Mark Wickham-Jones (2002) seems to be right to detect the convergence between Labour Party and European social democrats in those years.

Especially since 1994 and under Blair's period of leadership, a gradual change in the political tone of pro-Europeanism and the political economic reasoning underlying it can be observed. It can be described as the new case of Blair's 'patriotism' and pragmatism. Under Blair, the suppressed tone of the British superiority in values and norms would reappear. Whereas Kinnock and Smith seemed more ready to accept the pooling powers to EU institutions, Blairite vision of Europe re-stressed the characteristics of the EU as an intergovernmental union of nation states. At the same time, British involvement in Europe began to be evaluated from the viewpoint of the business rather than working class interests. Surely, as usual the 'national interest' discourse was to bring them together after dropping the 'class' rhetoric. Robin Cook's words in '*A Business Agenda for Europe*' in 1996 demonstrate the difference with the earlier Social Europe agenda: "European Union social policy should concentrate on establishing a level playing field of minimum standards. It should not be used to impose a large amount of centrally determined social regulation". Formerly too, Europe was evaluated in terms of its contribution to British competitiveness, but now the common ground should not be the 'rigidities' of the continent. Note that before 1997 election, Blair would even argue that "the changes that we propose will leave British law the most restrictive on trade unions in the western world".

[1] As other European social democrats faced the same dilemma, the redistributory and demand-side measures were the most contested pledges once the ERM was accepted

This time Britain would be a import model for Europe, as Brown remarked at a CBI meeting in 1997: "we should have the confidence to engage with Europe and make it better and –dare I say it- more British" (Karvounis et al, 2003:316). New Labour's 'Third Way' is evaluated in the Chapter 7, at this moment it should be noted that there is not a clear-cut rupture between Kinnock-Smith period and the following Blair period. The latter's roots had been present and prepared in the former period.

The reasons for the brakes on pro-Europeanism of the party can be discerned on public opinion grounds. First there was the effect of 1992 defeat and the 'it was the Sun wot won it' belief. The defeat only made the party's hunger for power relapse. As Blair told in 1995 "power without principle is barren, but principle without power is futile. This is a party of government or it is nothing, and I will lead it as a party of government … Labour needed a quantum leap to become a serious party of government again" (Seyd, 1998:49-51). However, Blair's originality was his unprecedented willingness to exchange the principles for votes and his success to legitimate all these as adherence to principles. Party's leading electoral strategist Philip Gould's (2002) target was the middle-class votes by making Labour's case on the traditional Tory issues of 'tax and spend', defence, security and crime. The result was the self-made vulnerability of the modernisers to face growing Euroscepticism after ERM crisis.

With 1990s, we see the seizure of Eurosceptical case by Conservative rightwing groups like the 'Bruges Group' or 'European Foundation'. Day-by-day their influence inside Conservative Party strengthened, in stark contrast to avowedly Eurosceptic Labour groups (Usherwood, 2004). In fact, the Conservative scepticism went too-far away from the median voter, because of the 'perceptual biases' in politicians' evaluation of public opinion (Norris, 2001). Figure 5.5 demonstrates the distance of Conservatives from the gravity-centre of voters. By pointing out the oddness of Tory positions on Europe, Labour acquired an electoral asset for itself so as to gain the status of the party that could best handle British interests while at the same time being pro-European. But the toughening of Tory policy on EU and the presence of a highly Eurosceptical Murdoch press also made Labour follow a cautious stance on Europe (Heffernan, 2000).

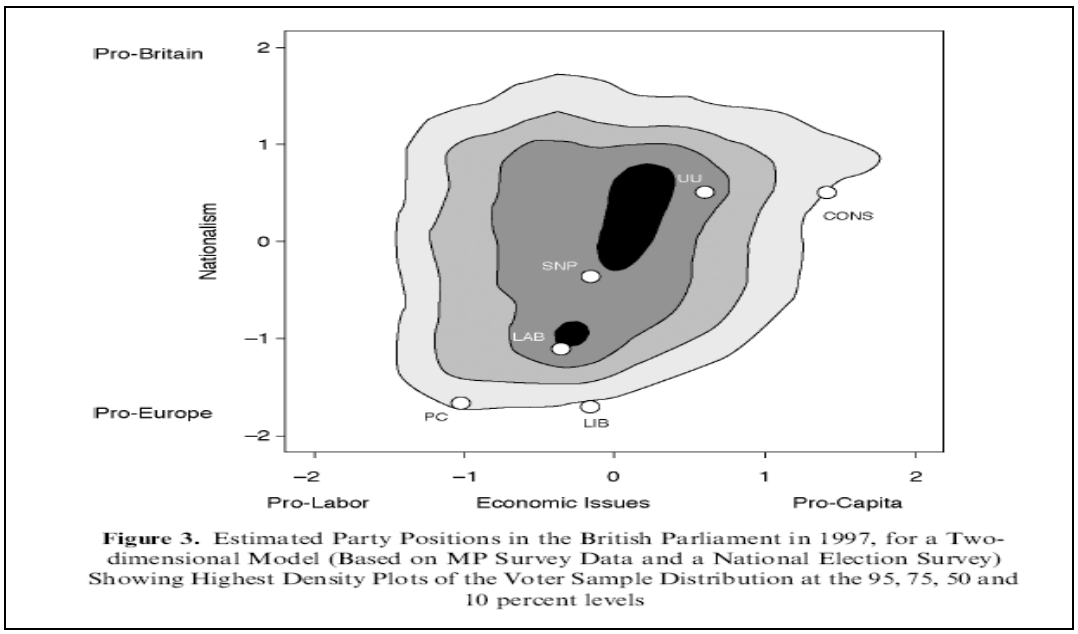

Figure 3. Estimated Party Positions in the British Parliament in 1997, for a Two-dimensional Model (Based on MP Survey Data and a National Election Survey) Showing Highest Density Plots of the Voter Sample Distribution at the 95, 75, 50 and 10 percent levels

Figure 5.5 British party positions in 1997
Source: Schofield (2004:468)

Blair's cautious and pragmatic Europeanism could also be strategically useful to hold back the opposition to EMU inside the Labour Party, the opponents defending the argument that "a serious stance from the left should be pro-European but anti-Euro-monetarism" (Hain, 1995:155). This was important since the credibility of the party depended on its public image of unity. Blair's message that "Labour divisions [over Europe], unlike Tory ones, are largely part of the past" (Baker and Seawright, 1998:57) was to be realised by avoiding to offend neither Eurosceptics nor Euro-enthusiasts like Mandelson[1] and Giles Radice (1996). The 1995 conference report on the 1996 IGC below can be read as a mid-way compromise:

> Labour in government will adopt a pragmatic approach. We will act to defend and advance our national interests in Europe. We will seek to reform the institutions of Europe where we consider that to be necessary. But unlike the Tories we will act in accordance with our positive vision of Europe (Baker and Seawright, 1998:70).

Intra-party politics: As a matter fact, the probability of any serious challenge to Blair leadership on Europe as well as on other issues had already been restricted by the internal party reforms since Kinnock. In 1990, the trade union bloc-vote in conferences had been reduced from 90% to 70% and further reduced to 50% in 1996. Smith in 1993 had introduced OMOV fully at candidate selection process and the leadership elections ratios had been rearranged from 30:30:40 to 33:33:33 among PLP, CLPs and affiliated

[1] Mandelson and Liddle's (1996) influential book includes a chapter 'People's Europe' containing strong pro-European commitments for the coming Labour government.

organisations. A National Policy Forum –NPF- was created to reform policy-making process. It is an oft-cited anecdote that in 1976 Chancellor Healey could speak about IMF crisis for only a few minutes at the party conference. Added to the adversarial context of a conference in front of the media and the complex intrigues of composite motion making, modernisers demanded that serious policies should be debated at other platforms before coming in front of the conference. With the 1997 reforms of '*Partnership in Power*', NPF's role was formalised and coupled with a Joint Policy Committee with the task of overseeing NPF's functioning. The new system significantly centralised power within leadership, because it supplies a great autonomy for gatekeeping and agenda-setting role (Shaw, 2002; Russell, 2005). Now even the content and number of proposals a CLP can directly present to Conference is predetermined and if it succeeds to reach Conference agenda after the complex mechanisms of discussion, it is sure that it shall be quite different from the original form. In 1997, NEC participants were rearranged, too. According to final shape, trade unions have 13 and CLPs have 6 members out of 32 NEC members, whereas those figures were 18 and 9 out of 29 respectively in 1979 (Russell, 2005:90). One of the memberships has been allocated for EPLP leader. And the allocation of 185 memberships in NPF as of 2002 is as follows:

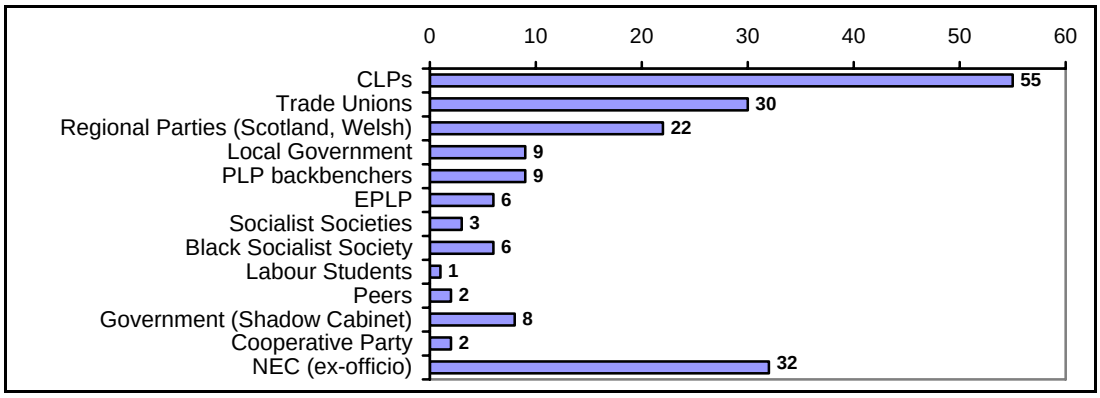

Figure 5.6 Allocation of membership in the National Policy Forum
Source: Quinn (2004)

All of these reforms have significantly reduced trade union weight inside the party. The point is that trade unions had also desired this result for saving party's public image and making it re-elected. Contrary to the baronial power thesis and despite the clashes during Kinnock and Smith periods, trade unionists presented a self-restraint on behalf of leadership and for electoral politics. Yet it was not a total licence and the 'contentious alliance' -Minkin- had its limits as will be shown in the next Chapter.

Blair also tried to increase party's individual membership number, partly to raise funds and partly to pass his policies through the support of individual members powered with OMOV. Individual membership reached a height of 400,000 before 1997 election and Blair used them for changing Clause IV and formulating 1997 manifesto through conducting two informal referenda before each decision. Not surprisingly, individual members gave their overwhelming support for the proposed changes. But the basis of this new structure depended upon prospect of some policy delivery to trade unions when in power and the continuation of the moderateness of OMOV results. OMOV might not go as planned, if it begins functioning to elect unwanted radical elements in constituencies. In fact, Kinnock did face this probability a few times and had to veto CLP decisions. Similarly Blair would counter similar problems when grassroots radicalism resurfaced during his late governmental record.

Still in opposition then and at the height of his popularity, Blair's most symbolic change was carried out on 29 April 1995 with the alteration of the Clause IV and dropping the public ownership commitment. Already in 1991, Kinnock had referred Clause IV as "nonsense" (Elliott, 1993:159) and such comments have been abundant dating back to Gaitskell. Blair's move was a perfect example of catch-all politics and public marketing exercise. On January 1995, 32 Labour MEPs had published a letter in *Guardian* defending the Clause IV. This immediately caused Blair's anger. Leadership thought that Labour MEPs' autonomy had gone too-far from central party. The consequence would be the introduction of a more centralised NEC control on MEP candidate selection before 1999 EP elections.

In 1997 elections, Europe was a low salience issue, but the debate revolved around participation in EMU and media attention to the issue was disproportionately high. At the campaigning period, leadership gave a leeway to candidates who oppose single currency, but this option was not open for party's frontbench figures on whom media concentrated. To appease the Eurosceptics, Blair even wrote an article in *the Sun* and reassured "his love for £" (Geddes, 1997:92). *The Financial Times* also lent its support for Blair but unlike *the Sun* it was for his pro-Europeanism (Davidson, 1997). Major's strange tactic to attack Blair on surrendering British interests in Europe once again and inevitably failed, simply because

Conservatives were themselves split on the issue and their management of BSE crisis was generally evaluated as a fiasco in the UK.

Before the 1997 elections, Labour opted for holding referendum in the case of EMU entry a month after Conservative Party took a similar position. Blair and Brown also tried to give business the signal that the effect of signing Social Chapter would be limited and would not harm British competitive position. To a great extent these were the result of leadership's hesitation on the reaction of Eurosceptic media and its prospective damaging effects on public opinion and business. And finally one of the ten-point contracts in the manifesto was a vague promise to "give Britain the leadership in Europe which Britain and Europe deserve".

5.4 CENTRIPETAL AND CENTRIFUGAL DYNAMICS

Our explanation up-to-now is built on the assumption that FPTP electoral system encourages two-party system, following Duverger. The British party system is for a long time a two-and-a-half party system demonstrating increasing similarities with the moderate pluralism model of Sartori. And following the Downsian logic and the Sartori's model of polarisation in moderate pluralism, we argue that the system works on centripetal mechanisms. To put crudely, the big parties on left and right compete for the centre ground –median voter. Adversarial politics characterisation of Westminster should not disguise the underlying post-war consensus or policy convergence in the UK (Smith, 2000:197). This does not rule out strategies divergent from the consensus. It only predicts that divergence from the median will be severely punished therefore parties can opt for influencing the position of the median voter and its preferences -suffice it to mention the successful Thatcherite right-wing shift and unsuccessful Labour left-wing AES

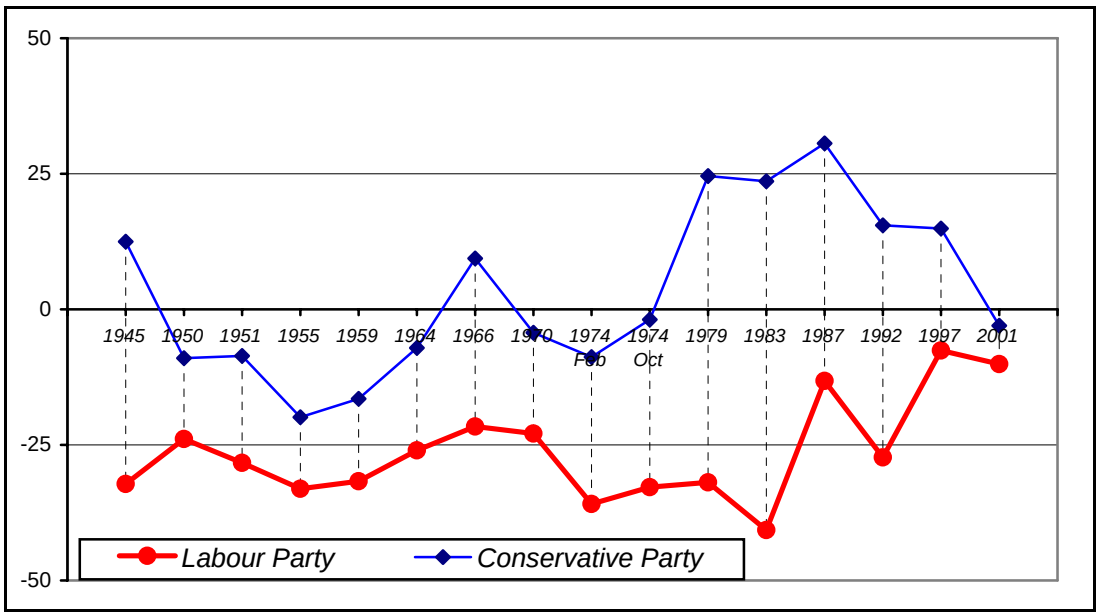

Figure 5.7 Left-Right party manifesto positions, ±100 scale
Source: Klingemann (2005)

There is another aspect of FPTP aside from a general convergence, and that gives us the institutionalised feature of British exceptionalism. Mark Aspinwall (2000, 2002, 2003c) argues that FPTP tends to gravitate extreme Eurosceptical politicians towards the two main parties, because FPTP penalises small parties which do not have a regional base. Then inside the main parties, there emerges the need to balance the centrifugal tendencies of pro-integrationist and anti-integrationist groups. The balance becomes acute when the governmental majority is low or the European issue is salient. Consequently Eurosceptics may gain voice in policies disproportional to their social base. The contrast with the proportional representation is that in the UK the probability of the voice option of any Eurosceptical position is in all cases higher than in Europe. As Cook and Campbell[1] (2001:196-7) suggest "the political culture and the winner-takes-all electoral system on which it depends has another harmful effect on the British debate [on Europe]. It suppresses the natural cross-party consensus that has existed in favour of a positive engagement in Europe since the 1960s". The existence and depth of cross-party consensus is debatable but it is our contention that FPTP's real influence is on the party strategies, making them totally dependent to the swings in public opinion if they do not really engage in changing it.

[1] Menzies Campbell has become Liberal Democrats' leader in 2005. Note that the quote has a proportional representation reform in mind –being debated around 1997 with the Jenkins Report- and the possibility of a Lib-Lab coalition under it. Blair and Brown ignored the reform of electoral system when the FPTP once again has begun to work for Labour.

CHAPTER 6

NEW LABOUR IN GOVERNMENT

> You do not have to be a Eurosceptic, in any shape of form, to appreciate the deep concern amongst our peoples as how to make sense and relate to the new Europe
> (Tony Blair, speech at French National Assembly, June 1998)

In this chapter, first a chronological course of Labour government's European policy from 1997 to 2006 is provided. This is followed by subsections on issue-specific analyses of Euro, foreign affairs and industrial relations/social policies. In the second part, the internal and external influences on Labour's European policy-making process are assessed.

6.1 FROM CONSTRUCTIVE TO DEFENSIVE ENGAGEMENT, 1997-2005

Blair's words to the delegates of September 1997 party conference would guide New Labour's European policy in the forthcoming years.

> And to lead in Europe again. Not so that we 'don't get left behind'. This is a weak reason. It is because for four centuries or more, we have been a leading power in Europe. And we have at times been absolutely critical to the survival of not just Europe but the world. It is our destiny. And Europe needs us. For we have a vision of Europe. We want a people's Europe: free trade, industrial strength, high levels of employment and social justice, democratic. Against that vision is the bureaucrat's Europe: the Europe of thwarting of open trade, unnecessary rules and regulations, the Europe of the CAP and the endless committees leading nowhere. But we cannot shape Europe unless we matter in Europe. I know there will be a hard choice to come over a single currency. And our policy, based on the British national interest, remains unchanged. But in or out, we will be affected by it and must remain able to influence the way it works (quoted in Baker, 2005:26).

Similar to some academicians like Stephen George or Miriam Camps, Blair has the belief that Britain has continually missed the historical opportunity to shape the course of European integration by distancing herself from the continent. In his 2000 Ghent speech, he told that "we opted out the ECSC. We opted out of the EEC. We opted out of the social chapter. We played little part in the debate over the single currency. When we finally decided to join many of these institutions, we found –unsurprisingly- that they did not

reflect British interests or experience". Armed with a set of Third Way policies, Blair's vision was to engage with and direct European integration.

Amsterdam Treaty: Blair found an immediate opportunity to apply his ideas in the ongoing IGC process. Party had already been well prepared and had acquired insider information about the IGC before the elections through its MEPs and PES. Stephen Wall, chief UKREP at the time, remembers that "in the election year of 1997, when I was the negotiator on the Amsterdam Treaty, my instructions changed from 'just say no' to 'start saying yes' between 30 April and a week later" (Menon, 2004:27). This comment describes a general positive attitude that Labour was more receptive for increases in the scope of EP co-decision and QMV in the Council. But continuities with Conservatives could not be omitted: opposition to the communitarisation of the second and third pillars, opposition to the incorporation of the WEU into EU, opposition to abolition of border controls for the UK, opposition to ECJ jurisdiction on JHA pillar, insistence on a rearrangement of fishing quotas, and so on (Fella, 1999). The most significant and meaningful change in British positions was over social policy. At Amsterdam, by signing the Social Chapter Blair made it binding for the UK. However, British opt-outs in JHA pillar remained.

On 5-7 June 1997, when the socialist leaders met in Malmö before Amsterdam Council, Blair came with a Third Way policy package and advised his fellow comrades either to 'modernise or die'. His advice was for more labour market flexibility and less old-style regulation and state intervention. The new employment chapter inserted to the treaty and the Employment Strategy adopted in November 1997 reflected generally Blair's flexibility approach to employment generation (Pollack, 2000). In the meantime, Gordon Brown announced on 27 October that Britain would not participate in Euro at that stage, though in principle Labour was in favour of entry. Brown also introduced the famous 'Five Tests' on Euro. British entry would only be possible after the satisfaction of these five conditions and at the first parliamentary term there would be no referendum on Euro. As many commentators conclude in unison, the subjectivity and ambiguousness of the five tests is apparent:

1. Are business cycles and economic structures compatible so that we and others could live comfortably with euro interest rates on a permanent basis?
2. If problems emerge is there sufficient flexibility to deal with them?
3. Would joining EMU create better conditions for firms making long-term decisions to invest in Britain?
4. What impact would entry into EMU have on the competitive position of the UK's financial services industry, particularly the City's wholesale markets?
5. In summary, will joining EMU promote higher growth, stability and a lasting increase in jobs?

1998 British Presidency: It is a common warning that the evaluation of EU presidencies should be made cautiously, bearing in mind the short period and already undergoing agenda of the Union. In this sense, 1998 British presidency of Labour government was a mix of failures and successes (Ludlow, 1998; Duke, 1998; Henderson, 1998). The priorities of the EU were on enlargement and EMU. On the other hand, Labour's self-priority was the ambitious goal to 'lead' Europe in a new direction while exhibiting a 'constructive engagement' with it. According to Blair, British presidency would be "a test for Britain to show that we can and do offer strong leadership in Europe [and] a test for Europe to show that it can embrace the need for change and reform". He added that the task was to "build support for what we call the third way in Europe" (6 December 1997).

Concrete steps were taken on designation of the first group of enlargement countries, EMU Stage III participants and on the appointment of a head to the ECB. However, Blair's urge to EU for a fundamental re-engagement with its people on the aims and goals of integration remained a too-ambitious call for European leaders. Although Blair had departed away from much of the obstructive characteristics of previous Tory governments, Britain's opt-out from EMU seriously restricted her chance and credibility among others to influence the direction of the integration process on an equal basis to Franco-German axis. Blair's vocabulary of 'leading' Europe on Third Way politics was especially igniting Jospin's hostility (Barber, 1998). On the other hand, the arrival of Schröder in October 1998 strengthened Blair's hand. Both were demanding a major reform in EU budget and reduction in the CAP payments. Both were actively supporting the eastern enlargement and finally both shared a similar increased liberalisation and competitiveness agenda (Grabbe and Münchau, 2002). Blair's search for policy coalitions continued with the multi-annual '*Step Change*' diplomatic programme targeting at continental governments and initiated by FCO in September 1998. It sought to build bilateral alliances with individual governments so as to maximise British influence inside the EU. Earlier work on the strange bed-fellowship between Blair, Aznar and Berlusconi on social policy was partially the result of

this initiative. Another target was CEECs governments, and the fruits of it were taken during Iraq war coalition.

The other component of '*Step Change*' initiative was an involvement in domestic and foreign public relations to shift the perceptions of Britain in the eyes of continental Europeans and Europe in the eyes of Britons. In May 1999, shortly after the operation on Serbia, Blair became the third British prime minister after Churchill and Heath to receive the Charlemagne Prize for his contributions to the European ideal. In his speech he affirmed his mission "to end the uncertainty, the lack of confidence, the Europhobia. I want to be at home with Europe because Britain is once again a leading player in Europe. And I want Europe to make itself open to reform and change too. For if I am pro-European, I am also pro-reform in Europe"[1]. He also summarised his position as "integrate where necessary, decentralise where possible"[2]. But Blairite external activism did not equally match with a full-fledged domestic campaign to persuade Briton's hearts for Europe, despite the relaunch of *Britain in Europe* in 1999. This was the point Stephens (2001:75) powerfully identifies in Labour's policy: "This government cannot much longer make Britain's case in Europe unless it can make Europe's –and the Euro's- case in Britain".

1999 EP Election: 1999 PES joint manifesto was prepared a team headed by Robin Cook and it was speaking of the 'irreversible globalisation'. With an historical low level of turn-out, Labour's performance was only compatible with its 1983 national performance. The distinctiveness of 1999 election is the introduction of proportional representation under a regional district system. Therefore party has changed its rules for MEP candidate selection procedure. NEC initially increased power through panelism, but at the end a compromise has been achieved. The new system leaves a greater taming power for party leadership on MEPs but at the same time offers MEPs a wider channel to participate in policy-making process (Wring et al, 2000; Messmer, 2003). MEPs have gained formal access to ministerial working groups and frontbench politicians. But this happened after their number fell from 62 to 29 in 1999 and further to 19 in 2004.

Lisbon Strategy and Nice Treaty: In March 2000, Blair put his hallmark to the adopted Lisbon Strategy to make EU 'the most competitive and knowledge-based by 2010'. The

[1] In Leonard and Leonard (2002:131)
[2] This exactly fits Majone's (1999:317) idea of the rise of regulatory policymaking under the motto of 'as much mutual recognition as possible, as little (total) harmonization as necessary'!

agenda included investment in R&D, removal of barriers against entrepreneurship, liberalisations in financial sectors and utilities, and achievement of a 70% total employment rate. British government argued that "allowing fair policy competition between Member States - for example by applying the principle of mutual recognition- permits innovation in policy making so that governments can learn about the different ways to tackle similar problems" (HM Treasury, 2001). EU's role in these supply-side micro measures was deregulation –or better regulation- through its competition and trade policies and its budgetary contribution to R&D funding. The social dimension has remained the preserve of national governments in the new '*Open Method of Coordination*'. There was no serious pressure on member states by such means of peer reviews, benchmarking, guide-lining, best practices, etc. This vision clearly diverges from any surviving aspirations of an activist EU in European wide social and industrial policies aimed at 'ever closer union' preferable on higher standards. With each enlargement process, the prospects for the latter option have diminished: hence Blair's strong support for eastern enlargement when he urged European leaders to commit EU on a specific date for enlargement in his October 2000 Warsaw speech. The speech was also a reply and rejection to Joschka Fischer's federalist calls, declaring that Europe will remain as "a Europe of free, independent sovereign nations who choose to pool that sovereignty in pursuit of their own interests and the common good, achieving more together than we can achieve alone".

Table 6.1 Key items in the Lisbon Strategy

Innovation	Liberalisation	Employment	Social Inclusion
Legal framework for e-commerce Internet access to all schools Creation of a EU patent Online public procurement and access to public services	Fully liberalised telecoms market Faster liberalisation in gas, electricity and transportation EIB €1b funding to SMEs Reduction in state aids Financial Services Action Plan Risk Capital Action Plan Small firms charter	Increasing total employment to 70%, female to 60% Europe-wide database on jobs and training Benchmarks for lifelong learning More effective Employment Guidelines Increasing per capita investment in human capital	National action plans to combat social exclusion Halve youth unemployment by 2010 Report on sustainability of pensions Benchmarks for improved childcare

Source: HM Treasury (2001)

The main item on the table during Nice IGC was the reweighting of the votes in Council of Ministers. Agreeing to give up one of its two commissioners, Labour's concern was to increase the voting weight of big states so as to make it easier to influence decisions taken by QMV. On the issue of extending the use of QMV, it adopted a selective tactic. It opposed QMV on issues like treaty amendments, taxation, border controls and social security; on the other hand it stated the possibility of extension of QMV on case-by-case approach where British national interest corresponds (Miller and Andrews, 2004:107). The retention of the British veto in these areas was balanced with the consent to 'enhanced cooperation' mechanism. Blair also opposed the incorporation of the Charter of Fundamental Rights to the treaty. The anxiety was that it could result with greater ECJ interference in domestic legislation. As in the case of Amsterdam, Blair returned home with a media-campaign advertising his defence of British national interests to the end and hailing British success on outcomes, while concomitantly being 'a good European' (Baker, 2001).

2001 Election: The European issue was not on the top priority list of the British electorate in 2001, though Conservatives built their whole strategy nearly on this single issue. As a result, the issue took the most coverage in the media. For instance, *The Sun*'s full concern was on the EU and Euro (Carey and Burton, 2004:626). Conservatives once again backed the wrong horse; the voters' concern for Europe was secondary after issues like public services, NHS and education on which Labour seemed to be the better party for delivery (Norris and Lovenduski, 2004). But in his second term, Blair would face much more difficulties, especially caused by external dynamics like Iraq war and intensification of the domestic debate over Euro. Blair's European policy thus would turn from the desired 'constructive engagement' to a traditional British "defensive engagement" (Baker, 2005:23).

Constitutional Treaty: The Constitutional Treaty process can be considered as a grand exercise of reformulation of the demarcation lines between member nation-states and the Union in a situation where the discrepancy between economic integration and socio-political control is assumed to increase (cf. Habermas, 2001). Blair's position was a reassertion of the primacy of nation-state in the face of 'democratic deficit', but at the same

time protecting the crucial role of supranational institutions in the healthy functionality of economic integration.

On institutional matters, Labour adopted the traditional British position in favour of the Council, and against the EP and Commission. He was especially keen on repeating the maintenance of the British 'red lines'. Since 2001, Blair and Jack Straw owned the proposal of creating a fixed Chair for European Council replacing the existing rotating system. This was objected by Prodi and Pascal Lamy as it could undermine the role and power of the Commission at the expense of the Council. But the post was incorporated into the draft text and it was presented as a shift of balance, from a Europe being pulled by the Commission to a one in which the Council would be in the driving seat[1]. Another British proposal was the creation of a second chamber consisting of representatives from national parliaments but the final text did not adopt it. Gisela Stuart (2002) was a member of the Convention's Praesidium and she headed the national parliamentary scrutiny group at the drafting process. But once the text was finalised she described it as a too-much centralisation in Brussels, excessive regulation and a 'lost opportunity'. The sparks of the debate she created after her criticisms of the Constitution in a Fabian pamphlet in December 2003 continued for all over the next year. This is because Blair's one legitimising argument for the Constitution had been built on the enhanced involvement of national parliaments in the EU. Nevertheless, the measures for transparency and good governance in the final text owed much to the British side –Kinnock at the Commission had already been entrusted with administrative reform inside the Community.

At the end, the compromise on Constitution did not significantly change Union's competences, but its institutional structure. Contrary to the Eurosceptic press and Conservatives who saw it as a federalist document undermining British sovereignty, the constitutional treaty indeed reflected classical British positions (Smith, 2005). Taxation, social policy, foreign and defence policies were to a great extent shaped by British preference of unanimity. The one significant exception was over the justice and home affairs area. British evaluation of the worth of cooperation through EU especially on illegal immigration, asylum, organised crime and terrorism changed positively. In a way, Europe has been regarded as a burden sharing mechanism and a venue for export of the restrictive domestic securitarian logic (Flynn, 2005). EU also played a positive role through the supply

[1] Jack Straw, 'This Constitution will shift the balance of power' *BBC Radio4*, 12 December 2003

of cheap in-demand labour via legal migration: UK was among the first countries that opened up their labour markets for workers from new member states.

On the other hand, Straw assured that incorporation of the Charter of Fundamental Rights would not alter the competence and power of the EU. Answering the criticisms of the Conservative opposition, he told the House of Commons that "on a fair reading, the Charter is actually a good statement of British and -dare I say it- conservative values. And the legal implications of the Charter are again much more prosaic -thanks to the changes we negotiated in the Convention- than the RHG would have us believe"[1]. This was exactly the opposite argument of those in Labour Party who tried to defend the Constitution on social democratic (cf. Liddle, 2005)[2] and workers' rights grounds (Bercusson, 2004).

In March 2004, Conservatives pressed for a referendum to be held on European Constitution ratification. Labour government had initially opposed the idea (Cm 5934, 2003), but after a continual Murdoch-media campaign, Blair made a U-turn and agreed to referendum with the bold statement in the House of Commons that "let the issue be put, let the battle be joined"! Government introduced its European Union Bill on 25 January 2005 enabling the hold of a referendum. The Bill was not specifying a date for referendum and leaving it to a further government decision. Blair continually refused to announce the referendum date or show a strong commitment to engage in a pro-Constitution campaign (Stephens, 2005).

According to January 2005 Eurobarometer, the proportion of those who believed that the UK would benefit from the Constitution was 44%, while the opposite view was 45%. In the meantime, 2004 EP election had been marked with the growing UKIP factor. The attention of the tabloid press was on playing upon the anxieties over immigration and asylum flows after enlargement process. Anti-EU case was quickly becoming coloured with a xenophobic campaign. Added to these the decreasing popularity of Blair himself, the hope in the party was that one country before Britain would defy in referendum so Labour would not face an embarrassing referendum defeat[3], after a narrowly-won general election in 2005.

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[1] Straw, House of Commons debate on Draft Constitution, 16 September 2003
[2] Roger Liddle was Blair's European policy adviser between 1997 and 2004. He was a defector to SDP and author of Liberal Democrats' 1994 European manifesto. He later returned to Labour Party.
[3] Despite the fact that Blair told the House of Commons on 20 April 2004 that even if a small country rejects the constitution, the referendum will be hold at its time in the UK.

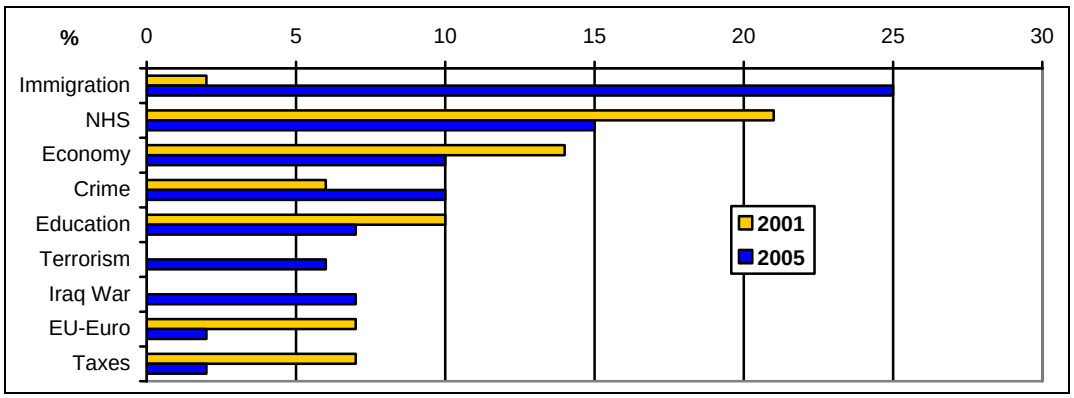

Figure 6.1 The most important issues in 2001 and 2005 elections –BES
Source: Clarke et al. (2006:6)

In this election, Blair deliberately tried to suppress the dominant issues of Iraq, immigration and security by referring to the economic successes. EU is represented a way of solution rather than a threat of immigration. But it was high probability that in case of a single-issue referendum the outcome would be dominated by this xenophobic hysteria, in which Labour Party contributed by not directly challenging it and by its foreign policies. We think that the insertion of such simplistic comments in a White Paper, as shown below, was itself a capitulation to Eurosceptic case and shows the fragility of government.

What will the Constitution not do?

There are a number of misconceptions about what the EU Constitution will do. The Constitution will not:

- force the UK to join the single currency (euro)
- abolish British border controls
- change Britain's tax rates, or allow them to be changed without Britain's agreement
- force Britain to pay for other countries' pensions
- change the amount Britain pays to the European Union
- enable the EU to change or override UK law on industrial action
- put additional burdens on business
- require Britain's foreign policy to be determined in Brussels
- create a European Army
- force Britain's troops to be sent anywhere without the British Government's agreement
- abolish the permanent British seat on the United Nations Security Council
- give Britain's oil resources to the EU
- change the EU's powers on human rights

Figure 6.2 Text-box from White Paper on Constitutional Treaty
Source: Cm 6309 (2004:15)

2005 Presidency: British Presidency came immediately after the French and Dutch referenda results and "the government did not try to hide its relief" (Gamble, 2006:34). On June 1, Straw expressed the British concern that "what we want now is a period of reflection". Five days later, government decided to postpone the second reading of the Bill enabling referendum (House of Commons, 2005a). And the September 2005 TUC conference accepted its official policy as of the rejection of the Constitution. In the passed decision, the neoliberal and militaristic sides of the Constitution were being condemned. For British Labour Party then the Constitutional Treaty was moribund and Blair, despite his very emotional speech at the EP on June 23, did not delve into the debates over the constitutional crisis.

The real issue was over the 2007-13 financial perspective of the EU. The agreement came after a long clash with Chirac over CAP. As a part of the deal, Britain has given up some of its abatement in exchange for a CAP review in 2008-9[1]. Blair's move on this sacrosanct of British politics occurred because CAP budget had already been reduced significantly for years and the British rebate turned out to be too disproportional due to her high economic performance in the last decade.

Labour government especially worked hard to open up energy markets and pass the REACH regulation on chemicals in favour of chemical industry. Regulatory reform under '*Better Regulation*' programme was accelerated. Given the leading role of the City, one of the government's priorities was the Financial Services Action Plan. It was also the leading advocate of the infamous services directive with the provision of opening up the public services for competition on the rule of 'country of origin'. While PES was in favour of 'mutual recognition', Labour government supported the 'country of origin' principle which threatened relatively high social protection levels for public workers.

British Presidency coincided with her presidency in G8, and despite an earlier pledge to exploit this situation to reach a consensus on climate change issue; Labour's position once again remained different from European ones. Similarly the British position in favour of a free trade on sugar regime during Hong Kong meeting of WTO Doha Round was

[1] Blair insisted at the start of the Presidency that the British rebate hard won by Thatcher was non-negotiable. However, against Blair there emerged a strong alliance between Chirac and Poland assisted by Merkel. Consequently, the cut in rebate shall equal to a total of €10.5b (20%) in the 2007-13 period –around £1b annually.

unsuccessful due to French resistance. The one clear success of British Presidency was the opening of the accession negotiations with Turkey (Whitman and Thomas, 2005; House of Lords, 2005).

6.1.1 THE EURO DEBATE

There is nothing in the idea of a single currency that poses an inherent threat to the social democratic goals theoretically, as long as it is used to generate growth and employment. If it satisfies the basic requirements of optimum currency area theory, it can accelerate the mentioned goals through macroeconomic stability, lower transaction costs, lower risk premium and lower exchange rate volatility (Donnelly, 1996; Martin, 2004). The problem is the institutionalised goal of price stability of ECB, the latter's non-accountability and the restrictive conditions of SGP -once fiscal federalism has been ruled out.

We have argued that Brown's five tests are by design left to be elastic enough to support any political decision. Party leadership from the beginning has repeated its principal desire for entry. Aside from being an anchor for macroeconomic stability, the exclusion was thought to be detrimental to inward FDI. For instance, Nissan wanted a commitment from government to participate Euro-zone in order to build its new brand in Sunderland. Blair reassured the company that Britain would join Euro after 2001 (Baker, 2002; Kenny, 2001). But unlike in foreign policy, the policy on EMU was not centralised at No.10. While Blair, Cook and Stephen Byers were using a more pro-Euro rhetoric; Brown did not want to replicate the mistake of ERM.

Gamble and Kelly (2000), using 1998 data of a survey among Labour MPs, classify the positions inside the party into four groups:

1) Opponents: Labour Euro-Safeguards Campaign –formed in 1995- opposing on sovereignty grounds
2) Sceptics: not opposed in principle, but sceptic over concrete forms of ECB and SGP
3) Pragmatists: majority group, in favour but the time and terms of entry is important
4) Enthusiasts: few individuals putting their case on political grounds and federalism

Their study finds that the around two-thirds of Labour MPs belonged to the pragmatist category and would follow the leadership. The remaining one-third had varying degrees of scepticism but only a small number of them opposed single currency in principle or on sovereignty grounds.

In February 1999, government presented its National Change-Over Plan in case of Euro entry. It was over a highly technical issue but was publicised in a manner so as to give the impression that government was seriously in preparation for Euro-entry in a near future. Not surprisingly, the Eurosceptic press instantly reacted with headlines like 'Blair prepares to scrap the £' –*The Sun*, 'Blair's death knell for the pound' –*Daily Telegraph* (Usher, 1999). In essence, government's declared 'prepare and decide' approach was nothing else than a 'wait and see' policy. The part of the reasoning was to see whether Euro would be a success or not. From its start in 1999 Euro's value continually depreciated until around the end of 2000. Joining into that parity would have necessitated a much higher level of devaluation for the competitive position of Britain –estimated around 10% to 30%- which was totally unacceptable for government due to the heating-up consequences for the economy (Carter, 2003). The more important reason was that the relatively stable health of economy since ERM devaluation lessened the demands for the benefits of EMU (Appendix D). Government achieved its credibility endogenously by following rule-based monetary and fiscal policies. And this rule-based domestic framework was more discretionary than those of EMU. For British authorities, ECB was too independent for target setting and its rules being more rigid.

The period after 1999, and especially Labour's second term, was thought to be a period of delivery with some increased fiscal activism. The excessive deficit procedure and sanctioning in Article 104 does not oblige the UK while it remains outside EMU, although the country still has a responsibility to avoid such a deficit. When the Commission warned Brown for his policies, Brown replied with an attack on "over-narrow and mechanistic interpretation of SGP for taking insufficient account of the economic cycle, needs for public investment, and levels of national debt" (Clift, 2004b:41). Prodi and Lamy also approved Brown's criticisms (Baker, 2003). This is one reflection of what Dyson (1999b:202) calls as "*hedging* Leviathan rather than *binding* Leviathan". Rule-based fiscal and monetary policies are accepted by social democrats, but interpreted in some benign and a bit flexible basis.

During the summer 2002, Pro-Euro Labour politicians were almost sure that referendum on Euro would be held in 2003 after the planned assessment on Euro was carried out. But the Treasury's assessment (Cm 5776, 2003) declared that despite greater convergence with

Euro area and greater flexibility in product, capital and labour markets; the tests on them were not met because it was yet unclear whether the convergence was sustainable and durable. The assessment also underlined that the necessary flexibility was also required from European side and for that reason Lisbon strategy should be implemented as fully agreed on.

The most significant motivation for Euro has been the prospect of lower inflation and interest rates of which Britain has already successfully reduced outside the EMU –as shown in Figures 6-3, 6-4. This means that the benefits of Euro entry will be much less than expected[1]. In addition, the recent domestic growth owes much to the credit-based consumption boom as a result of rising housing markets. The household disposable income is highly sensitive to variable mortgage rates (HM Treasury, 2003a). Therefore government does not want to risk this confidence in housing market in case of an entry within a different phase of business cycle, which might necessitate a painful readjustment (Hay et al, 2006).

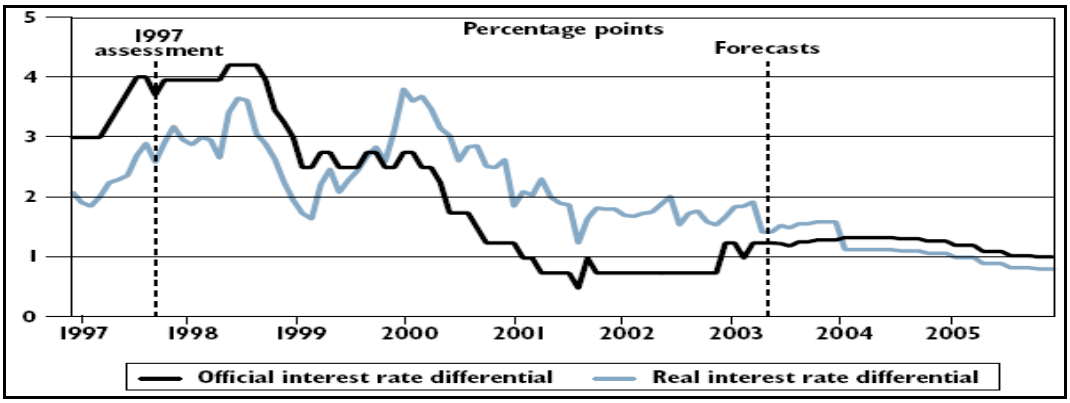

Figure 6-3 Differentials between EU and UK real and nominal interest rates
Source: Cm 5776 (2003:30)

[1] "EMU entry would not offer the UK the significant falls in nominal credit risk-free rates seen in EMU countries with historically high inflation" (HM Treasury, 2003b). As Chancellor announced in 2004, Britain had 'the lowest inflation for 30 years, the lowest interest rates for 40 years, and the highest levels of employment in history and longest sustained growth in 200 years' (Gamble, 2005). Still, the overall performance of the government does not seem so impressive when compared with other success stories in Europe in the same period, like Nordic countries.

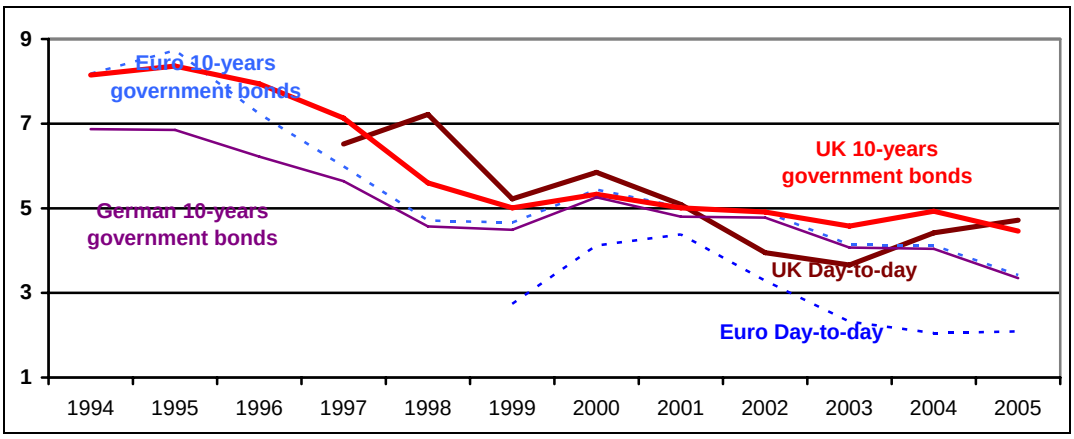

Figure 6-4 Long-term and short-term interest rates until 2006, annual averages
Source: Eurostat

As a result of assessments the referendum was postponed again, on which Carter (2003:8) termed as "indefinite procrastination". Pro-Euro case is that the decision in the final analysis is highly political and any economic argument can be countered with equally strong ones. Inside Euro, it would be easier to counter American hegemony[1] and align with European social model, it is argued. This was similar to the position of trade unions until 2001 -until when they generally lived a honeymoon with Blair government and the disputes were settled behind closed doors with Cabinet members. TUC general secretary John Monks[2] and John Edmonds of GMB together with Amicus were supporters of Euro. But since 2001, some key seats in unions have been won by left-wing trade unionists as a new wave of militancy has revived especially among public sector employees. The militancy originates over the disputes on pension reform and Private Finance Initiative on which "government was defeated but it did not follow up the conference resolutions" (Shaw, 2004:58).

Trade union opposition to Euro increased and the most crucial indicator was the change in the position of Amicus, the main donor of BiE. In August 2002, ex-communist Derek Simpson has taken the leadership of union from loyal Blairites and hardened the position of the union against governmental policies -including Europe[3]. Trade unionists now point out the deflationary bias in EMU and constraints on public spending –the special emphasis of

[1] Andrew Gamble's position in Bush et al (2002).
[2] Monks was TUC general secretary between 1993 and 2003. He is currently the general secretary of ETUC.
[3] 'Unions move against euro' *The Times*, 22 August 2002

Unison. This confirms the hypotheses of elite-mass divide inside trade unions over Europe and divisions according to sectors in the British case (Josselin, 2001; Hyman, 2003).

Table 6.2 Trade union attitudes to Euro –'the Big Fives'

Individual Union	**Members and party funding** (affiliation levies plus 2005 electoral donations)	**Attitude**
Amicus (AEEU) manufacturing –mostly private sector	935,000 members £2.1m	Pro-European 1988-2002 Increasingly opposing Euro since 2002
Unison, public sector	1,300,000 members £2.7m	Against Euro
GMB, general and municipal	600,000 members £1.8m	Historically most pro-European trade union, advocated early Euro entry and supported Constitution
TGWU, transport and general	816,000 members £1m	Generally against Europe, against Euro
NUM, miners	Lost most of membership and influence	Against Europe

Source: Mulhearn (2004:297), Mullen (2005) [1]

On the other side, CBI remains divided over the issue and the only full support for Euro comes from British Chambers of Commerce. Institute of Directors[2] as a close ally of Conservatives opposes Euro. The City, major banks and insurance companies support entry, but this is not in the form of an emergency pressure. As Treasury's own report (2003c:46) concludes the City's "competitiveness is largely decoupled from the strength of the underlying economy and the domestic currency regime". Since the creation of Eurodollar market, it has already established itself as the leading financial centre of the world in many indicators. Finally, IMF's early support for Brown encouraged the continuation of his cautious stance.

Table 6.3 The City's global power

	Frankfurt		Paris		London	
	1998	2001	1998	2001	1998	2001
Foreign banking institutions (number)	138	129	187	188	332	293
Cross-border bank lending (global share, per cent)	8.4	9.7	6.7	6.0	19.2	19.7
OTC derivatives turnover (global share, per cent)	7.3	12.7	9.7	8.8	36.0	36.1
Foreign exchange turnover (global share, per cent)	4.8	5.4	3.7	3.0	32.5	31.1
Foreign equity turnover (global share, per cent)	3.7	2.9	0.5	1.3'	64.0	55.8

[1] For roll calls, 'Labour plots to cut power of its union paymasters' *The Times*, 14 November 2005

[2] "Signing up to the single European currency would be an un-Christian act running contrary to Biblical teaching, according to the chief economist of the Institute of Directors" ('God is opposed to Britain joining EU's single currency, says economist', *Daily Telegraph* 14.05.2001).

Source: HM Treasury (2003c:41)

Perhaps, Blair's most visible obstacle is the sceptical public opinion. Figure 6.5 below shows the consistently high levels of opposition to Euro in the UK, generally having a 2 to 1 majority. Going beyond a yes/no dichotomy, about half of the respondents respond that they might be persuaded on Euro by government. However the chances for winning referendum seems bleak for Blair who has an almost "pathological concern for public opinion" and timidity to engage in altering the public opinion (Forster, 2002:123, Leduc, 2005). On the opposition to Euro, several researchers find strong correlations with national identity and cultural attachment to a national symbol[1]. That makes pro-Euro arguments on solely economic benefit terms especially vulnerable unless a strong cultural commitment to Europe accompanies them. A political-cultural Europeanism is the least expectable move from any Labour government.

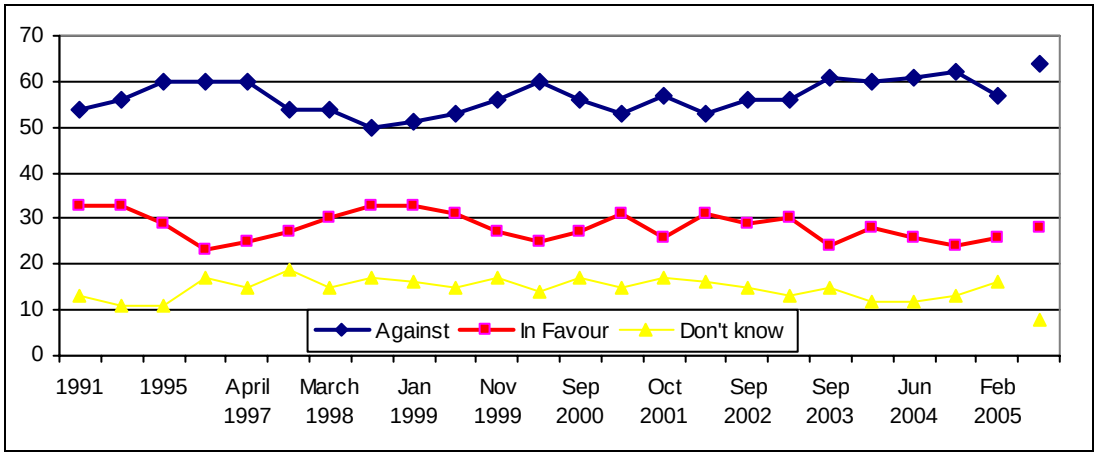

Figure 6.5 MORI referendum trends -Euro,
Source: www.mori.com ("If there were a referendum on Euro, how would you vote?" –The last points from autumn 2005 Eurobarometer results)

In 1975, the media had played a pro-European role. However this time the media is itself divided on Euro and there is not a systematic pro-Europeanism (Mullen and Burkitt, 2003). Rather it could be argued that aside from a few quality-press, the bulk of the media is Eurosceptic. The anti-European bias in Conservative and Murdoch press is clear; but for others, including BBC too, Europe seems a remote topic and when covered negative stories

[1] Unlike other weak currency countries, in Britain economic benefits model is less explanatory. The following authors find identity more explanatory: Müller-Peters (1998), Risse et al (1999) and Gabel and Hix (2005).

outweigh the positive ones[1]. This tabloid press not just opposes Euro, but spreads Euro-myths sometimes in highly irritating vocabularies. The most famous incidences were the attacks on Delors and Lafontaine[2].

The influence of media is a controversial topic, but we can accept the conclusion of Gavin and Sanders (2003:587) that "the press *is* capable of having an impact on the political and economic attitudes of important segments of the public". And Blair simply bows his head to this possibility of influence. A highly-credible insider view concedes that "Murdoch was the 25th member of the Cabinet … in my first few weeks as Alastair Campbell's deputy, I was told by somebody who would know that we had assured Mr Murdoch we wouldn't change policy on Europe without talking to him first"[3]. And MacShane (2005) also reveals a conservation with Schröder who once told MacShane that "Blair always followed policies dictated by Rupert Murdoch". MacShane might be right to note that "in Britain the Sun is used to wrap fish and chips" yet a circulation of 3 millions and readership of 8 millions cannot be ignored either[4].

All these effects on Labour's Europe makes her a free-rider among the eyes of Europeans: Barroso warned Brown over his reluctant stance on Euro by urging that "you cannot go to a beefeaters' club and say you are a vegetarian"[5]. Only by being at the centre –i.e. Euro- it is argued, Brown can defend British interests, not by standing aside and lecturing Europeans on the virtues of British economy. "It is true of any group, if you are a reluctant member, people do not trust you. If you are an active member of the club -come in with solutions- your influence is increased"

6.1.2 EUROPE AND INDUSTRIAL RELATIONS

The signing of the Social Chapter constitutes the key partisan policy New Labour distinguishes itself from Conservative rival. However this partisanship quickly turned into a rather symbolic act since New Labour continually stands aside from fully adopting its

[1] Gavin (2001), Bond (2005) and MORI (2004)
[2] EU Commission Representation in the UK provides a good summary of those Euro-myths in its press-watch bulletins. The most common error is the confusion of Standardisation Institutes with the EU and the most common enemy is the Working Time Directive. http://ec.europa.eu/unitedkingdom/
[3] Lance Price 'Rupert Murdoch is effectively a member of Blair's cabinet' *Guardian*, 1 July 2006. Price was a No.10 adviser during 1997-2001 and is the writer of the book '*The Spin Doctor's Diary*'.
[4] Newspaper Marketing Agency, www.nmauk.co.uk
[5] Guardian, 6 July 2006

already limited social rights measures. EU directives on social policies are only interpreted and transposed in a minimalist way, exploiting and creating every opportunity to use derogations and opt-outs (Howell, 2004 and 2006). This acquis covers the Work Councils, paid annual holidays with a minimum four weeks, employee information and consultation rights, parental leave, rights for part-time and temporary workers, anti-discrimination rules, mass redundancy rules and some other health and safety measures[1].

The one legislation that has the most impact on industry, Working Time Directive –outside the Social Chapter- is only transposed at its maximum limits of 48 hours and with opt-outs for voluntary agreements. And still Chambers of Commerce complains that half of total financial burden and red tape imposed on business is related with the Working Time Directive (Marsden, 2003). Rather than listening to the criticisms of the unions, government was more worried about employer fears[2]. As a result UK continues to be placed at the top of the league of countries with long and flexible working hours. Similarly, the passage of Directive on Information and Consultation of Employees of 2002 has been delayed due to Blair and Berlusconi camp. When the text adopted, it exempted a great deal of British business from the scope of the directive, causing the anger of John Monks who called Blair 'bloody stupid' (Ludlam, 2004:79). At the end of British presidency in 2005, ETUC would conclude that British government had one priority and that was to strengthen competitiveness at all costs, achieving none or little progress in EU social policy. No wonder the position of British trade unions. Derek Simpson was therefore right to argue there was no point to back the prime minister who did not support them on European level:

> The government has tried to block workers' rights to consultation, to ensure opt-outs from directives to limit working hours and to thwart rights for temporary and agency workers -most of them women. As a result, British employees work longer hours, with greater job uncertainty and a bleaker pensions future than those elsewhere in Europe. Opposing the best aspects of the EU is no way to sell the constitution to the public[3].

Government's rationale is the principle that legislation emanating from EU should not radically dilute labour market flexibility in the UK. Even a cursory glance to Cabinet members' speeches on motivation for partnership, it is not so hard to identify the goal of productivity growth. Patricia Hewitt states at 'TUC Flexibility for All' conference that:

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[1] R. Corbett "100 Labour achievements in Europe" EPLP brochure

[2] "We will resist inflexible barriers being introduced into directives like the European Working Time Directive - we will support flexible interpretations of existing rules and remove unnecessary regulations and restrictions" Gordon Brown, speech to CBI, 20 May 2003

[3] Derek Simpson and Tony Woodley 'We can't back a yes vote' *Guardian*, 30 June 2004

> Over the last two decades, 'flexibility' has become the buzzword of the British labour market. But there is a high road to flexibility and a low road. The low road was the Conservative road: one-way flexibility, with all the rights for employers and all the responsibilities for employees. We are taking the high road. Fair standards and decent rights for all. Working time reform that balances the different needs of individuals and families, the demands of consumers, and the need to raise productivity across the public and private sector. That's the challenge -and I look forward to working in an even stronger partnership with you to deliver it[1].

Through social partnership, TUC is ready to accept this 'high road' to flexibility and functional flexibility at enterprise level. Again, National Action Plans on Employment required by EES are being prepared with consultation between CBI, TUC and government. However it is very dubious whether this tripartism does even deviate from Conservatives' low-road in concrete policies and plans. It is because the partnership in mind is with business and it is the business in most cases that makes its privileged preferences adopted by government. For the same reason, David Simon –a former British Petroleum chairman- had been appointed in 1997 as a minister heading 'the inter-departmental task force on competitiveness in Europe'.

6.1.3 THE ATLANTICISM REVIVED

During the Cold War, British defence policy was primarily geared towards NATO and her foreign policy in great part followed the USA. British governments never welcomed proposals for development of independent European capabilities that could undermine NATO's role. The end of Cold War did not cause much alteration in this preference. Until the end of Callaghan government, this was a bipartisan issue. But with the left-wing ascendancy in early 1980s, Labour party adopted a unilateralist, anti-American position. This position began to change with the Policy Review Process. But still George Robertson (1990) was arguing that then with the end of Cold War and an Empire gone long ago, Britain should get rid of the 'special relationship' and enhance its global role by situating herself at the driving seat of Europe. At that time, Labour was in opposition and when it came to power Blair's Atlanticism alongside Clinton had already gained ascendancy. There are enough bases to argue that Labour Party shared Conservative governments' efforts to maintain the value of NATO and ties with the USA throughout the 1990s: Labour's position on WEU at Amsterdam was a testimony to it. Yet in 1998, a shift in policy occurred. Walsh (2006) argues that the policy change came with the failures in Bosnia and

[1] Patricia Hewitt, 5 February 2002, www.dti.gov.uk

Kosovo. In 4 December 1998, Britain and France issued St. Malo declaration stating that "EU must have the capacity for autonomous action, backed by credible military forces". At the Cologne summit of June 1999 ESDP was shaped and finalised in Helsinki 1999 summit with the plans to form a joint rapid reaction force by 2003.

At first sight, St. Malo gave the impression of a radical shift in British preferences[1]. Certainly, France and the UK did not agree on every issue and the high probability of the persistence of historical differences in national security calculations was foreseen at that time (cf. Howorth, 2000). However later developments have posed serious doubts on extent of such a shift. Blair had wanted to reconcile Atlanticism with a new commitment in Europe and wanted to show that the two could be mutually supportive. He told in November 1997 that Britain should be "strong in Europe and strong with the US. There is no choice between the two. Stronger with one means stronger with the other. Our aim should be to deepen our relationship with the US at all levels. We are the bridge between the US and Europe. Let us use it" (W. Wallace, 2005:55). Blair's numerous speeches continually repeated this ambition. September 11 attacks and Iraqi war demonstrated the enduring differences between the 'Old Europe' and Britain, which was still too-ready to clinch on the 'special relationship'. At the end, Blair reached a position not too-distant from the course of British post-war Atlanticism[2]. The new *risk*s compelled Blair to re-stress the role of NATO, this time with a more global function. It is not to say that European dimension is ignored. The dynamics of ESDP have gained a momentum of itself, thanks to the initial British commitment; and Britain, with her vast military capabilities and military-industry complex, plays a constructive role for EDSP's development. In this way, Britain was also able to bloc the way it might take a diverse path from the USA with the help of NATO headed by a converted George Robertson.

Nevertheless, Iraq war's real and deeper emotional damages to the relationship between Britain and Europe cannot be ignored, nor its provocation of the biggest historical backbench rebellion inside Labour Party. It also buried Robin Cook's promises of an ethical foreign policy in 1997. Surely Blair's pro-interventionism has a Manichean view of politics –in that sense it is highly based on morality. But once politics is built on "good intentions" (Runciman, 2006), it becomes easier to cross the thin lines between point of

[1] The progress in CFSP/ESDP is evaluated in general as a compensation for British absence in euro.
[2] Howorth, 2003; Miskimmon, 2004; Williams, 2004

references. When New Labour had come to power, the emphasis at least on paper was on items like the eradication of world poverty, development aid, debt relief, human rights – Kosovo, commitment to Kyoto Protocol, control of arms trade and multilateralism[1]. These concerns were combined and perfectly correlated with pro-Europeanism of Cook[2] –'soft power' approach of the EU (cf. Leonard, 2005). It also had a resonance with Clinton administration. Blair's speeches were describing a world radically changed but presenting opportunities for the spread of liberal and social democratic idealism. By the second term, Cook was ousted from the office and Blair's early ideas gave way to a more realist, strategic understanding of world politics. Again the world, we are told, has changed after September 11 but this change was termed as increases in the global threats.

It can be concluded that initial impression of radical changes in foreign policy has not matched with actual policies and Labour has returned to a 'business as usual' path of Atlanticism (Williams, 2002; Wheeler and Dunne, 2006). For us the crucial point is that this Atlanticism has become a "fault line" for Labour government and firmly limited its European policy and claims for bridging the US and Europe (Gamble, 2003:230, Smith 2005). The outcome is a Britain as Prodi portrayed in a speech at Oxford in April 2002 portrayed:

> Constantly on defensive, putting the brakes on, dragging its feet on vital issues, fighting a rearguard action that can hold up, but cannot stem, the tide of history, I wonder what makes this great nation happy to be a junior partner in a transatlantic relationship, but afraid to take its rightful place alongside its European allies? … Doesn't the 'special relationship' look more like a penny-farthing … The real test the UK must pass is a test of its own political will and courage (Baker, 2003:244-5).

6.1.4 DEMOCRATISING THE DEMOCRACY

One of the significant set of promises of New Labour was reforming the constitutional structure in Britain. The pressures on Labour Party did not emanate from EU institutions, yet the results of the reforms have serious repercussions for relationship with the EU. On the agenda were House of Lords reform, introduction of a Bill of Rights and devolution. With the devolution enacted, some responsibilities have passed to Scottish Executive and

[1] All were in line with Third Way and David Held's 'global social democracy' ideas. Blair's readiness to bypass international law deviates from these Third Way thinking.

[2] Cook's conversion to pro-Europeanism is also another striking personal volte-face. He was a strong opponent of EC since 1970s. By 1980s, his ideas began to change with the post of Kinnock's European affairs spokesman. His story is provided in Anderson and Mann (1999). It was regarded that "Cook was sacrificed for one thing: Europe" and too pro-European for an upcoming Euro debate (Observer, 10.06.2001).

Parliament and Welsh Assembly. A Human Rights Act was passed in 1998 and Freedom of Information was accepted in 1999. These have partially aligned British tradition to ECHR. But the terrorism bills after 9/11 later severely restricted the scope of the introduced reforms. Not only Labour exhibits securitarian logic more pronouncedly, but also has been a leading force to direct the European level legislation into that restrictive approach. Suffice it to mention Home Secretary Charles Clarke's activism after Madrid 2004 and London 2005 bombings[1].

After devolution, EU affairs is still under the responsibility of Whitehall. However, it is observed that the Scottish Executive is more willing to play an assertive and maximalist involvement in EU policy (Wright, 2001). Researches also find a more positive attachment to Europe among Scottish and Welsh identities (McCormack, 2005)[2]. A conflict of interests between devolved bodies and central government can arise, for instance over fisheries policy. Devolution also comes to the question of English identity, and triggers a rather *English* reaction against European institutions.

By 1980s, similar to Labour's conversion, a change in attitudes towards EC/EU has been well-documented for SNP and Plaid Cymru as they become Euro-enthusiasts. This was partially as a result of 'Europe of Regions' idea. For instance, SNP has been campaigning for an independent Scotland inside the EU since 2001. This has surely made an impact on Welsh and Scottish Labour Parties (Mitchell, 1998). In stark contrast to 1970s in which Scottish and Welsh branches were the hard-liner anti-Marketeers, they have become more pro-EU since 1980s[3]. The EC/EU funding for regional and local policies has been attractive for Labour councillors. Note that the period was dominated by Thatcherite attacks to Labour councils. In addition to funding, the partnership principle of European regional policy after 1988 required an active involvement directly with Brussels. For some of the councillors then the attitudes towards Europe were becoming less lukewarm and such a change had certain consequences for the general party attitudes. For instance, Bache (2005) and Bache and Marshall (2004) demonstrate such shifts in their case studies on Glasgow and Birmingham city councils. A recent move by New Labour towards regionalisation of

[1] 'EU agrees new security measures' BBC, 14 July 2005
[2] Surely the intellectual and military affinity between Scotland and Europe, France in particular, can be noted; yet this identity factor seems to be too insignificant (Kumar, 2003).
[3] There is an interesting detail which might be indicative: most of the leading pro-Europeans in New Labour were *non*-English –Kinnock is a Welsh, Smith and Cook were Scottish; though Brown negates the point.

bureaucratic machinery is the establishment of Regional Development Agencies since 1999.

6.2 PACE-SETTING AND FOOT-DRAGGING

European policy is one of the grounds of internal rivalry between Blair and Brown and other figures around them. This rivalry is occasionally publicised in media during Labour governmental record. Stephen Wall for instance accused Brown and the Treasury making 'fatuous' and 'gratuitous' attacks on Brussels. He also accused Blair for letting down the pro-Europeans[1]. Note that it might also reflect a Eurosceptical strategy to present *the* existence of a serious rift over European policy.

First of all, there is not a fundamental difference between ideological outlooks of Blair and Brown; it seems more likely that they are being used as *signifiers* of a battleground in which they personally do not fit well actually. The common cliché is a pro-American Brown in contrast with a pro-EU Blair; yet for others, Brown's more redistributionist credentials makes him a potential pro-European candidate whilst Blair's pro-Americanism has been too-manifest after Iraq war. The answer is likely to lie in Third Way's famous approach of "not *either/or* but *both/and*"[2].

"I am a passionate pro-European. I always have been … I believe in Europe as a political project. I believe in Europe with a strong and caring social dimension. I would never accept a Europe that was simply an economic market". Blair's these words at EP had caused great uproars among parliaments in June 2005. But Blair had continued that "the purpose of our social model should be to enhance our ability to compete, to help our people cope with globalisation, to let them embrace its opportunities and avoid its dangers. Of course we need a social Europe. But it must be a social Europe that works". This is the vision of Third Way Europe totally shared by Brown as put by him in June 2003: "intergovernmental, not federal; mutual recognition, not one-size-fits-all central rules; tax competition, not tax harmonisation, with proper political accountability and subsidiarity, not a superstate" (Booker and North, 2003:423). Contra to the hopes inside the party, Brown is the last

[1] *Daily Telegraph*, 25 September 2004. Stephen Wall was appointed to No.10 as Blair's European policy adviser after his post in UKREP.

[2] The expression belongs to *Financial Times'* Conservative columnist Samuel Brittan www.samuelbrittan.co.uk

candidate to be the leftist hero to reawaken the party on a 'European' social model[1]. Instead, both Brown and Blair build their philosophy on the principle rejection of the rigidities of European social model. This is thought as allowing them being both pro-European and pro-American at the same time[2].

The pro-Europeanism that comes closer to an advocacy of embracement of European social model derives from figures like Cook and Kinnock. '*Labour Movement for Europe*' was founded in 2001 to support speedier Euro entry and claimed the backing of some 160 Labour MPs. People around this group[3] praise the European model instead of attacking it like Blair and Mandelson. In 2005 before his death, Cook had argued that "most of them have better public services than Britain. If we are going to construct a modern European model, let us not talk as if it is only we who have things to teach and not we who have things to learn as well"[4]. The critique of former Blairite now the chair of *Compass* organisation, Neal Lawson, points out the passing of a progressive opportunity at Europe because of Blair's political conservatism and Brown's economic caution. "Blair has also made it clear that he does not want Europe to become a competing pole of power to USA - so what on earth is Europe for, if it's not to counter the free-market neo-conservative agenda of the USA?" (Lawson and Thompson, 2005a, also 2005b). Lawson (2005:84) also criticises Blair for his timidity against Eurosceptic press and his "talking about opt-outs and red-lines -and not how Europe can be used as a vehicle for social democratic advance".

Aside from the frontbenchers and teams around them who are able to make a direct impact on governmental policy; Labour backbenchers, especially the first-term PLP group, demonstrated a relatively high pro-European stance in contrast to Conservative's

[1] "I'm a free trader. I'm pro-open markets. I'm anti-protectionism … and the economy that I admire most is the American economy. There's obviously an interest in my opponents saying that I'm not what I am, but I've worked to create New Labor with Tony Blair" Gordon Brown, interview in *Washington Post*, 14 May 2006.

[2] The foreign policy think-tanks closer to Labour Party were influential sources of policy inspirations for the government. *Centre for European Reform* and *Foreign Policy Centre* are the ones that are directly founded by Blair to supply such feedback on European issues and develop a pro-European argumentation in the UK.

[3] Kinnock, Chris Bryant (2005), David Clark (2005) –former adviser of Cook. A joint article including the signatures of Kinnock, Livingstone, Clark and Monks among other declared that "Europe will not achieve economic success by deregulating its labour markets and triggering a race to the bottom in employment standards. Supply side reforms of the right kind are certainly necessary, but they will not be effective if the need to raise Europe's stagnant levels of domestic economic demand continues to be neglected" ('A Democratic Left for Europe' *Social Europe*, 2, October 2005).

[4] Robin Cook, speech for LSE and CER, 4 July 2005

increasingly hostile position. There is a quite obvious cohort effect at work: younger generation MPs, most of which are associated with New Labour, tend to be less sceptical to Europe (Cowley, 2000). The 1997 PLP was also the least rebellious group since 1983. This reflected a honeymoon period after years of opposition and also a general rightwards shift in the ideological orientations. Finally leadership was especially successful to show control-freakery on its MPs and MEPs (Cowley and Stuart, 2003). There was no rebellion on Europe, because no major legislation on Europe was introduced during the first term.

As the relationship between leadership and PLP began to sour after debates over pension reform, private finance initiative, foundation hospitals, university fees and Iraq in the second term; Eurosceptical case also revitalised, but not in its former strengths as the issue-ownership has passed to groups on the right-wing side of British political spectrum. There is not a one-to-one direct causal relationship between Europe and the issues that cause tensions; however such an environment widens the opportunities for countering the leadership on European grounds. '*Labour Euro-Safeguards Campaign*' has been continuing its activities since 1995. '*Labour against the Euro*' was created by people around Socialist Campaign Group in 2002. Finally '*Centre for a Social Europe*' was organised in 2004 with 14 Labour MPs together with Greens as the embryo of a left-wing campaign against the Constitution. Like the 'Centre for a Social Europe', the '*New Europe*' is a cross-party campaigning organisation formed in 2000 by those who are self-declared to be pro-European but anti-Euro. '*New Europe*' includes figures like Lord (David) Owen, Lord (Denis) Healey, Nigel Lawson and Malcolm Rifkind.

Whitehall: When considering New Labour's policy on Europe, it is important to acknowledge the change in public administration[1]. Whitehall tradition is built on a non-political civil service. But it is a fact that public policy decisions are not solely consequences of partisan political decisions and affected by civil service. "Europeanisation of Whitehall serves to structure the policy agenda of incoming governments, be they Labour or Conservative" (Heffernan, 2001:186). The question is on the *extent* of the influence on Labour politicians.

Scholars agree on that the general historical change has been a slow and incremental adaptation, being absorbed within the Whitehall tradition. Nonetheless, this does not lessen

[1] This section is largely informed on Bulmer and Burch (1998, 2005).

the extent of cumulative change in values. Putting aside the issues related with organisational and coordination aspects, we look to the general attitudes towards Europe. The institutional attitudes are shaped by departments' different interests and different histories of interactions with EC/EU (Buller and Smith, 1998; Marsh et al, 2001).

FO and economic departments were the first ones that involved in European integration. It was the FO that came to the conclusion that EC should be the destination of the country for halting the decline. The earlier scepticism of economic departments has been mentioned. But as the trade patterns reversed, so do their positions. Take DTI, former BoT: Buller and Smith (1998:174) argue that it is one of few departments that support a strong EU Commission to ensure the principles of free trade. Like DTI, Ministry of Agriculture has found its *raison d'etre* exclusively in relation to the EU. The source of change for others was the growing EC/EU competences and its interference into formerly preserved national domains. For instance, Jordan (2005) shows the transformation in British environmental policy, generally marked with a low-standards approach in the service of industry. Since the late 1980s, Britain came under EC/EU pressure of upgrading its standards. As a result "DoE [now DEFRA] began to realize that the EU could actually be a force for good" (Jordan, 2005:279). Jordan thus observes a process of acquiring the *culture* of EU. Even the most domestic departments like Home Office or Department for Work and Pensions do not escape a 'going native' for Europe process.

Exceptionally, the Treasury has a different position. It has not gone through a similar Europeanisation process like other departments and the experience of ERM makes it adopt a very cautious approach (Dyson, 2000; Forster and Blair, 2002:141). Major decisions on Europe are traditionally adopted by No.10 and FCO, however on Euro it is the Treasury that holds the final say keeping DTI and FCO at an arm's length. Treasury also has a historically Atlanticist orientation in policy learning and choice, this being strengthened under Brown's leadership.

It is by definition hard to conclude on the exact impact of administrative structures. Relying on secondary sources, it is clear that the party had always experienced tense relationship especially with the Treasury. But in New Labour, the political orientation and self-constraint of the party might result with a greater coincidence in policy preferences between the two sides. Intuitively I will argue that on Euro, Treasury's cautious approach

has been evident throughout the lines of the economic papers it prepared. The papers even come to praise the virtues of floating exchange rates in global economics. But in his speech to present the conclusions of these papers, Brown underlined the most optimistic calculations and results that can be read as pro-Euro.

CHAPTER 7

THIRD (OR WHICH) WAY AFTER-FORDISM?

> In a global economy the role of government becomes less about regulation than about equipping people for economic change by focusing on education, skills and technology and a welfare state the promotes work and makes it pay … What counts is what works. If we don't take this attitude, change traps us, paralyses us, and defeats us (Tony Blair, speech at French Assembly 1998)

The aim of the final chapter is to assess the latest ideological developments in Labour Party, which has earned it the tag 'New' Labour. After a brief look at the core elements of this new ideological package, we try to identify its imprint on actual governmental policies, especially in economic, social and labour market policies. As most of the ideological renewal and policy innovations is built on a particular globalisation reading, we ask whether the New Labour's almost fatalistic assumption of globalisation is validated in the literature. The chapter concludes with a section that tries to relate the previous accounts with Labour's European policy motivations.

7.1 THIRD WAY: THEORY AND PRACTICE

We are considering Third Way as a set of guiding principles behind New Labour's policies in power, but there is not a one-to-one correspondence since in some areas New Labour lags behind the progressiveness envisaged in the initial Third Way/Giddens proposals. In addition, New Labour can be considered as the *local* adaptation of Third Way to the British conditions (Merkel, 2000) and encompassing a wider range of influences other than *the* Third Way associated with Giddens who also incorporates these in his work –e.g. Etzioni's communitarianism, Putnam's social capital argument. Finally, although the term is being less in use in last years, it is our contention that Third Way remained the continual inspirational background for New Labour policies until 2006.

The underlying big assumption of the Third Way is that we now live in a world that has fundamentally changed. The globe, we are told, has witnessed revolutionary changes not

only in economic relations but also in cultural and technological developments –being rooted by global and domestic causes. Our political ideas and tools should keep pace with these objective transformations that present us new constraints as well as new opportunities for political action. The classical 'old' social democracy could not handle the management of the global transformations and emerging new demands, and is doomed to failure as long as it resists in its old habits of thought. The claim of the Third Way is to be a synthesis or transcendence of the antipodes of old statist-corporatist social democracy and neoliberalism: "a way of marrying together an open, competitive and successful economy with a just, decent and humane society" in Blair's words (Leggett, 2005:3). 'Fair is efficient' as the motto goes on: social justice and economic efficiency can be reconciled. This should be taken as a redefinition of the combination of the two goals for social democracy. In this sense, Third Way remains within the frontiers of social democracy: "The new progressivism stands firmly in the traditions of social democracy –it *is* social democracy, brought up to date and made relevant to a rapidly changing world" (Giddens, 2002:78). Blair also confirms his way by arguing that "it is not a third way between conservative and social democratic philosophy. It is social democracy renewed" (Blair, 2001). The exercise is being put forward as the preservation of the core social democratic values and adopting them into new conditions and with new tools. "Our commitment to a different vision of society stands intact" says Blair "but the ways of achieving it must change" (Leys, 1996). For Blair (1997:8) by adopting the new approach, the party was "returning to its roots, rediscovering the ideas of community, mutuality and solidarity that were the foundation of the party, and applying them in new ways to the massively changed world in which we live".

Third Way is the ultimate rejection of any class-based analysis or solution to the problems encountered. But this can hardly be considered as its novelty. Its novelty is in the alterations in theory of social justice. Old social democracy has at least had a huge belief in the 'equality of outcome' through a comprehensive welfare state, even if not in all cases it could achieve it. This is now replaced with the concept of 'equality of opportunities' and a welfare state enabling individuals the capacity and means to develop themselves freely against the challenges of risk society. Jayasuriya (2000) calls it "capability redistribution" through education and training instead of income redistribution. In Giddens' terms, this is a 'social investment state' in which the state assumes an active labour-supply side role unlike laissez-faire liberalism and this is thought to be going beyond a common sense meritocracy.

Although full employment is still in the lexicon of New Labour, the acceptance of neoliberal economics premises nullifies its meaning if the latter is seen in terms of guaranteed social rights. Work is defined as the only meaningful way a citizen participates and avoids exclusion in a society (Dean, 1999:222). On the other hand, state does not accept any task of massive job-creation and labour demand is left to market forces – historically has been so in liberal and residual welfare states. The days of the unqualified social protection rights are now balanced with responsibilities upon individuals. Rights and responsibilities are linked together in the 'stakeholding' society idea in which individual could gain a stake and a role in his/her society through social capital and participatory empowerment strategies, no matter how big or small his/her share. Therefore New Labour tries to improve the *employability* of the individual in the new knowledge-driven global economy. To repeat it again, investment in human capital has become the underlying rationale of welfare state[1].

Table 7.1 Comparison of old social democracy and Third Way

DIMENSION	***OLD SOCIAL DEMOCRACY***	***THIRD WAY***
Discourse	Rights	Rights and responsibilities
	Equity	Equity and efficiency
	Market failure	Market and state failure
Values	Equality of outcome	Inclusion
	Security	Positive welfare
Policy goals	Equality of outcome	Opportunities
	Full employment	Employability
Policy means	Rights	Conditionality
	State	Civil society/market and state
	State finance and delivery	State/private finance and delivery
	Security	Flexicurity
	Hierarchy	Network
	High tax and spend	Pragmatic tax and invest
	High services and benefits	High services and low benefits
	High cash redistribution	High asset redistribution
	Universalism	Mix of universalism with selectivity
	High wages	National minimum income/tax incentives

Source: Barrientos and Powell (2004:15)

[1] Larry Elliott aptly summarises the point in his *Guardian* column in 15 April 2005: "Instead of shaping capitalism to the needs of the people, Labour policy is now all about shaping the people to the needs of capitalism"

The reform of the welfare state incorporates more activation incentives for labour market participation and more conditionality for welfare benefits. In the delivery of public services, a much bigger role for voluntary and private sectors is envisaged, instead of an exclusive bureaucratic state machinery. This is the idea behind Public Private Partnership and continuation of the private finance initiatives introduced by Conservatives. Besides a managerial approach towards public administration, New Labour also adopts a network theory approach to relations between institutions and people. Its 'joined-up governance' vision advocates creation of trust relationships and cooperation among them to tackle the common problems (Bevir, 2003)[1].

Theory at work: The best and first-hand account of New Labour's economic policy rationale is provided by one of the ministers working under Brown, Edward Balls (1998). Both Brown and Balls acknowledged several times in their speeches that they were inspired by endogenous/new growth theory. Endogenous growth theory assumes that economic growth factors are *internal* to the market and depend on investment on physical stocks and human capital[2]. It also incorporates a Schumpeterian emphasis on technological innovation. However, as the debate between Dolowitz (2004) and Watson (2004) shows, these do not necessarily mean a clear distinction from classical neoliberal policies. The point is that the theory assigns a role for governmental intervention in a given open economy macroeconomics.

Accordingly, achievement of growth and employment depends on macroeconomic stability through ensuring credibility[3]. For this reason, the Bank of England is granted operational independence in 1997[4]. Brown would set the inflation target -initially 2%- but not interfere

[1] Bevir (2003) argues that "New Labour's supply-side vision reflects an institutionalist narrative – and the heritage of Wilsonian socialism – as opposed to neoliberalism" (2003:465).
[2] It differs from neoclassical model in which capital-labour rate is taken as constant in the long run and diminishing returns rule. Diminishing returns assumptions are relaxed. Rather than explaining growth largely as an exogenous factor to the model –as Solow's residual 'total factor productivity'- endogenous model's stress is equally on the increasing returns of investment on physical and human capital (DTI, 2006).
[3] "The Government approach to promoting investment is to maintain a stable macroeconomic environment and to remove microeconomic barriers that prevent the market from functioning properly" (DTI, 2006:19).
[4] The Bank was nationalised by Attlee government in 1946 with the memories of 1920s still alive when it had refused to back the first Labour government. However, all Labour governments since 1946 have emphasised its operational 'autonomy' to secure the confidence of financial markets.

in the conduct of Bank's newly created Monetary Policy Committee. And that system would work symmetrically, unlike the ECB. On public finances, Brown had declared his famous 'Golden Rules' early in 1995: "the war on inflation is a Labour war … Brown's law is that the government will only borrow to invest, public debt will remain stable and the cost effectiveness of public spending must be proved … nobody should doubt my iron resolve for stability and fiscal prudence" (Leys, 1997:32). Debt burden would not be raised higher than 40% of GDP in an economic cycle. Brown had told 1997 conference delegates that "you cannot build the New Jerusalem on a mountain of debt … just as you cannot spend your way out of recession, you cannot, in a global economy, simply spend your way through a recovery either". Labour even committed itself for two years to the spending plans of previous Conservative government.

As Burnham (2001) and Coates and Hay (2001) underline, this 'rule-based' non-discretionary policies demonstrate the acceptance of monetarist view that the cause of inflation is politicians –the 'overload' thesis. It is a depoliticisation of economic management and putting the responsibility of government to other, generally non-elected, bodies. On the other hand, Balls (1998:124) argues that "if governments are judged to be pursuing sound, long-term macroeconomic policies and institutional procedures, then they can use discretionary monetary, or indeed fiscal, policy to deal with macroeconomic shocks which need to be accommodated in the short term". If that does not mean a government generating credibility only for a future uncertain crisis; it means a *continual* open-check to the capital. Or it can be argued as cheating capital; however Balls also adds that you can only cheat everyone *once*, not more. So at the end we have a total structural dependence to capital. Once credibility is sustained, government could pursue some redistributory and investment spending which is expected to be generated by the growth. Here comes the New Keynesian part (Arestis and Sawyer, 2002). As Hay (2005) shows, albeit how progressive[1] it might sound, the New Keynesianism as an economic theory shares the NAIRU assumption of monetarism and does not imply massive demand-side interruptions to economy, as the problem is thought to be on the supply-side. Fiscal policy's role is defined as to support monetary policy, i.e. inflation target[2]. Yet government policy outcomes look

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1946 was indeed a great non-event, a technical change which did not alter policies or preferences (Gowan, 1997:98).

[1] cf. Corry and Holtham (1995)

[2] Blair in 1995 Mais lecture told that "macroeconomic policy must be directed to keeping inflation low and as stable as possible".

like a 'chastened Keynesianism' in the service of monetary policy –until 2001 it wanted to cool the heat and then pump when faced with slowing growth:

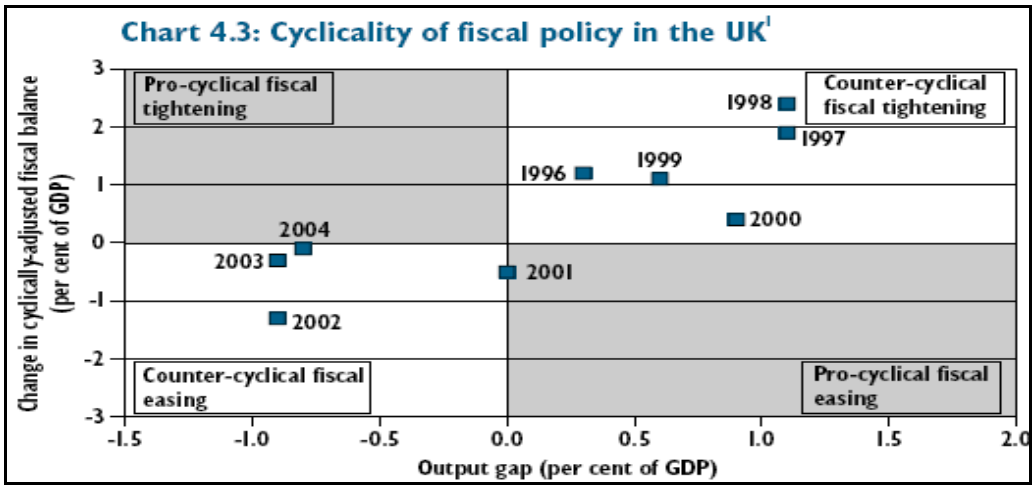

Figure 7.1 Cyclicality of fiscal policy in the UK
Source: HM Treasury (2003e:67)

It is told that Labour would be a party of fair taxation and targeted spending and there was no return to the days of 'tax and spend'. On the revenues side, Labour declared that it would not raise income taxes. It also pledged to reform corporate taxation to boost private investment. Top statutory corporate tax rate has slightly been reduced to 30% and for SMEs to 19%. The effect of reduction is offset by economic cycle as tax revenues from those sources have increased –highly because of the boom in financial sector profits (Devereux et al, 2004; Eurostat, 2006).

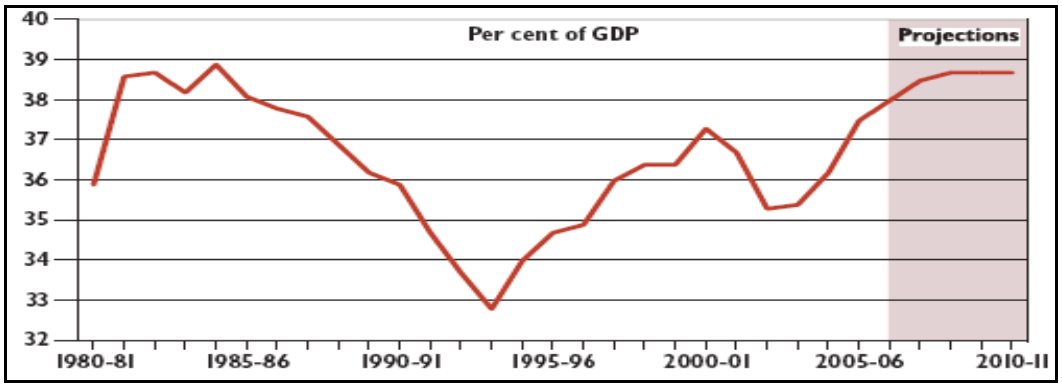

Figure 7.2 Tax/GDP ratio
Source: HM Treasury, 2006 Budget

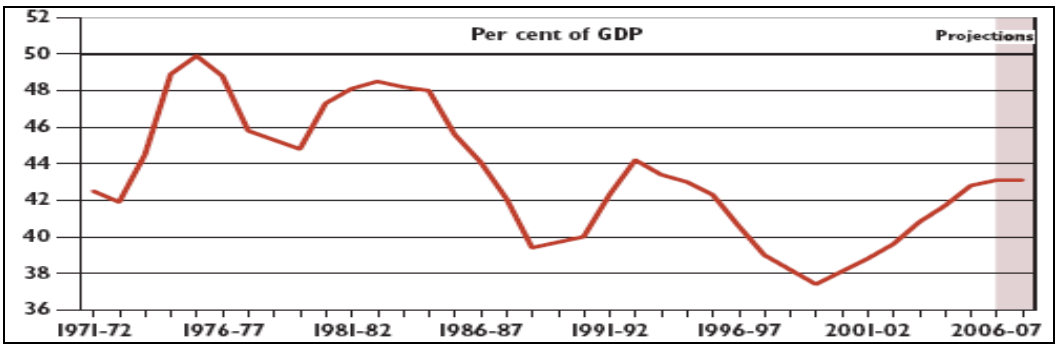

Figure 7.3 Total managed public expenditure/GDP ratio
Source: HM Treasury, 2006 Budget

Public expenditure is in a halfway between US around 30% and EU around 45% of GDP but moved closer to EU averages. Greater efficiency in expenditure is trying to be implemented through Comprehensive Spending Reviews. After 1999 Budget, public investments are being channelled to education, NHS and transport; which for years under Conservatives were neglected to their deterioration. Spending on these merit goods holds together 11% of GDP –about one point increase in New Labour- slightly below the EU, but spending in income transfers is around 15%, well below major European countries due to different social security systems (Noord, 2002).

On product markets, government's main innovation is the new Competition Act of 1998, which has incorporated the European rule-based approach into the British case-based/empirical and discretionary approach. For years, Conservatives and CBI had resisted to adopt prohibitive rules against monopolies. The Act is thought for bringing a new competitive pressure to industry and it also delegates the governmental discretionary powers to the regulatory authority (Eyre and Lodge, 2001). Supply-side improvements are encouraged with R&D tax incentives and easened burdens for SMEs and entrepreneurs. Labour continued market liberalisations, especially the public utilities; but tried to regulate them more efficiently: Better Regulation Task Force was formed in 1997; Regulatory Reform Act was passed in 2001 among other countless initiatives (Helm, 2001 and 2006). It is argued that productivity increases by opening markets through deregulation was the concern of the 1980s. Now, the new concern for the government should be the creation of an institutionalised stability in the form of competition and company laws and corporate governance[1]. Plus, the task ahead is also to remedy the weaknesses in infrastructure: low

[1] "Business-friendly legal environment" as the Labour (2005) Manifesto for Business puts.

skills and low investment (Porter and Ketels, 2003)[1]. But this is not a wish for an interventionist industrial policy, rather an 'activist state'.

On industrial relations, Margaret Beckett made it clear in 1998 that "there will be no going back to the days of strike without ballots, mass picketing and the closed shop. We are setting out to foster and support a new culture in the workplace –a culture of partnership" (Neal, 2005:496). New Labour's agenda is neither corporatist nor a *laissez faire* attitude. Despite the limited effects of European directives, Labour did not repel Thatcherite anti-union laws. But 1999 Employment Relations Act gave a new set of individual rights at work, family-friendly clauses and statutory union recognition. 2002 and 2004 Acts further continued this individual-right based 'fair standards at work' agenda. CBI's imprint on these Acts is commonly acknowledged among scholars.

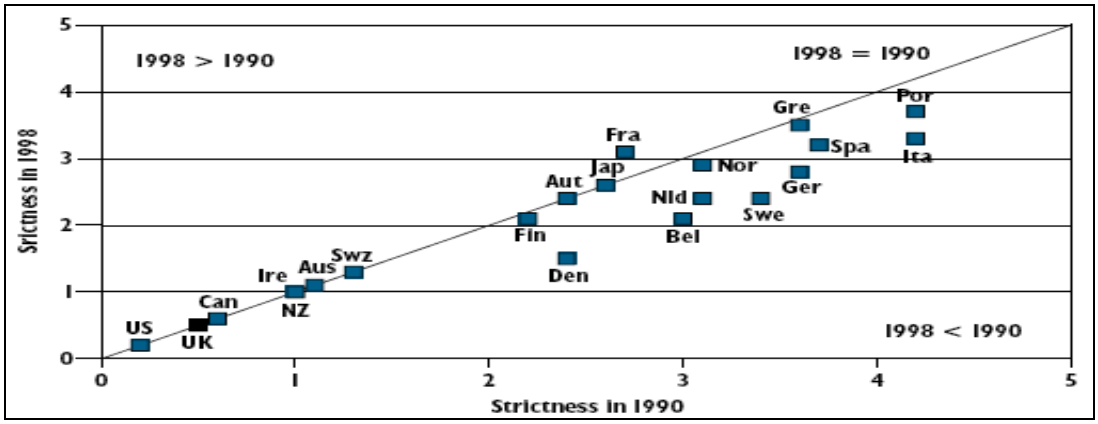

Figure 7.4 Strictness of employment protection legislation
Source: HM Treasury (2003d:73)

On the other hand, a National Minimum Wage has begun to be implemented since April 1999. Yet, its determined low-levels from the start is continually being criticised and constitutes a highly contentious debate domestically (Figure 7.5). New Labour is especially on guard against business anxieties for possible adverse effects of a high-level minimum wage. On another dimension, there is no significant change from the direction of the 1980s' more decentralised and less coordinated collective bargaining system. The most distinctive feature of the government's discourse has been on human capital formation. Britain has long suffered from skill shortages/gaps and poor training systems (Hutton, 2005). Government set ambitious targets in basic and vocational education policies, it also more

[1] Research carried for DTI and known as the 'Porter Report on Productivity' presented to government.

actively engages in lifelong learning and in-job training schemes. This differs from earlier Conservative period in which most of the statutory training institutions and boards had been dismantled for a voluntaristic approach (HM Treasury, 2005[1]).

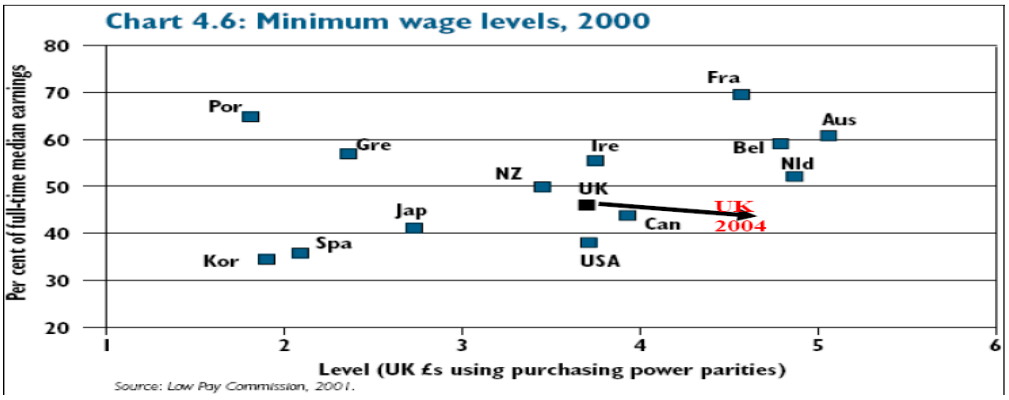

Figure 7.5 UK comparative minimum wages
Source: HM Treasury (2003d:71) –for 2004 levels, Low Pay Commission Report 2005

In contrast to Conservatives, New Labour tries to engage in a more centralised and planned approach to human capital formation. Treasury, DTI, Department of Education and Skills and Department of Work and Pensions all involve in the National Skills Strategy. These are part of a 'National Alliance for Skills' with trade unions and businesses. Institutionally, a 'University for Industry' is formed in 1998. 'Learning and Skill Councils' bring together partners at national, regional and local levels. A national training programme is introduced and apprenticeship programme has been modernised. Together with other initiatives, these are evaluated as the institutionalised infrastructure for a take-off to high-skills/high-tech economy. On the outcomes aspect, there is the self-evident difficulty to assess the initial results since human capital formation demands a long-term perspective and it is difficult to quantify and compare with other countries. Although there is observed progress in government targets, most of the commentators, including the Leitch Report on Skills, evaluate the pace as too-slow for an ICT-based economy aspiration and only enough to stand still among other competitors in the future. Low-skills problem continues together with the problem of increasing polarisation within skills distribution (Taylor, 2006). One part of the answer lies in the discrepancy between flexibility approach and human capital formation; and the other in the lack of any enforcement capacity and will for a full-fledged high-skill agenda onto the British business.

[1] This is the independent '[Lord] Leitch Review of Skills' Interim Report.

Since 1997 several 'New Deals'[1] have been introduced as the new active labour market policy –ALMP- instruments. It has been demonstrated by scholars that these instruments owe their inspirational background from American workfare programmes of Democrats[2] and differ from their similar Swedish equivalents, as their orientation in general are more towards short-term job-matching and involve too-little in human capital formation approach. Additionally, spending on ALMPs still remains low in comparison with continental Europe[3]. However, as a result of relatively favourable macroeconomic conditions, these instruments had a modest but positive impact on labour market participation rates (Walker and Wiseman, 2003). And the claimant number on unemployment benefits has been significantly reduced. However, increased labour market participation rates disguise the existence of high levels of 'incapacity benefits' claimed. In addition, job turnover rates remain higher compared to the Euro-area averages. This point, while beneficiary for flexibility of the market, has detrimental consequences for human-capital formation approach.

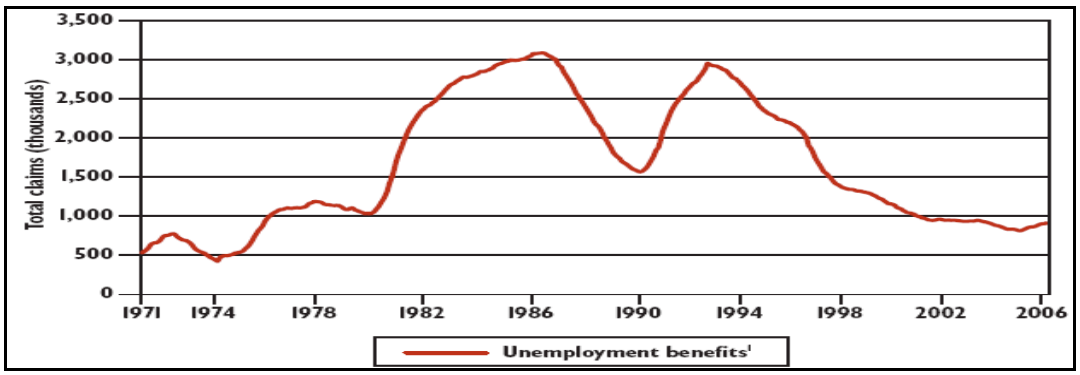

Figure 7.6 Unemployment benefit claimants
Source: HM Treasury, 2006 Budget

Even if these can be evaluated as successful results of tackling the unemployment trap, in-work poverty trap might continue because of the low-paid, part-time and temporary jobs. On this issue, government relies on tax benefits system under the name of 'Making Work Pay'. 'Working Families Tax Credit' was introduced in October 1999 for those families with low-paid jobs. Labour government, instead of raising the tax levels for the top percentile, decreased the tax rates for the lower percentiles and targeted groups. In fact,

[1] 'New Deals' are the flagship Labour Party social policy initiatives and are on 1- young unemployed, 2- long-term unemployed, 3- lone parents, 4- disabled people, and 5- people over 50.
[2] King and Wickham-Jones (1999), Peck and Theodore (2001) and Daguerre (2004).
[3] The first revenues for these programmes had been generated from a one-time windfall tax -£5.2b- on privatised utilities when Labour came to power in 1997.

Brown's budgets include substantially progressive beneficiary measures for those bottom groups, as Lister (2001) calls "quiet redistribution" or "doing good by stealth". The progressiveness of the tax benefits are documented in the researches of the *Institute for Fiscal Studies* (Clark et al, 2002). However, gross inequalities inherited from Thatcherite period are not fundamentally reversed; they even increased partly because the upper income group's gains have been much pronounced than the lower income groups.

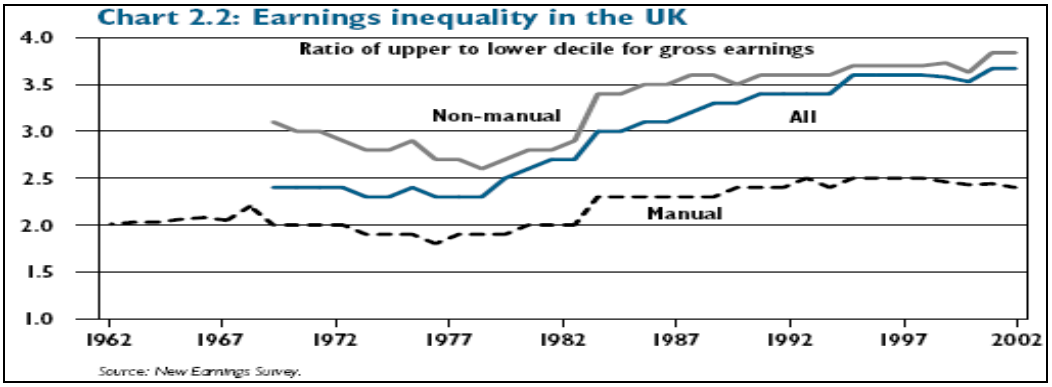

Figure 7.7 Earnings inequality
Source: HM Treasury (2003d:18)

It is especially important to bear in mind that the degrees of compulsion and conditionality criteria in British workfare initiatives are not as strict as in the US examples. Therefore workfare policy transfer from USA does represent a big but not complete picture. After all, every European country move in the same activation direction; nonetheless their speed, motivations and accompanying 'passive' benefit protection vary considerably. Labour government, in some areas like child and pensioner poverty, aims to move closer to European standards[1]. With the National Child Strategy, child poverty is targeted to be halved until 2010. A new means-tested Child Tax Credit is introduced and the level of universal Child Benefit is significantly increased. Although government faces difficulties in the attainment of the mid-term targets, the way it has moved cannot be ignored. This is in line with Esping-Andersen's report prepared for Belgian EU presidency in 2001 for a 'child-centred social investment model' (Lister, 2004). Finally on pensions, Labour continued the trend of increasing means-tested benefits, individual responsibility and

[1] Annesley (2003), for instance, tries to demonstrate the link between the recent policies and the European discourse on 'social exclusion'. She argues that the Europeanisation of British social policies since 1997 is underestimated. According to British Household Panel Survey, in 1997 4.8 million people faced 5 of the 10 problems defined as the definition of social exclusion. In 2005 this is 3.6 million ('Labour claims 1.1m fall in number of socially excluded' *Guardian*, 29 December 2005).

private funding. The ambition to change the 60-40% public-private balance to 40-60% remains at the cornerstone of Labour policy (Walker and Foster, 2006). Brown continually resisted re-establishing the linking between pensions and earnings on the grounds of unaffordable burdens on budget. At the time of writing, under the pressure of TUC –and possibly Blair- Brown has finally agreed to implement the recommendation of Turner Report on Pensions, yet the linking is delayed until 2012.

7.2 GLOBALISATION AND EUROPE

The debate on globalisation revolves around two key questions: the empirical evidence and the extent of globalisation; and its limitations on political action by national governments, therefore on the applicability of social democratic options. On the first question, there is no doubt on the quantitative increase in global transactions in trade/capital mobility, significance of technological innovations and increased production under MNCs. It is less relevant for us whether this constitutes a novelty from a historical point of view –P. Hirst. It *is* a qualitative shift after the period of relatively closed post-war economies.

Table 7.2 International trade and FDI investment

	Value in current prices $			**Annual growth rate %**		
	1982	1990	2004	1986-90	1991-95	1996-2000
World GDP	11.758	22.610	40.671	10	5	1
Exports in goods and services (exports of foreign affiliates)	2.247 (730)	4.261 (1.498)	11.069 (3.690)	13 (22)	9 (7)	4 (5)
Gross fixed capital formation	2.398	4.905	8.869	13	6	2
FDI inflows	59	208	648	23	21	40
FDI outflows	27	239	730	25	16	36
FDI inflow stocks	628	1.769	8.902	17	10	17
FDI outflow stocks	601	1.785	9.732	18	9	17

Source: (UNCTAD, 2005:14)[1]

Once the scale and speed of globalisation is accepted, the more crucial question turns on the unholy Mundell-Fleming trinity. This states that after the collapse of Bretton Woods fixed exchange rate regime and huge booms in Eurodollar, stock, bond and derivatives markets,

[1] Certainly, the table excludes the much bigger portfolio investment and other investment items.

etc; governments are to choose either monetary policy autonomy or controls on capital movements. As controls on capital/trade is nearly unthinkable for today's social democrats (Albo, 1997), they face with losing their monetary policy. The more the economy is open, the greater autonomy its government loses. Surely, as Clift and Tomlinson (2004) points out, the real world economics does not follow the textbooks, governments will always find some room for manoeuvre, then the question is the extent of autonomy a government can enjoy.

In most accounts, the so-called earlier 'hyper-globalist' assumptions are corrected and convergence to neoliberalism or 'race to bottom' –RTB- idea is discarded. This counter-position generally comes from institutionalist readings. Weiss (1997) first suspects on 'globalised' nature of economies and she defends a triad version of regionalisation instead. Even if capital has the threat of exit, governments now face the new and increasing demands for social protection (Weiss, 2003). Therefore globalisation has also an *enabling* face, and does not negate the role of domestic institutions. Hirst (1999) and Mosley (2003, 2005) reject the RTB thesis and both argue that financial integration does not kill social democracy. Hirst envisages 'negotiated reform and dialogue', while Mosley points out partisan supply-side and microeconomic policies. Similarly Boix (1998.16) underlines the employment versus equality trade-off governments facing, but also finds that "all governments have substantial autonomy to affect the production factors or structural conditions of the economy in line with their ultimate partisan preference". The social democratic path for avoiding the harshness of trade-off is through raising the human capital of their workers, according to Boix.

Swank (2002), Garrett (2000) and Garrett and Lange (1991) focus on the effects on fiscal policies. Swank's empirical study which is based on institutional differences does not find a relationship between capital mobility and overall burden of taxation or its distribution between capital and labour[1]. She neither finds a systematic and direct relationship between FDI and social corporatism. The story is repeated for the public expenditure side; Swank even finds that capital market integration does positively affect countries with high levels of corporatism and high levels of consensus politics like Benelux. Overall, social transfers in western world have increased contrary to RTB expectations as well as the generosity of

[1] Schulze and Ursprung (1999) point out that both Swank and Garrett use overall revenue levels. One may also look for tax *rates*. They find that the rates decreased while the tax base enlarged, so that total revenue remained stable.

welfare states –replacement rates (Hay, 2006). Garrett's studies reach the same conclusion that there is no hard evidence that capital mobility hinders progressive fiscal policy. But he relates it with the power and duration of strong left governments. The manifest obstacles are in fact the result of EMU politics. And his most significant conclusion is that there are several ways for attaining optimum economic results. Anglo-Saxon liberal economies and high-skill equilibrium of Nordic social corporatism perform better in open macroeconomics, as capital also needs the public and merit goods a strong social democratic government can deliver (Coates, 2001).

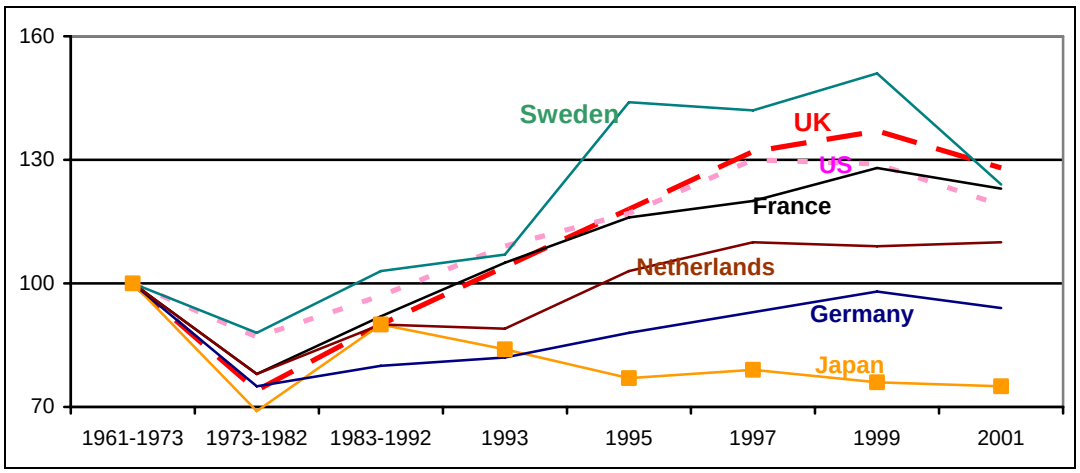

Figure 7.8 Profitability of capital -net returns on net capital stock, 1961-73=100 for each
Source: Eurostat

On the other hand, there are those who doubt the possibility of such a great margin for social democrats under globalisation. Streeck (1999) lists labour market flexibility and human capital formation as the *only* options for any government. For Hugo Radice (1998, 1999) capitalism has always been both global and national; however the global has become more salient now with greater penetration into the national. Globalisation is an empirical reality which totally erodes macro choices, only leaving them micro and supply-side measures. Radice thinks that any 'progressive nationalism' from now onwards is a 'Panglossian' fancy. Any radical position should be searched beyond the nation state. Gray (1996) is more outspoken in his proclamation of the death of social democracy in globalised markets. Unlike Radice, Gray's reasoning derives from a TINA idea and death of class-politics.

Aside from purely national options, some others argue for coordinated action by leftists on regional or global scales to change the rules of the game. David Held is optimistic for replacement of Washington consensus with such a social democratic progressive agenda (Albo, 1997). Eatwell and Taylor (1998) think that as a result of increased liberalisation of financial markets and the resulting volatility, governments face a strong disciplinary pressure of the markets for credibility. Their proposal is to reorganisation of Bretton Woods institutions under a World Financial Authority. This goes beyond Blair's calls for reform on weights in votes and includes some reversal of liberalisation process. On European level, Scharpf sees little prospect in Euro-Keynesianism being advocated since 1980s. In addition, a European-wide corporatist option coupling the central bank seems too far-away.

Despite the existence of contradictory empirical explanations varying due to taking different definitions and areas under consideration, some major conclusions can be derived: The causes for fiscal and monetary constraints on governments are not only due to 'globalisation', in European case they are rather consequences of EMU and also may have more endogenous causes. And as Hay's general position points out, a government believing in the irresistible constraints of globalisation can make it a reality as a self-fulfilling phenomenon through its own policies. Therefore ideological factors also play as a self-restraint role in such cases[1]. Finally, effects depend onto distinct institutional nexus and political balance.

At the end we can assume the safe conclusion that "globalization, 'real' or discursively constructed, does constrain governments; it does not determine their final actions" (Marsh et al, 2003:327). It might not *per se* threaten the whole social democratic goals but makes returning back to the Fordist settlement impossible, too. The issue on the relationship between globalisation and nation state is not on the latter's inevitable withering away. It is on its rescaling for the realisation of capital accumulation, in which production is not oriented towards domestic demand unlike earlier periods. The state's role moves towards promotion of structural competitiveness through flexibility and innovation in open economies. Note the words of Byers in 1999 that "wealth creation is more important than

[1] Colin Hay's general position implies that globalisation or any electoral and governmental constraints on Labour government is ideational, agency-created and nearly fictitious. His explanation comes to the point that Labour leaders could have behaved very differently. The invocation of 'null hypothesis' in social sciences is very problematic but given the structural environment surrounding it and its very Labourist background, this option sounds very unlikely. Labour's ideological imprisonment has a strong structural materiality.

wealth redistribution" and Brown in 2002 that "Labour is more pro-business, pro-wealth creation, pro-competition than ever before" (Ludlam, 2004:80). These are not only repetitions after Crosland but more significantly representations of New Labour's adaptation to the new period.

In all cases in the new period, we observe more extensive use of flexible forms of employment relations (Monastiriotis, 2005:451): real and nominal wage flexibility, labour mobility, employment flexibility and functional/in-job flexibility. Lipietz (2001) argues that the restoration of profit rates involves a certain slow-down in the increase of real wages – wage flexibility. Anglo-Saxon countries chose mainly a radical dismantling of already minimal levels of social protection and labour market rigidities. This resulted with segmentation of society and high levels of poverty as the most acute side-effects. But as a second way, Lipietz classifies a human capital and negotiated involvement type, mainly applied in continental Europe. In this type, productivity gains are sought more in training, R&D and coordinated wage restraint in exchange for continued social protection. However, this type necessitates a close finance-industry relationship and a 'patient capital' (Albo, 1997). The closest case Labour Party flirted with the latter path was the 'stakeholder' idea after Kinnock years. Before coming to power, party dropped the entire reform proposals of Will Hutton, the principal advocator of a radical restructuring of financial and corporate governance and creation of public investment banks in the UK. For the UK, there are problems for such an approach that has to involve a radical institutional reorganisation. It is acknowledged by own advocators of the latter way that institutional models of Germany or Sweden cannot be imported to Britain, yet at least some steps can be taken (cf. Taylor, 2005). On the other hand, Lloyd and Payne (2004) quite rightly question whether among which British industrial section a British government can find an ally on high-skilled model and how it can impose or persuade them for that model[1].

In April 1998, when Brown spoke to the CBI he underlined the productivity gap between Britain and her rivals -US, Germany and France. "It is time to develop a sense of national purpose, to agree a long-term direction for Britain" he declared. Subsequently, government identified five drivers of productivity: investment, innovation, competition, enterprise and skills.

[1] Finally, on a global division of labour, Albo and Coates argue that not entire Western countries can afford to become progressively competitive at the same time against the low-wage developing countries.

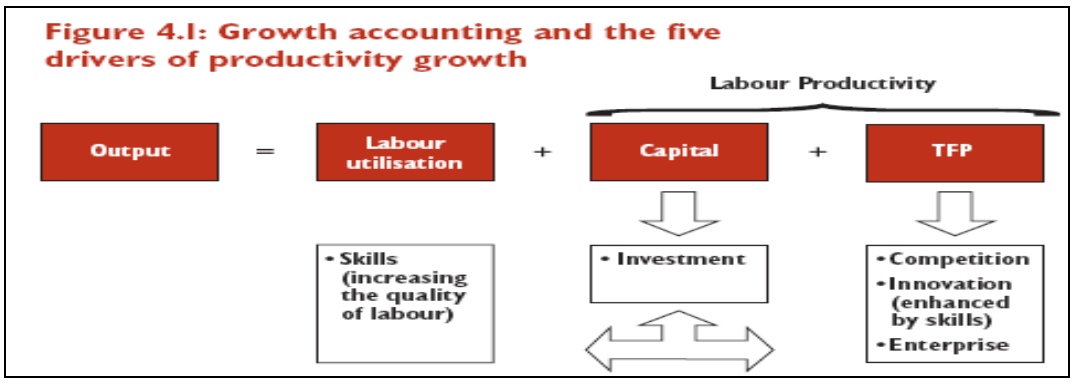

Figure 7.9 Drivers of productivity
Source: HM Treasury (2006:54)

Until 2006 productivity growth increased but the gap persists despite the stable macroeconomic climate. However it is hard to assert that New Labour's capital accumulation regime does radically diverge from the Thatcherite course. The low-skill, low-wage trajectory of classical British model continues in the form of newly-created services sector jobs (Grover and Stewart, 1999; Coats, 2006). Especially, New Labour's aspiration of the route to competitiveness through human capital formation does not always fit easily with its policies of labour market:

> If labour turnover is high and labour shedding is simple, why invest in the skills of your workers when you can poach those skilled by others and when any investment in human capital you do make will only enhance the mobility in the labour market of those in whom you invest? (Coates and Hay, 2001:464)

Albeit some Labour re-regulations, British labour market is one of the most deregulated ones in the industrialised world like its product market regulation. This competitive drive does not go along with an increased private investment envisaged in Brown's model. The malaise of underinvestment in manufacturing and human capital persists. As DTI argues, although Britain has a superior high education and scientific base, this is not transferred to business innovation like in the USA. On the other hand, New Labour record shows that they do not possess a working idea how to trigger domestic private investment. It is told that "business has a responsibility to make profits, using the money invested by shareholders and making it grow. Profitable businesses create sustainable employment and the pursuit of profitability stimulates innovation and productivity" (Labour Party, 2005). But sustainability did not bring bigger investment in comparison to her rivals.

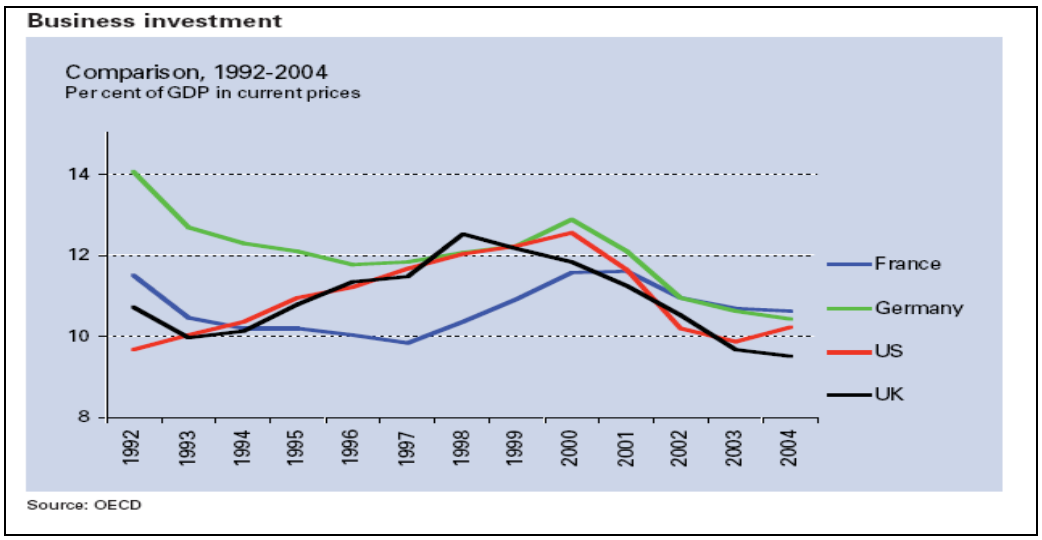

Figure 7.10 Private sector investment
Source: DTI (2006:15)

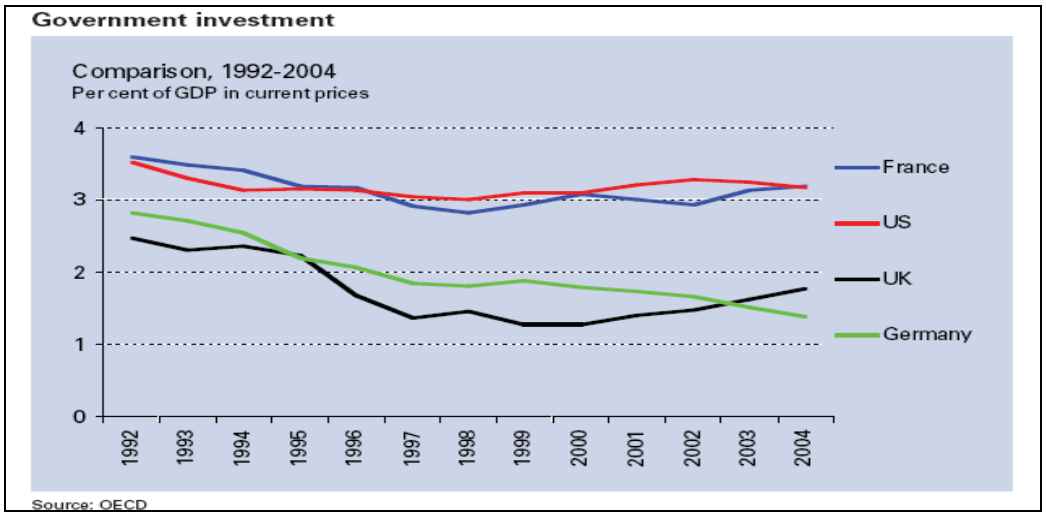

Figure 11 Public sector investment
Source: DTI (2006:18)

At the end, Britain suffers a gap of capital stock available to each of her workers per capita, a gap of skills against her European rivals and a gap of innovation in ICT technologies in comparison with the USA. British performance in the efficiency of capital utilisation or the increase in capital intensity is not impressive when compared with others.

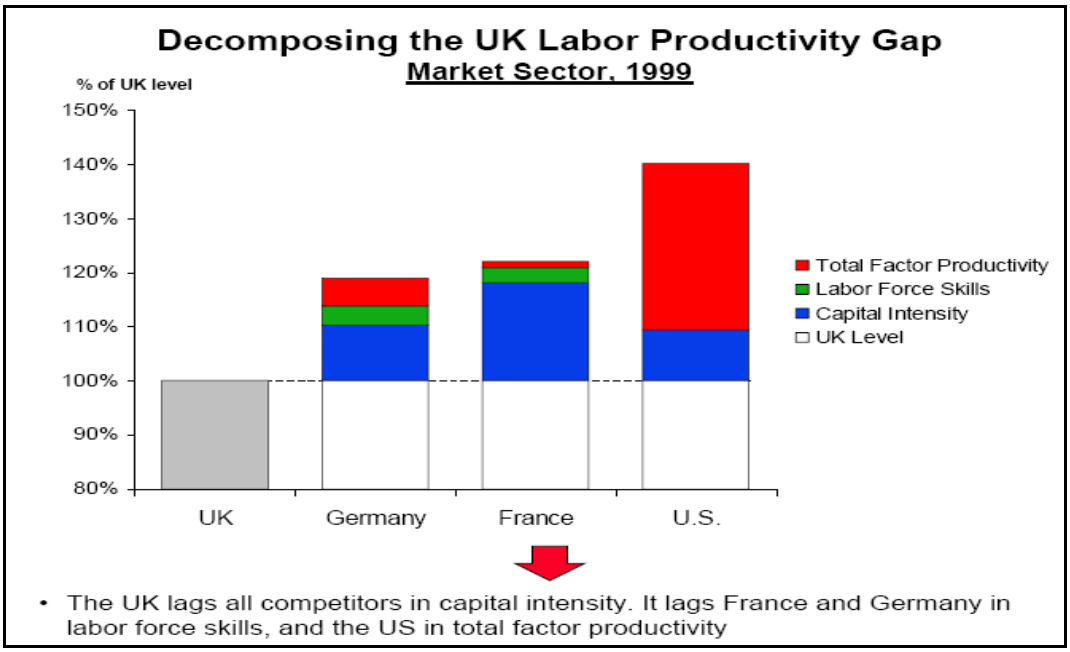

Figure 7.12 Components of the UK labour productivity
Source: Ketels (2004)

The place and importance of the European integration for New Labour in this picture is EU's Single Market. As every Labour Party document specially emphasise, Europe is a major outlet for British economy in terms of wealth and job creation. More than three million jobs are told to be depended on trade within EU and more opportunities have been opened up after enlargement. Yet the real significance of the EU is not only the trade in a new low-tariff global trade pattern. It was *Europe* and party's support to the EU which has made New Labour respectable among capital[1].

As Coates (1989) warns, capital in Britain -with the presence of large companies owned and run by 'foreigners'- has always had huge stakes abroad. UK has already been one of the most densely internationalised domestic economies in the world: "an over-internationalised country in a under-globalised world" Hirst describes.

[1] Peter Oborne 'First shots in a European civil war' *Observer*, 14 April 2002. Oborne continues that "thanks to Europe, Labour became for the first time in its history the natural party of business and, in due course, the natural party of government".

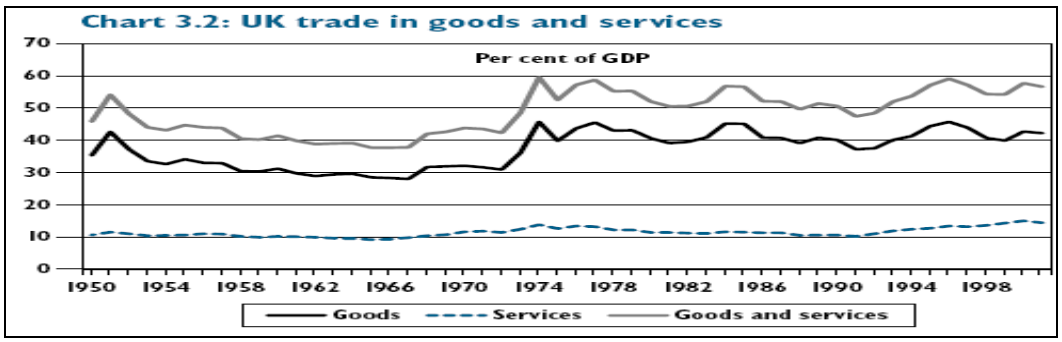

Figure 7.13 UK trade openness
Source: HM Treasury (2003f:21)

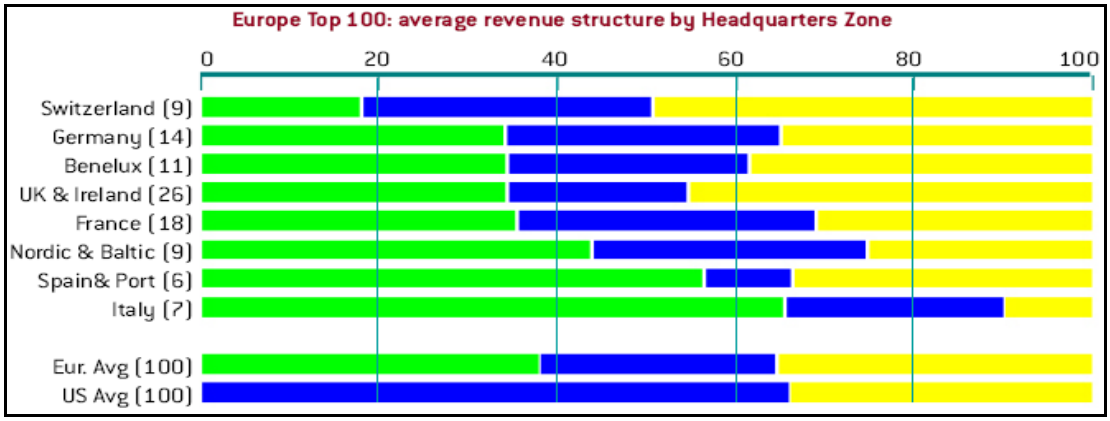

Figure 7.14 Revenue structure of the top 100 European MNCs
Source: Veron (2006)[1]

On the other hand, UK economic growth is now strongly related with its services sector. Under New Labour, the place of manufacturing continued to decline in gross output and employment. UK's export strategy is exclusively built on services sector, especially financial services in which UK enjoys a comparative advantage. UK's is the world's second leading exporter in services sector after the USA and with this item the deficits in goods trade are tried to be balanced. It is also the reason behind Brown's advocacy of market liberalisation in services in the EU. Single Market, for him, is being undermined by the protectionist –"economic patriot"- policies of other member states and this means less trade, less competition and less growth (Brown, 2005). Figure 7.16 shows that for big UK-based business, there is still a greater potential in semi-exposed sectors like utilities, telecommunications and finance.

[1] For European MNCs, green represents headquarter country revenues, blue for the rest of Europe and yellow for the rest of world. For Americans, blue is home market revenue and yellow the rest of world.

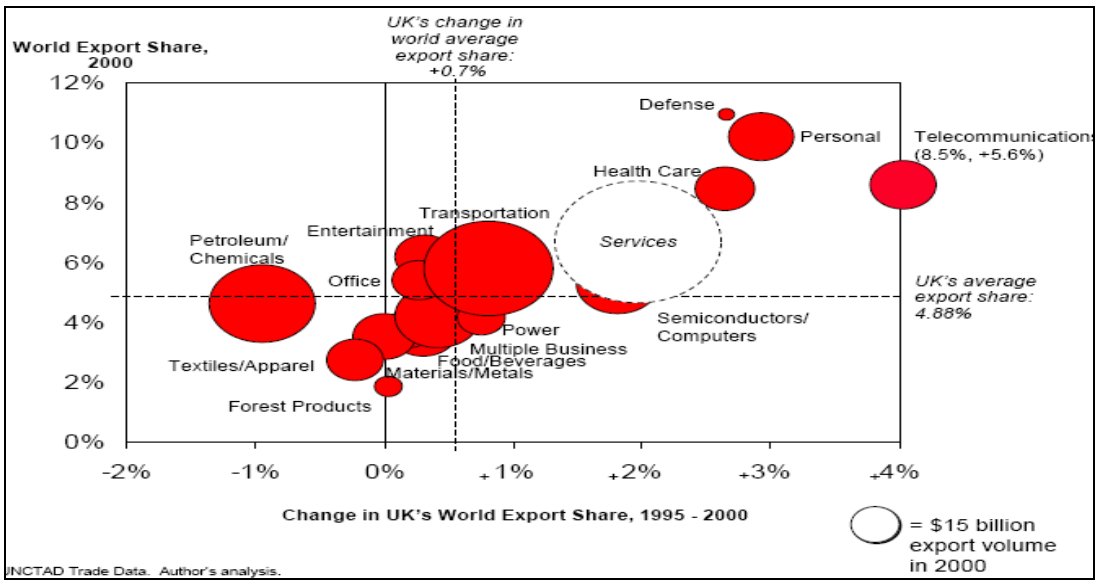

Figure 7.15 UK export performance 1995-2000
Source: Ketels (2004)

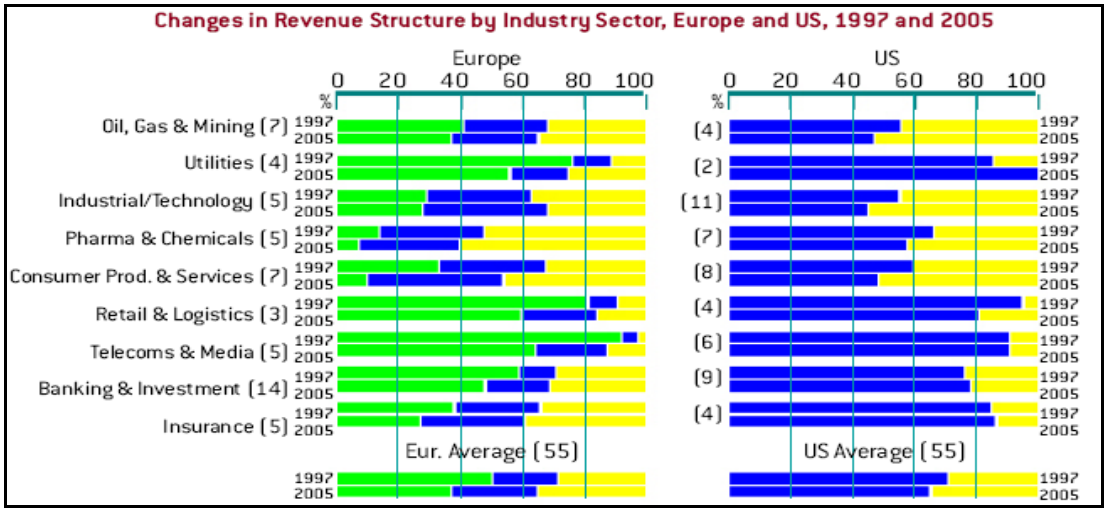

Figure 7.16 Changes in the revenue structure of the top 100 European MNCs
Source: Veron (2006)

Another point in the importance of the EU for Britain is thought to be on the attraction of FDI since Britain's status inside the Union. Blair told in 1994 that "the Japanese, the Americans and the Koreans invest here because we are part of the European Union. If they see us slipping to a second tier, they will put their investment elsewhere" (Piculell, 2002). UK is traditionally a net exporter of FDI. The cumulative amounts are $653b inflow and $1.021b outflow for the period of 1996-2005. In 2005, UK became the biggest magnet for FDI in the world: $165b inflow and $101b outflow (OECD, 2006). Although most of the latest inflows are a result of merger and foreign acquisitions, Britain is the most attractive

place for American and Japanese FDI flows towards Europe. Still, the deficits in current account and outward FDI are financed through attracting inward portfolio investments, making British government especially vulnerable to short-term capital movements. This is why Brown opposed tax harmonisation on savings, as it might negatively affect the City's global role of attraction.

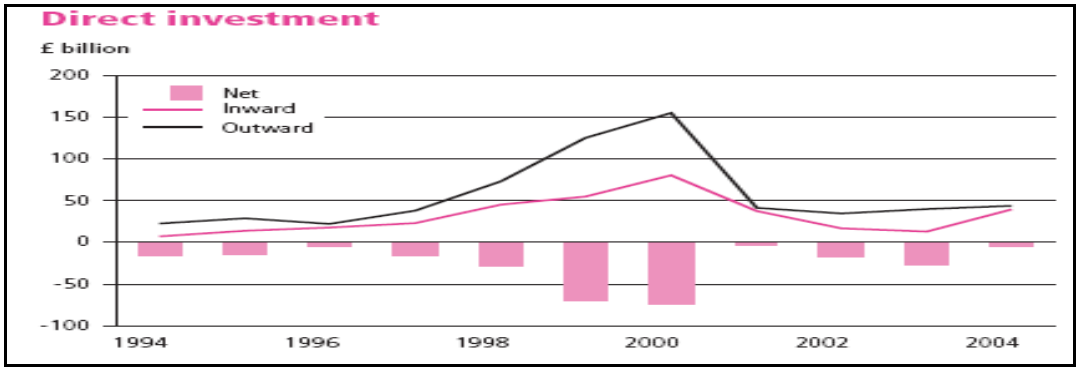

Figure 7.17 UK FDI inflows
Source: ONS Pink Book (2005:80)

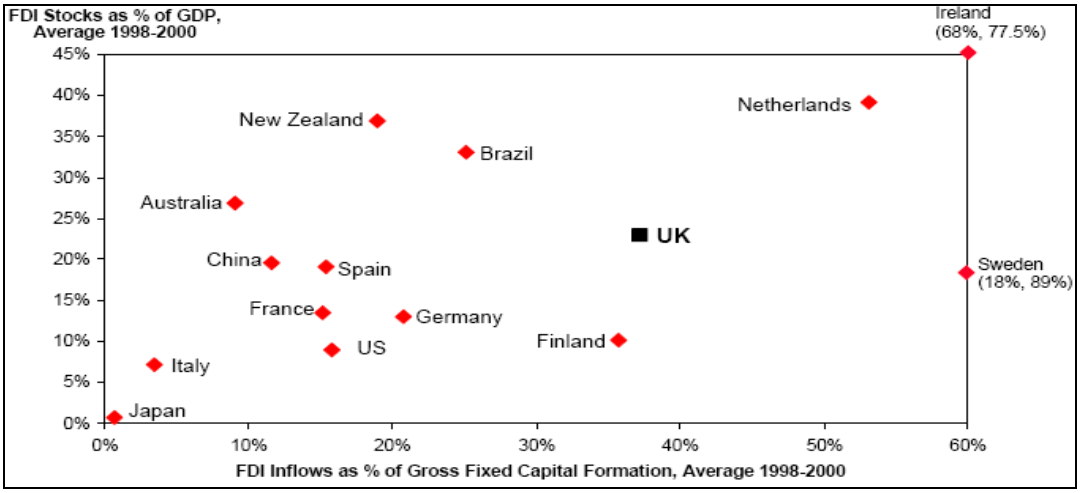

Figure 7.18 Comparative FDI stocks and inflows, 1998-2000
Source: Ketels (2004)

In the 1970s, at the face of growing interdependency, party's strategy was to choose some autarchic instruments for economic autonomy. During the Kinnock period, the effects of globalisation was increasingly tried to be challenged through joint *cooperation* possibilities at the EC level. Now, New Labour has adopted a *competitive* discourse its European policy. Single Market is conceptualised for its competitive virtues. There is no desire to move on a single model on European level beyond a common but extended market. David Miliband (2002), the son of Ralph Miliband and rising star of New Labour, directly refers to Soskice

and Hall on the diverse models of capitalism and argues that there is no need for harmonising into a single model. European integration should demonstrate sufficient flexibility to permit individual member states to organise their social legislation according to their will, the argument goes on. This is an acceptance of the irreversibility of the economic integration on EU level, but also reassertion of nation-state's role in its own territorial mode of regulation. Besides this point, in New Labour Party we find a strong impetus to export its own growth model to European level in order to exploit competitive gains there.

7.4 AN AFTERWORD ON NEW LABOUR

It is argued in the Chapter 3 that social democracy historically had set different goals ahead of itself. And in British case, from its beginning, the one ambiguity of Labour was the lack of a generally agreed definition over what it was *for* or *against*. Therefore the goals have always been open for redefinition. I argue that both pros and antis of Third Way make caricatures of first and second way by presenting former ideologies and policy patterns in too dichotomous ways. New Labour ideologists also contribute to the confusion by their wish to exaggerate the differences from the past for the outsiders, and try to make the insiders of Labour believe that they are the continuation of party traditions. And the consequence is the too-frequent use of spins to cover the inconsistencies of bringing together so diverse traditions of thought and aspirations.

Social democracy had long ago made its truce with capitalism. The antis exaggerate its radicalism in the post-war era and label any deviating policy under the term of neoliberalism. But under all conditions, "capitalists do not seek neoliberalism. They seek accumulation" (Bichler and Nitzan, 2004:43). On the activist state promoting and correcting the markets more assertively as Third Way advocates, Panitch (1998) finds similar concerns in World Bank reports and comes to the conclusion that "one might even call this the social democratization of globalization". Referring to the same documents, Cammack (2004:163) this time tells us that Third Way misunderstands neoliberalism as *laissez-faire* "and overlooks the neoliberal call for a strong state selectively engaged in a new set of active policies aiming to create a framework within which markets can flourish". The debate turns out to be an argument on *nomen*. For us, Regulation Approach offers a solution by broadening up the abstraction level to the mode of regulation. A social

democratic party can accept the parameters of an accumulation regime, but it can put its own mark within these parameters. Post-Fordism does not necessary equal to neoliberalism. "Labour's new programme accepts the basic parameters of the Thatcher settlement, in much the same way that the Conservative governments of the 1950s accepted the parameters of the Attlee settlement" (Anderson, 1992:346).

Our intent is not to justify New Labour, but we also reject the reductionism in viewing it a simple smokescreen neoliberalism, Thatcherism Mark II, betrayal, etc. New Labour accepts the Thatcherite ground that there is no turning back to Old Labour Party practices and its new policies reflect the "politics of post-Thatcherism" (Driver and Martell, 1998:184). Similarly Hay (2004) concludes that New Labour's political economy cannot simply be reducible to neoliberalism, but it is circumscribed by the belief in the inviolability of neoliberalism.

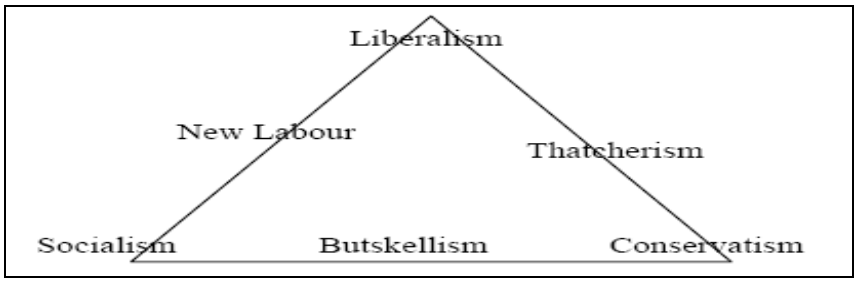

Figure 7.19 Ideological positioning of New Labour
Source: Dearlove and Saunders (2004:426)

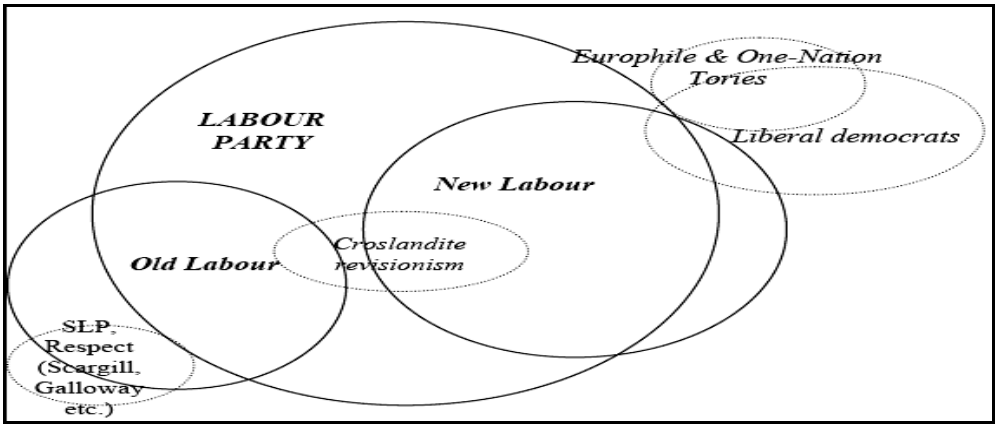

Figure 7.20 Grand Labour coalition
Source: adopted from Toye (2004:96)

At the expense of participating to the caricature of Third Way proponents, I will argue that it remains true to its social democratic roots. It represents a new phase of the combination

of social liberalism and ethical socialism (Freeden, 1999; Ryan, 1999:80; Wright, 2001; Callinicos, 2001:46, White and Giaimo, 2001:213; Favretto, 2004). As the critical biographer of Blair, John Renthoul (1999) sums up that Blair's positions have a clear affinity in party's history of liberal and revisionist roots. In that sense, Blairism is not an alien concept landing on a *terra incognita*. Labour Party has been a grand heterogeneous coalition and social reformists have been the dominant faction in most of the party history. Therefore what is needed is an analysis that historicises New Labour. Such an analysis can be found in Fielding (2003), Rubinstein (1997, 2000), and Meredith (2006) among others. In that way, clear continuities can more easily be detected. For instance, O'Hara and Parr (2006) contrast New Labour's European policy with of Wilson's and find the similarities on intergovernmentalism, pragmatism and assumption of global responsibilities. What is new in New Labour is that the forces of the Old Labour are so weak" (Coates, 1996:68) and their pro-market sentiments so "unembarrassed" (Toye, 2004:93)!

CHAPTER 8

CONCLUSION

> The Foreign Office is pro-Europe, because it is very anti-Europe. The civil service was united in its desire to make sure that the Common Market didn't work. That is why we went into it ... Minister, Britain has had the same foreign policy objective for at least the last 500 years: to create a disunited Europe
> (Sir Humphrey, 'Yes Minister' episode 1.5)

The first and foremost task of this study has been identifying of the causes of the shift in Labour Party's European policy after 1983, locating the dynamic factors in its evolution until 2006 and relating them altogether within the general transformation of regimes of accumulation. As argued in the introductory part, in order to come to that point, a broad analysis of European social democratic and socialist party positions and a general historical dimension of Labour's own policy evolution since 1945 have been undertaken. These have been intended to serve as longitudinal and quasi-comparative auxiliary tools for the task set ahead.

In Chapter 2 and 3, we have looked for common explanations on European social democratic party policies. Without a detailed study on the vast diversity of the continent, the derived conclusions remain quite minimal in comparison to our initial expectations. The most significant conclusion has been the strong and enduring embeddedness of social democratic parties to their individual country contexts. It is also argued that these parties have developed a symbiosis with their nation-states, economically through the mechanisms of Keynesian welfarism and politically through their liberal parliamentary and executive norms. In this framework, politics of class and nation is intertwined to each other in the name of 'national interest'. This has been captured in the works of Simon Hix and Gary Marks as the intersection between the Left-Right and sovereignty-interdependence dimensions of party politics on European integration. Nevertheless, a general pattern on how class and nation interacts in party policies could not be established aside from the following abstract conclusion: If the mechanisms of the aforementioned symbiosis with the nation-state become ineffective or weakened in the face of some external/internal and

economic/political factors, social democrats *might* lend their support in favour of regional integration models –similar to a neofunctionalist reading. But this depends on the ideological perceptions which are themselves dependent variables of the institutional structure surrounding the parties.

Although our study could not manage to establish a direct causation pattern within diverse proportional representation systems in Europe, it estimates a high correlation with polarisation levels inside party systems; it is identified that the one obvious factor for British peculiarity appears to be the FPTP electoral system and its consequences for the parties. FPTP system forces parties towards a centripetal policy advocacy to capture median voter; and therefore avoidance of radical pledges that can damage their credibility and electability for government. It is claimed that this 'objective' characteristics have been aggravated by the ideological dispositions of *Labourism*. The overall account's weakest point is the radicalisation period of Labour Party from mid-1970s till 1983. Two interrelated explanations are provided on this outcome: the first is the intra-party politics and the second is the alternative projections constructed for getting out of the crisis of the 1970s.

It is argued that intra-party features affect the policy preferences of a party. Party leadership tend to prefer more centrist and more pro-European policies and their manoeuvre area increases together with the centralisation of policy-making procedures in their hands. In this respect, Labour Party presents us a good laboratory to observe the effects of intra-party politics. First, the FPTP simultaneously institutionalises a more disproportionate 'voice' for Eurosceptic opinions within parties. Secondly, organisational characteristics of Labour Party result with a *de facto* centralised authority of party leadership over policies at incumbency times and greater exhibition of grassroots influence in oppositional periods. But in both periods, the relationship follows a contentious path. The speciality of the 1970s is explained in Chapter 4 in terms of the crisis of Fordist accumulation regime and the divergent responses of partisan preferences enabled during the context of that socio-economic crisis.

As Chapter 5 reveals; in the period after 1983, due to the organisational goal of maintenance of party unity, the European dimension was first suppressed as an issue for inner party debates. This was enabled and reinforced by the gradual re-centralisation of

authority around the party leadership. Party leadership's priority has been the gaining of the electoral ground lost by the unpopular policy pledges. As a direct result of FPTP and party's increased self-perception on the vulnerability to public opinion shifts necessitated major policy reversals in economics and foreign affairs. Therefore, although the European dimension has not been directly a salient electoral issue, it has played a central role in the transformation of party policies. This has been coupled with an acknowledgement of global interdependencies and the invalidity of go-it-alone options. Then we have identified a European-wide high-road to flexibility approach through Delors' social dimension which affected trade union perceptions on European integration. By the early 1990s, Europe acquired a status of progressive agenda for Labour Party still in opposition. All these have been explained as the acceptance that there was no return to the former Fordist era, even if it had been flawed. Our study's one auxiliary conclusion has been the significant contribution MEPs supplied in the alteration of perceptions, yet the real impetus has also been present within the domestic party dynamics.

With Blair's leadership, Labour Party's European policy has taken the characteristics of a more patriotic and pragmatic route with a reasserted self-confidence over the superiority of the Anglo-Saxon model. A discourse of 'leading Europe' in order to change the *raison d'etre* and means of European integration in accordance with 'British national interests' marks New Labour's recent approach. To achieve it, it has been argued that Britain has to engage in a pro-active way. The ideological contours of Third Way supply the general rationale for this new assertiveness, which has successfully put its imprint on the Lisbon Agenda through its flexibility and governance ideas. Most of the European-wide social democratic, solidaristic policy advocacies have been dropped for a more competitive, intergovernmental vision. With the relatively booming economic records continued since Major years, Blair government's European agenda has been dominated with the efforts to open competition in the European-wide services sectors in which Britain has a relative advantage. The significance of European integration is derived from its value for attracting FDI and its crucial market size. In addition, European dimension provides certain respectability for the party in terms of domestic economic management. At the end, Labour Party has constructed a discourse combining both pro-European and nationalist elements at the same time.

The thesis concludes that the European integration dimension is highly linked with the problem of how to reverse the national decline and situate Britain within global capitalism. It is argued that Labour Party has generally followed the national interest discourse set, defined and dominated by the City-Treasury nexus of capital and Westminster bureaucratic alliance. In that sense, we can observe a clear subservience on behalf of Labour Party in the definition of national interests. The only case in which such subservience became problematic has been the radicalism period of 1970s. As the party lost its ideological and consequently electoral battle against Thatcherite hegemony; it chose to reverse its direction into the ground defined by the latter. But here, our explanation tends to focus more on structural and institutional factors. European policy is explained under the terms of the weights of past strategic choices and party's unwillingness or inability to change the course. In that sense, our conclusion is very similar to the explanations provided by David Coates (2001:302) who sums up that "surrender has been a central feature of Labour Party politics" and since the late 1970s the conditions for such surrender has increased under the global political economy. We also argue that the idea that New Labour is a new party, totally distinct from historical traditions of Labour is exactly false. We are aware that our Labourism argument has a weakness identified by Toye (2004:88): "continuity is identified as continuity, and change is also identified as continuity, because change has been a part of Labour's past".

Amid the dangers of falling in a functionalist trap, the structural dependency to capital argument offers a plausible explanation for Labour Party's European policy, in line with its general policy preferences. It can be safely concluded that Coates' and Sassoon's similar accounts come very closer to the political reality that is observed. Our attempt to provide an explanation inside the Regulation Approach is thought to be compatible with these narratives. Labour's policy is not totally guided by a neoliberal agenda; instead it is constructed under the parameters of the Post-Fordist era. Domestically, its differences from neoliberalism have been pointed out. On the regional and global levels, it follows the competitiveness imperatives of the new period. Until the mid-1990s, this competitiveness was sought on the partisan high-road to flexibility and then it has given way to the preachment of the virtues of Anglo-Saxon model.

In other words, the New Jerusalem could only be nationally constructed from 1940s up to 1970s. Given the fact that this New Jerusalem did not go further enough in Britain by

traditional means, Labour turned its face to the more successful European experiment, like her counterparts in other countries. But by this time with any distinctive social democratic utopia defunct, there appears to be no heaven to be built in this world, either on domestic or regional level. There is no more New Jerusalems, but alternatives within the confines of the new period of capitalism as advocated by the like-minded of R. Blackburn, J. Habermas, and D. Sassoon in the forms of a more interventionist and solidaristic policies at European level, changing the rules of Euro and democratisation of EU institutions possibly in more federalist ways. However, the probability of such an option for Labour Party seems especially weak under its current ideological programme. Yet, the prospects for future might change when issues like a possible electoral reform, state-funding for political parties, or an alliance with Liberal Democrats are considered.

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Trade Union Congress http://www.tuc.org.uk/

Fabian Society http://www.fabian-society.org.uk

Socialist Campaign Group http://www.poptel.org.uk/scgn/

Progress http://www.progressives.org.uk/

Compass http://www.compassonline.org.uk/

Catalyst http://www.catalystforum.org.uk/

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Tribune http://www.tribweb.co.uk/

Chartist http://www.chartist.org.uk/

Renewal http://www.renewal.org.uk/

Centre for European Reform http://www.cer.org.uk/

Foreign Policy Network http://fpc.org.uk/

Federal Trust http://www.fedtrust.co.uk/

Institute for Public Policy Research http://www.ippr.org.uk/

Demos http://www.demos.co.uk/

New Politics Network http://www.new-politics.com/

Social Market Foundation http://www.smf.co.uk/

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Charter 88 http://www.charter88.org.uk/

Party of European Socialists http://www.pes.org/

EP Socialist Group http://www.socialistgroup.org/

Socialist International http://www.socialistinternational.org/

Policy Network http://www.policy-network.net/

APPENDIX A

Post-WWII Chronology of Britain -Labour Party- and EC/EU relations

26 Jul 1945 _____ First post-war Labour government elected

1 May 1946_____ Bank of England Act by Labour government

May 1947 _____ Publication of *Keep Left*

17 Mar 1948 _____ Brussels Treaty

16 Apr 1948 _____ OEEC is established

7-10 May 1948 _____ Congress of Europe in The Hague

4 Apr 1949 _____ North Atlantic Treaty is signed

5 May 1949_____ Council of Europe is established

18 Sep 1949 _____ Devaluation by Labour government (30.5% against dollar)

9 May 1950_____ Schuman declaration

2 Jun 1950_____ Labour Cabinet rejects Schuman Plan

23 Jul 1952 _____ Treaty of Paris enters into force

30 Aug 1954 _____ French Assembly rejects the EDC

23 Oct 1954_____ WEU is established

Nov 1956_____ Anglo-French occupation and then retreat in Suez

25 Mar 1957 _____ Treaties of Rome signed among the Six

1 Jan 1958_____ Treaties of Rome enter into force

4 Jan 1960_____ EFTA Convention is signed

9 Aug 1961 _____ Formal application to the EC (1st application)

2-6 Oct 1961 _____ Labour conference adopts five conditions

8 Nov 1961 _____ Formal accession negotiations start

3 Oct 1962_____ Gaitskell speech on the 'end of a thousand years of history'

14 Jan 1963_____ De Gaulle's first veto on British application

2 May 1967_____ Wilson announcement of intention to apply for membership

10 May 1967_____ Wilson formally applies to the EC (2nd application)

18 Nov 1967 _____ Devaluation by Labour government (14.3% against dollar)

27 Nov 1967 _____ De Gaulle's second veto on British application

1-2 Dec 1969_____ Hague Summit

30 Jun 1970_____ Formal accession negotiations restart

17 July 1971 _____ Labour Party special conference on EC

15 Aug 1971 _____ Collapse of Bretton Woods system

28 Oct 1971_____ House of Commons approves accession to the EC

22 Jan 1972_____ Treaty of Accession (UK and others) is signed in Brussels

4 Oct 1972_____ Labour decides not to participate in the EP

18 Oct 1972_____ Britain ratifies accession treaty

1 Jan 1973_____ Britain enters the EC

1 Apr 1974 _____ Labour government opens renegotiations

27-30 Nov 1974 ____ Helmut Schmidt speaks at Labour conference

23 Jan 1975_____ Wilson's announcement of referendum on renegotiated terms

18 Mar 1975 _____ Labour Cabinet approves renegotiated terms (by 16 to 7)

18 Mar 1975 _____ European Regional Development Fund is established

9 Apr 1975 _____ House of Commons approves renegotiated terms

5 Jun 1975_____ British referendum on continued membership in the EC

Sep 1976 _____ Sterling crisis –IMF loan

3 Jan 1977_____ Jenkins quits Commons for European Commission Presidency

6-7 Jun 1978 _____ Agreement on the establishment of EMS

13 Mar 1979 _____ EMS became operational

7-10 Jun 1979 _____ 1st EP elections

1 Oct 1980_____ Labour conference decision to withdraw from the EC

26 Mar 1981 _____ Launch of SDP

1 Oct 1981_____ Labour conference decision to withdraw without a referendum

9 Jun 1983_____ Disastrous general election for Labour

1 Oct 1983_____ Neil Kinnock elected as the party leader

14-17 Jun 1984 _____ 2nd EP elections

25-26 Jun 1984 _____ Fontainebleau agreements on British budgetary contributions

1 Jul 1987 _____ SEA enters into force

8 Sep 1988 _____ Delors' speech at TUC annual conference

20 Sep 1988 _____ Thatcher delivers Bruges speech

15-16 Jun 1989 _____ 3rd EP elections

11 Nov 1989 _____ The fall of Berlin Wall

9 Dec 1989 _____ Signing of the 'Social Charter" except Britain

18 Oct 1990_____ Britain joins ERM

7 Feb 1992 _____ Maastricht Treaty is signed

9 Apr 1992 _____ Labour's fourth successive defeat in general elections

16 Sep 1992 _____ 'Black Wednesday', exit from ERM

2 Aug 1993 _____ Britain ratifies the Maastricht Treaty

12 Jun 1994_____ 4th EP elections

21 Jul 1994 _____ Tony Blair elected as party leader

29 Apr 1995 _____ Clause IV is changed

Mar 1996_____ BSE crisis breaks

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1 May 1997_____ British general elections with Labour's landslide

6 May 1997_____ Bank of England given operational independence

Jun 1997 _____ Blair signs the Social Protocol endorsing Social Chapter

15-16 Jun 1997 _____ Agreement on Treaty of Amsterdam

2 Oct 1997_____ Treaty of Amsterdam is signed

27 Oct 1997_____ Brown announces the 'five economic tests' for joining Euro

20-21 Nov 1997 ____ Jobs Summit, Luxembourg and the adoption of EES

14 Jun 1998_____ Britain ratifies Treaty of Amsterdam

Jan-June 1998 _____ British Presidency of the EU

4 Dec 1998 _____ Anglo-French St. Malo declaration on European defense

15 Jan 1999_____ European Elections Act introduced proportional representation

Feb 1999 _____ Government announces 'National Changeover Plan' for Euro

Mar-Jun 1999 _____ Kosovo War

10 Jun 1999_____ 5th EP elections

23-24 Mar 2000 ____ Lisbon summit agrees on Lisbon Strategy for 2010

26 Feb 2001 _____ Treaty of Nice is signed

7 Jun 2001_____ New Labour's second election victory

1 Jan 2002_____ Euro notes and coins enter into circulation

25 Jul 2002 _____ Britain ratifies Treaty of Nice

Mar 2003- _____ Iraqi War

9 Jun 2003_____ Brown announces the review of five economic tests

14 Sep 2003 _____ Sweden rejects Euro at referendum

Sep 2003 _____ European Convention prepares the draft Constitutional Treaty

20 Apr 2004 _____ Blair announces to hold referendum on EU Constitution

10-13 Jun 2004 _____ 6th EP elections

18 Jun 2004_____ Treaty establishing a Constitution for Europe is adopted

29 Oct 2004_____ Treaty establishing a Constitution for Europe is signed

29 May-1 Jun 2005 __ France and the Netherlands referenda reject the Constitution

5 May 2005_____ New Labour's third election victory

Jul 2005 – Jan 2006__ British Presidency of the EU

APPENDIX B

List of some selected significant Labour Party personalities

Alexander, Douglas (1967-): Labour MP, Minister of Europe in Blair cabinet as in 2005-6

Attlee, Clement (1883-1967): Labour PM 1945-51 of the post-war Labour government

Benn, Tony (1925-): Labour MP and Minister of Technology, Secretary for Industry, and Secretary for Energy in Wilson and Callaghan cabinets; informal leader of hard left faction in the 1980s

Bevan, Aneurin (1897-1960): Labour MP, Minister of Health and Minister of Labour in Attlee cabinets, founder of the NHS, leader of the left fraction in the 1950s

Bevin, Ernest (1881-1951): Labour MP, the strongest trade unionist in the world in his time, Foreign Secretary of Attlee cabinet

Blair, Tony (1953-): Labour MP since 1983, several shadow cabinet membership, leader of the Labour Party since 1994, PM since 1997

Brown, George (1914-85): Labour MP, State Minister of the Department of Economic Affairs and Foreign Secretary in Wilson cabinet, deputy leader 1960-70, a leading pro-European figure

Brown, Gordon (1951-): Labour MP since 1983, several shadow cabinet membership, Chancellor since 1997, the number two in the party after Blair

Callaghan, James (1912-2005): Labour PM, Chancellor of Exchequer, Home Secretary and Foreign Secretary in Wilson cabinets, carried out the renegotiations, PM 1976-79

Castle, Barbara (1910-2002): Labour MP, Minister for International Development, Minister of Transport, Secretary of State for Employment, Secretary of State for Social Services in Wilson cabinets; a leading anti-Marketeer; MEP 1979-89, served as vice-president of Socialist Group

Coates, Ken (1930-): Labour MEP 1989-98, hard-left, pro-European; expelled from Labour Party in 1998

Cook, Robin (1946-2005): Labour MP, hard left member in the late 1970s, 1983-85 shadow European affairs spokesman, Foreign Secretary 1997-2001, leader of the House of Commons 2001-3, drafter of the PES election manifesto 1999, president of the PES 2001-4

Corbett, Richard (1955-) a leading pro-European Labour MEP since 1996

Crosland, Anthony (1918-77): Labour MP, served as several ministries in Wilson and Callaghan cabinets, the leading theoretician of British social democracy and revisionism

Crossman, Richard (1907-74): Labour MP, co-author of *Keep Left* pamphlet in 1947, served in Wilson cabinets, an influential intellectual of the party

Foot, Michael (1913-): Labour MP, Labour leader 1980-1983, a leftist and anti-EC leader

Ford, Glyn (1950-): Labour MEP since 1984, served as the leader of Labour group of MEPs, pro-European

Gaitskell, Hugh (1906-63): Labour MP, served in Attlee cabinet, party leader 1955-63, the leading right-winger in the 1960 and also anti-EC figure, well-known for his 'end of a thousand years of history' speech

Giddens, Anthony (1938-) Sociologist, not a Labour member but given life peerage in 2004 by Labour, director of LSE 1997-2003, the greatest theorist behind the Third Way

Gould, Bryan (1939-): Labour MP, member of shadow cabinet of Kinnock, as a hard-nosed Eurosceptic lost the leadership election in 1992

Green, Pauline (1948-): Labour MEP 1989-1999, served as the leader of Labour group of MEPs, served as the leader of Socialist Group in the EP

Hain, Peter (1950-): Labour MP since 1991, served as Minister for Africa, Wales, North Ireland and Europe in Blair cabinets, represented the UK at the Convention for Constitution

Hattersley, Roy (1932-): Labour MP, pro-European right-winger, involved in renegotiations, cabinet minister in Callaghan cabinet, deputy leader under Kinnock 1984-1992

Healey, Denis (1917-): Labour MP, Minister of Defence, Chancellor in Wilson and Callaghan cabinets, deputy leader under Foot, shadow foreign secretary 1987-1992

Heffer, Eric (1922-91): Labour MP, converted from a pro-EC position to an anti-EC position in 1970, a leading left-wing anti-Marketeer

Holland, Stuart (1946-): Labour MP and economist, European adviser to Wilson, prepared reports for Delors advocating Euro-Keynesianism in the early 1980s, worked with Delors and Guterres

Hoon, Geoff (1953-): Labour MP, MEP 1984-94, served in Blair cabinets and a strong Blairite, current European Minister as of July 2006

Jay, Douglas (1907-96): Labour MP, Minister of BoT in Wilson cabinets, a right-wing anti-Marketeer

Jenkins, Roy (1920-2003): Labour MP, the most prominent Europeanist Labour figure, served as Home Secretary and Chancellor in Wilson cabinet, deputy leader of the party 1970-72, resigned because of the conflict over European policy, the president of EC Commission 1976-81, one of the gang-of-four who created SDP

Kinnock, Neil (1942-): Labour MP, party leader 1984-1992, European Commissioner 1995-2004; his wife, Glenys Kinnock, has been a Labour MEP since 1994

Livingstone, Ken (1945-): former Labour MP, leader of Greater London Council 1981-86, nicknamed as 'Red Ken', re-elected as the newly-instituted London Mayor as independent, later turned back to Labour, former anti-Marketeer, now pro-European

Mackay, R..W.G. (1902-60): Labour MP, a leading European federalist in the 1940s

MacShane, Dennis (1948-): Labour MP, Minister of Europe 2002-5, party's one of the leading pro-Europeanists

Mandelson, Peter (1953-): Labour MP, one of the key architects of New Labour, served in Blair cabinet, EU Commissioner responsible for trade since 2004

Marquand, David (1934-): Labour MP and political scientist, belonged to the rightwing associated with Jenkins and Crosland, adviser to Jenkins in the EC, later defected to SDP, remains a leading political scientist in the UK

Martin, David (1954-): Labour MEP since 1984, vice-president of the EP 1994-2004, pro-European

Mitchell, Austin (1934-): Labour MP, right-winger, current chairman of Labour Euro Safeguards Campaign

Owen, David (1938-): Labour MP, Foreign Secretary in Callaghan cabinet, among the gang-of-four, leader of SDP 1983-87

Prescott, John (1938-): Labour MP, deputy party leader since 1994, deputy PM since 1997; he had once served as the leader of Labour group and Vice Chairman of Socialist group in the EP in 1976 under dual mandate

Robertson, George (1946-): Labour MP, shadow Foreign Affairs and European Affairs spokesman under Kinnock, Defence Secretary 1997-99, NATO Secretary General 1999-2004

Shore, Peter (1924-2001): Labour MP, Secretary of State for Economic Affairs and Secretary of State for Environment in Wilson and Callaghan cabinets, a leading anti-Marketeer

Smith, John (1938-94): Labour MP, Secretary of State for Trade in Callaghan cabinet, party leader 1992-94

Skinner, Dennis (1932-): Labour MP, one of the fierce anti-Marketeers still left in the party

Straw, Jack (1946-): Labour MP, Home Secretary and current Foreign Secretary in Blair cabinet

Thomson, George (1921-) Labour MP, served as Minister of State in FO in Wilson cabinets, chief negotiator of Wilson's application, EC Commissioner 1973-77, later defected the party for SDP

Williams, Shirley (1930-): Labour MP, served in Wilson and Callaghan cabinets, led the pro-EC campaign in the referendum, one of gang-of-four and founders of SDP

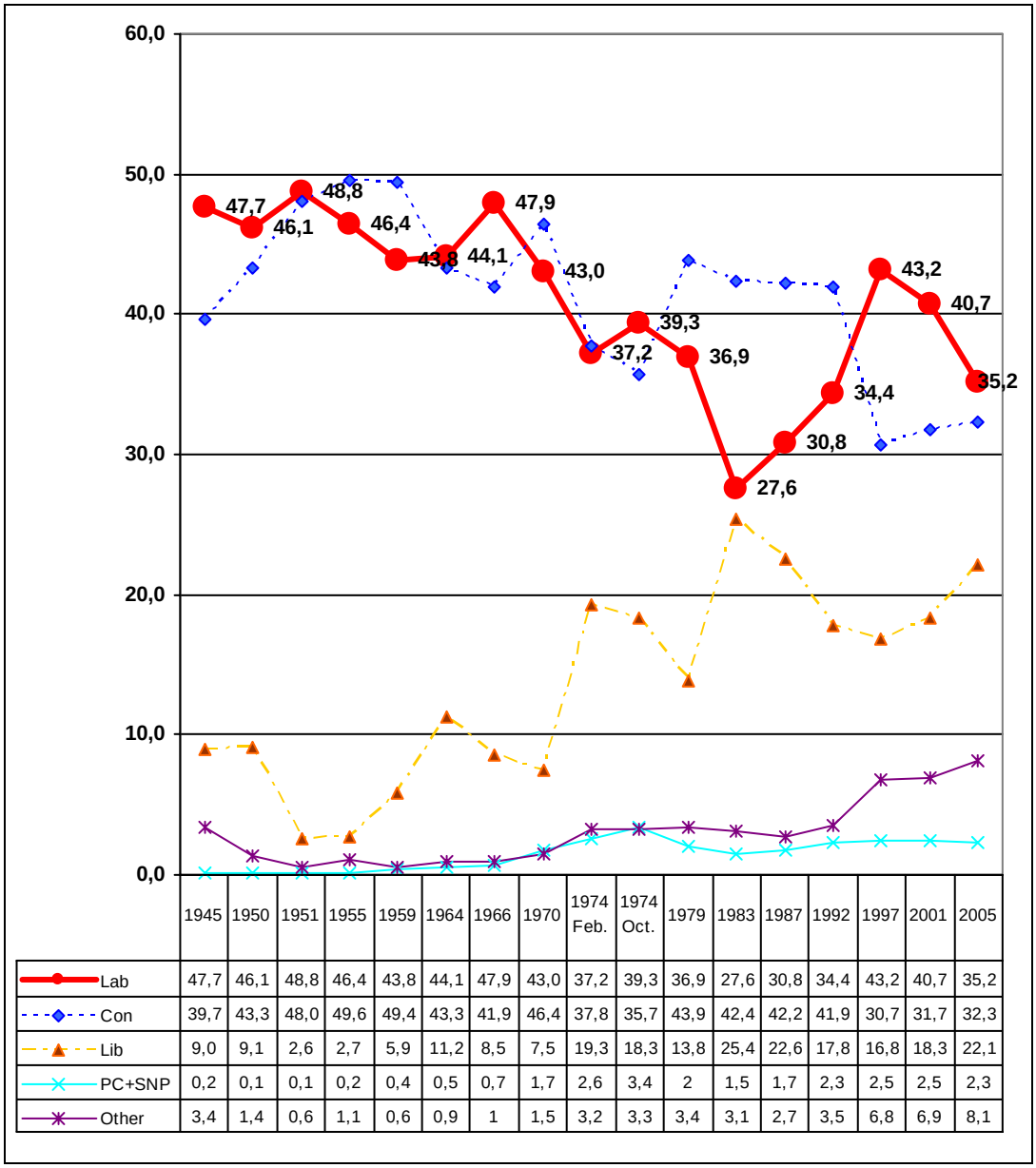
Wilson, Harold (1916-95): Labour PM 1964-70 and 1974-76

POST-WAR PARTY LEADERS

Leader	Deputy Leader
Clement Attlee, 1935-55	Herbert Morrison, 1945-55
Hugh Gaitskell, 1955-63	James Griffiths, 1955-59
	Aneurin Bevan, 1959-60
Harold Wilson, 1963-76	George Brown, 1960-70
	Roy Jenkins, 1970-72
	Edward Short, 1972-76
James Callaghan, 1976-80	Michael Foot, 1976-80
Michael Foot, 1980-83	Denis Healey, 1980-83
Neil Kinnock, 1983-92	Roy Hattersley, 1983-92
John Smith, 1992-94	Margaret Beckett, 1992-94
Tony Blair, 1994-	John Prescott, 1994-

APPENDIX C

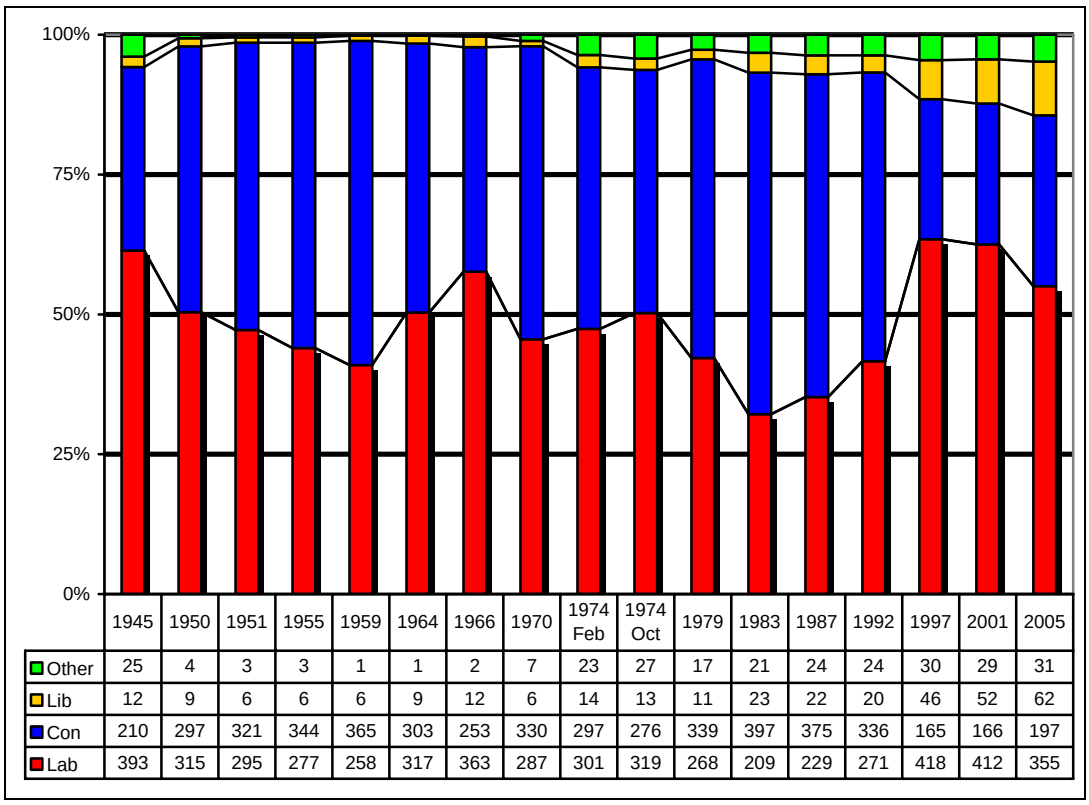
British Elections



	1945	1950	1951	1955	1959	1964	1966	1970	1974 Feb.	1974 Oct.	1979	1983	1987	1992	1997	2001	2005
Lab	47,7	46,1	48,8	46,4	43,8	44,1	47,9	43,0	37,2	39,3	36,9	27,6	30,8	34,4	43,2	40,7	35,2
Con	39,7	43,3	48,0	49,6	49,4	43,3	41,9	46,4	37,8	35,7	43,9	42,4	42,2	41,9	30,7	31,7	32,3
Lib	9,0	9,1	2,6	2,7	5,9	11,2	8,5	7,5	19,3	18,3	13,8	25,4	22,6	17,8	16,8	18,3	22,1
PC+SNP	0,2	0,1	0,1	0,2	0,4	0,5	0,7	1,7	2,6	3,4	2	1,5	1,7	2,3	2,5	2,5	2,3
Other	3,4	1,4	0,6	1,1	0,6	0,9	1	1,5	3,2	3,3	3,4	3,1	2,7	3,5	6,8	6,9	8,1

Figure C-1 British general elections[1]

[1] Lib denotes Liberal Party until 1979, Liberal/SDP Alliance between 1983 and 1987, and Liberal Democrats since 1988. Sources: House of Commons (1999, 2003, 2004, and 2005b)



	1945	1950	1951	1955	1959	1964	1966	1970	1974 Feb	1974 Oct	1979	1983	1987	1992	1997	2001	2005
Other	25	4	3	3	1	1	2	7	23	27	17	21	24	24	30	29	31
Lib	12	9	6	6	6	9	12	6	14	13	11	23	22	20	46	52	62
Con	210	297	321	344	365	303	253	330	297	276	339	397	375	336	165	166	197
Lab	393	315	295	277	258	317	363	287	301	319	268	209	229	271	418	412	355

Figure C-2 British MPs in the House of Commons

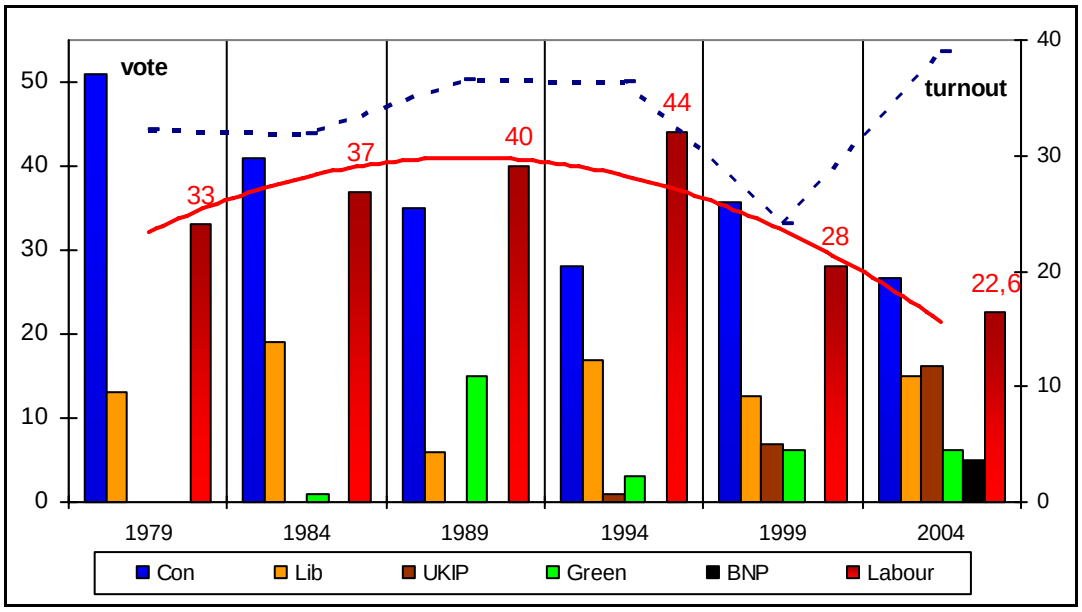


Figure C-3 EP elections in Britain[1]

[1] excluding N. Ireland -1984 SDP and Liberals combined

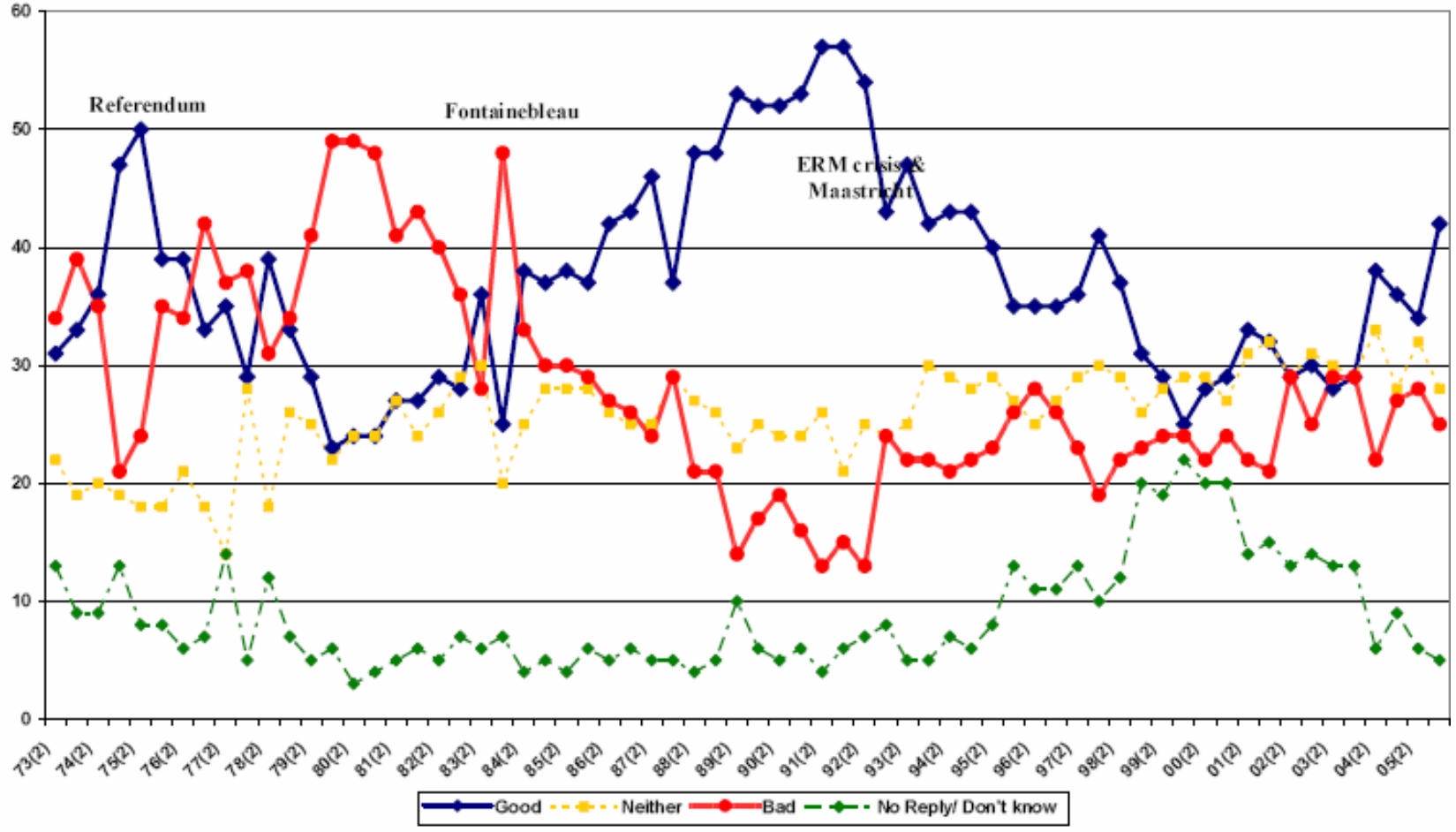


Figure C-4 Public Opinion on the EC/EU membership
Source: Eurobarometer reports

APPENDIX D

Economic indicators for New Labour period[1]

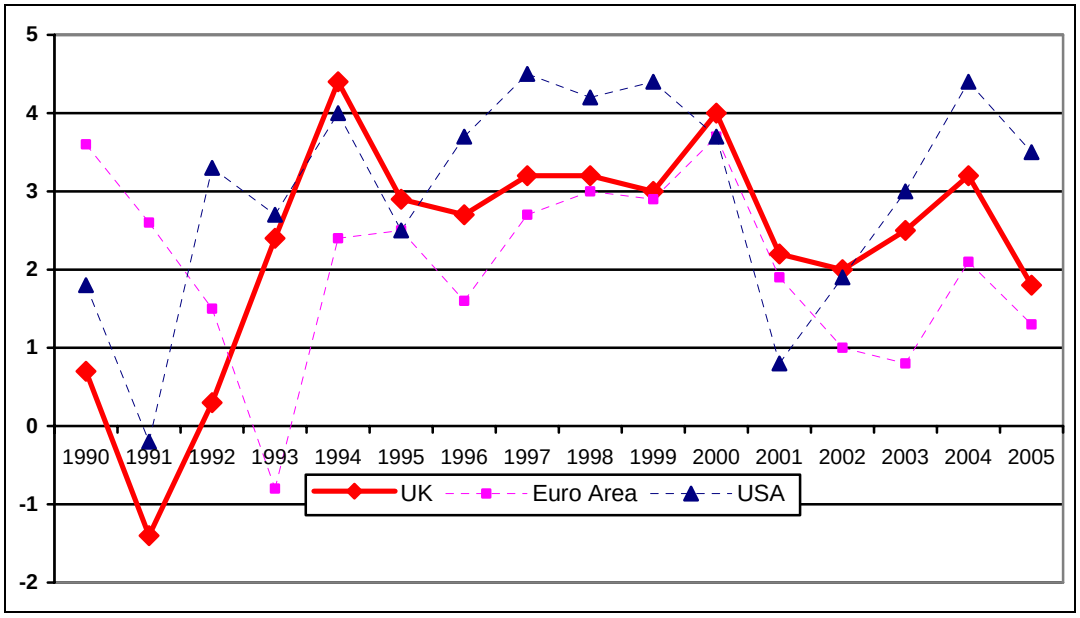
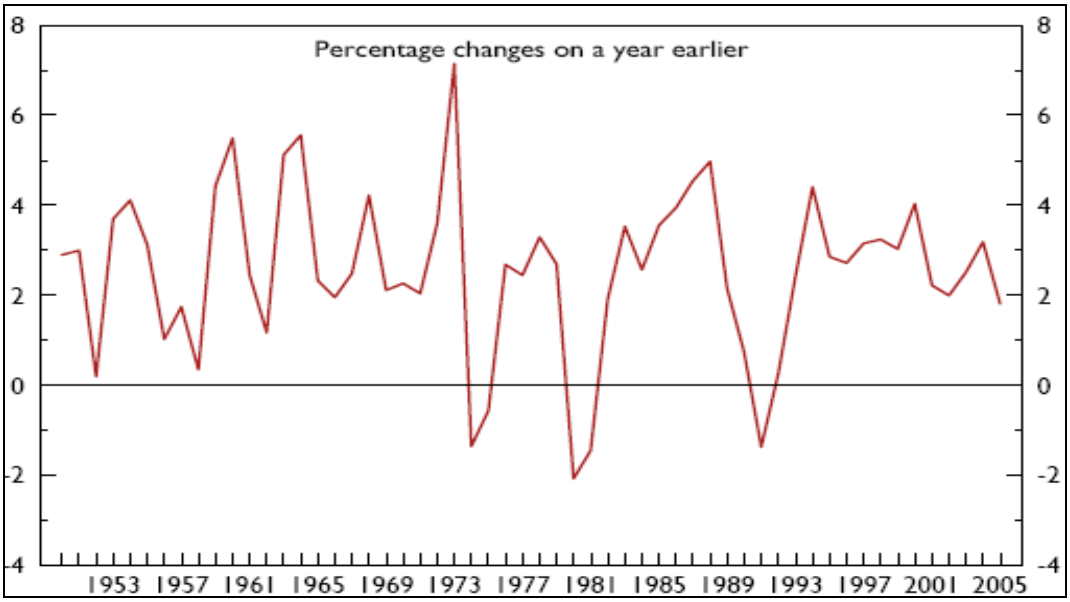


Figure D-1 Real GDP growth



[1] Various data from ECE (2005), Eurostat, Office for National Statistics, HM Treasury Budgets and Bank of England

Figure D-2 Post-war GDP growth

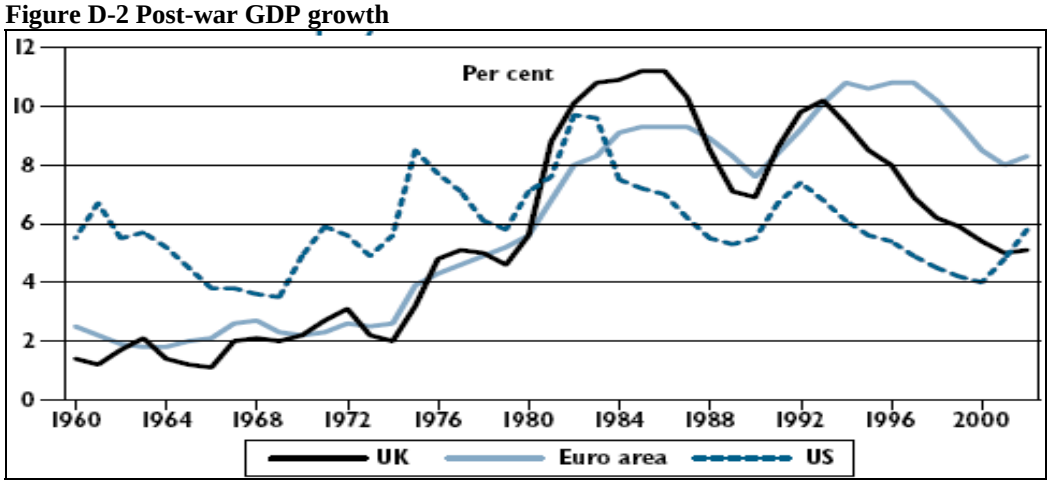


Figure D-3 Post-War Unemployment

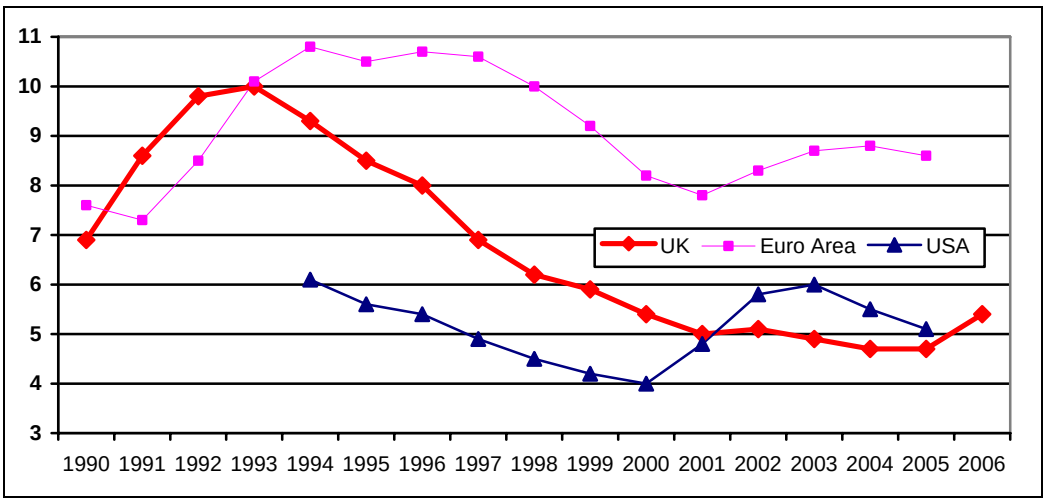


Figure D-4 Unemployment –Eurostat measurements -2006 UK 1st half

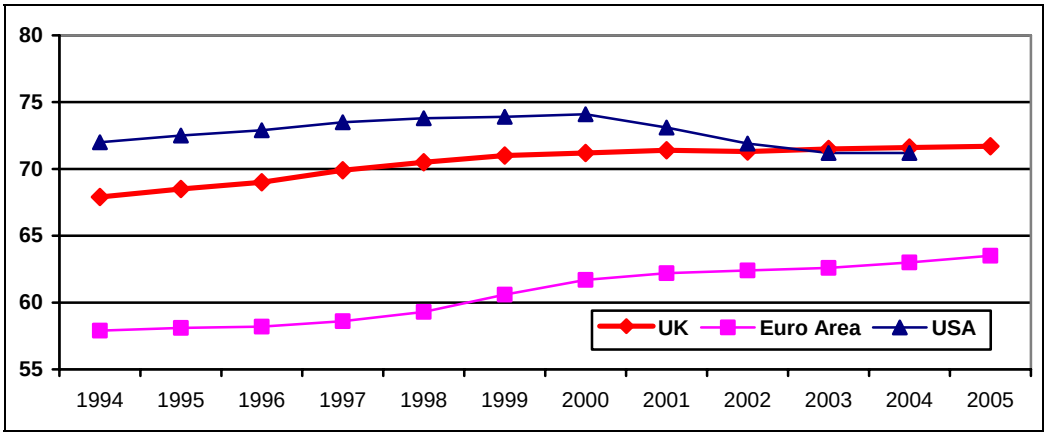


Figure D-5 Total employment rate

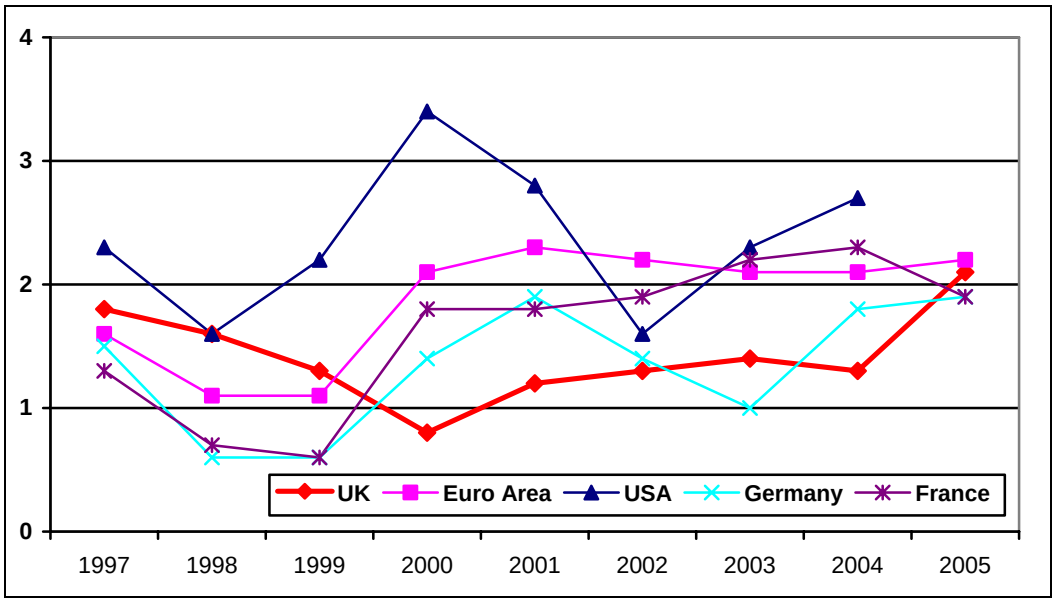


Figure D-6 Annual inflation rate –harmonised Eurostat level

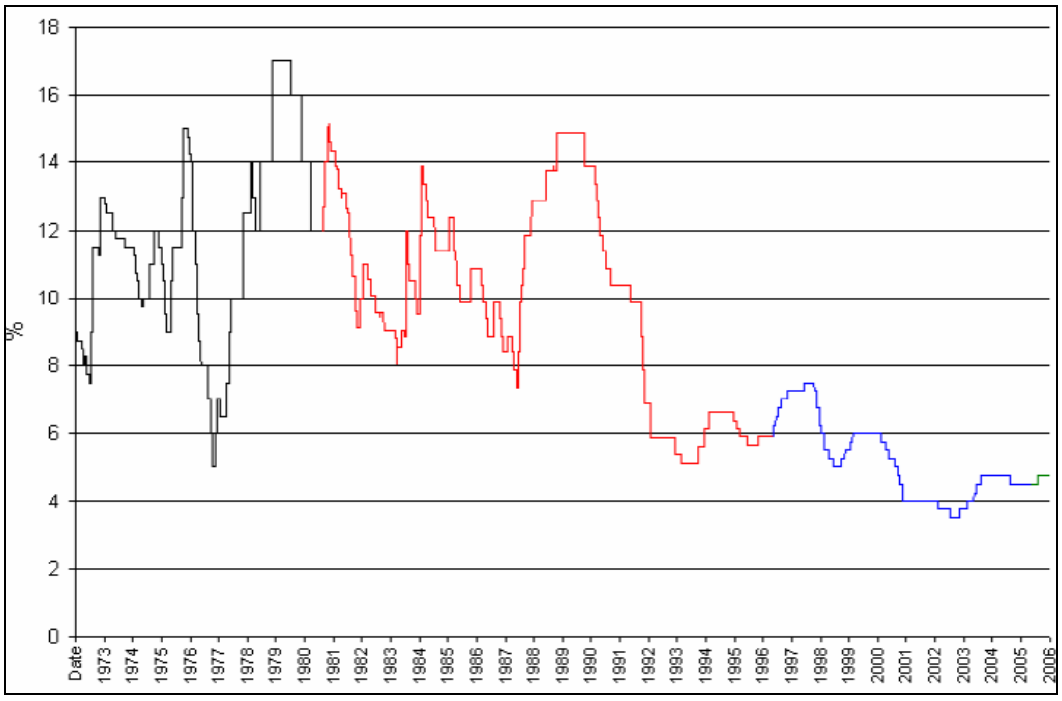


Figure D-7 Interest rate -Base rate

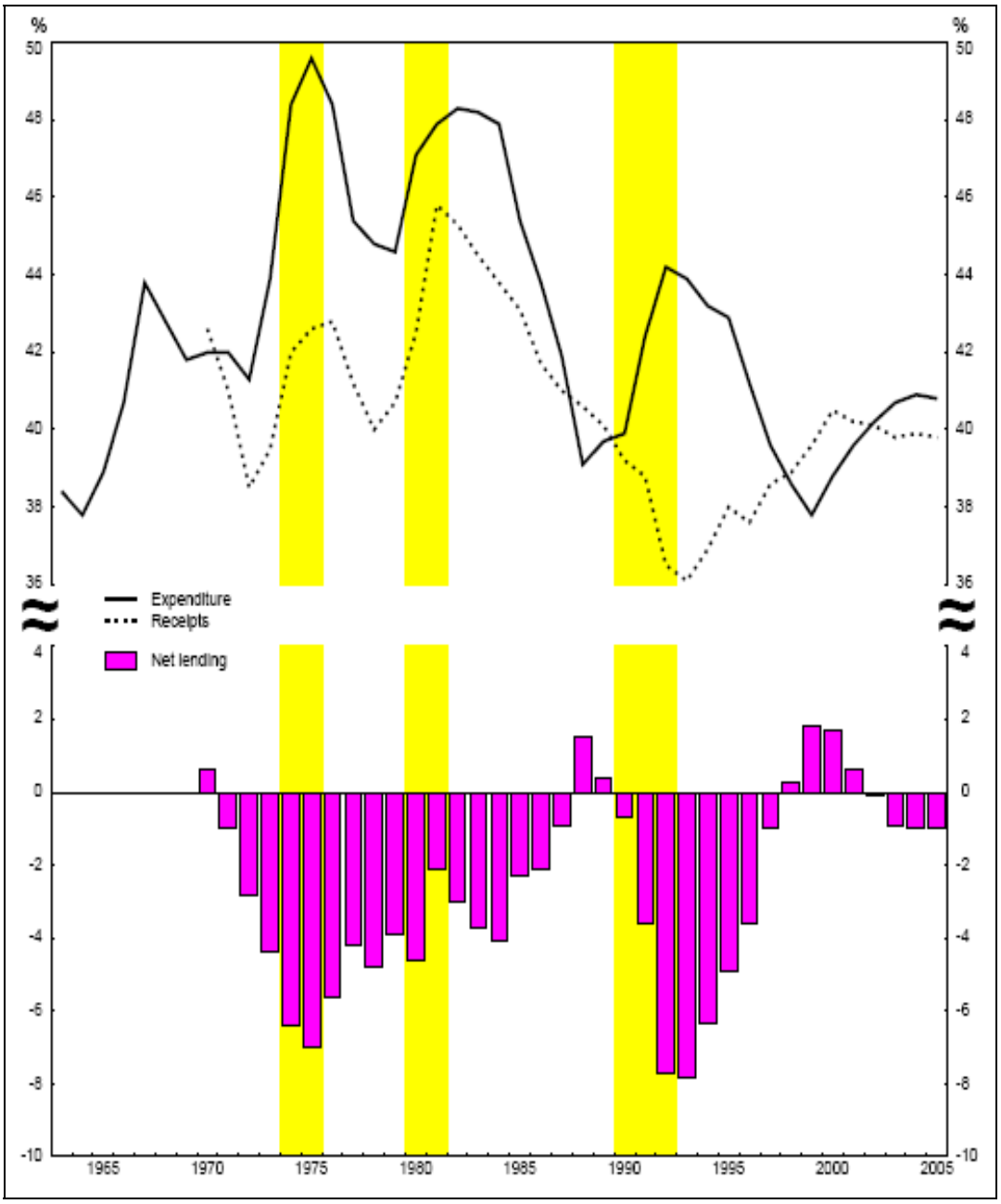


Figure D-8 UK public finances and public sector net borrowing
Source: Noord (2002:5)[2]

[2] For the actualisations in public finances after 2002, see Figures 7.2 and 7.3.

APPENDIX E

Post-War National Votes of Social Democratic Parties

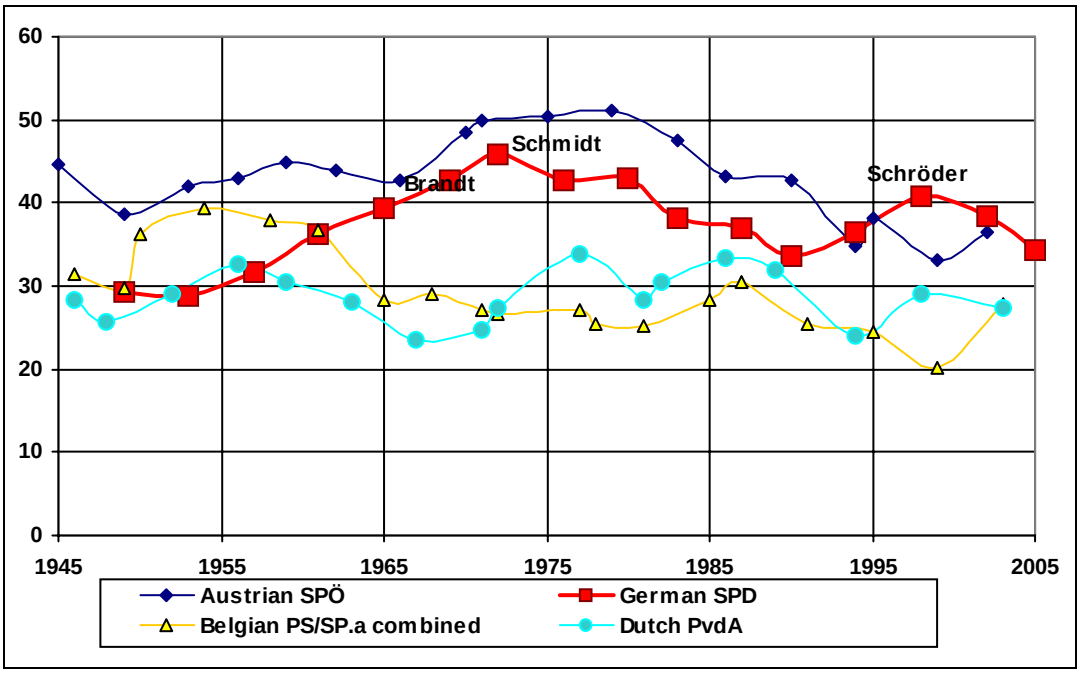


Figure E-1 Post-war social democratic votes –Germany, Austria, Belgium, the Netherlands

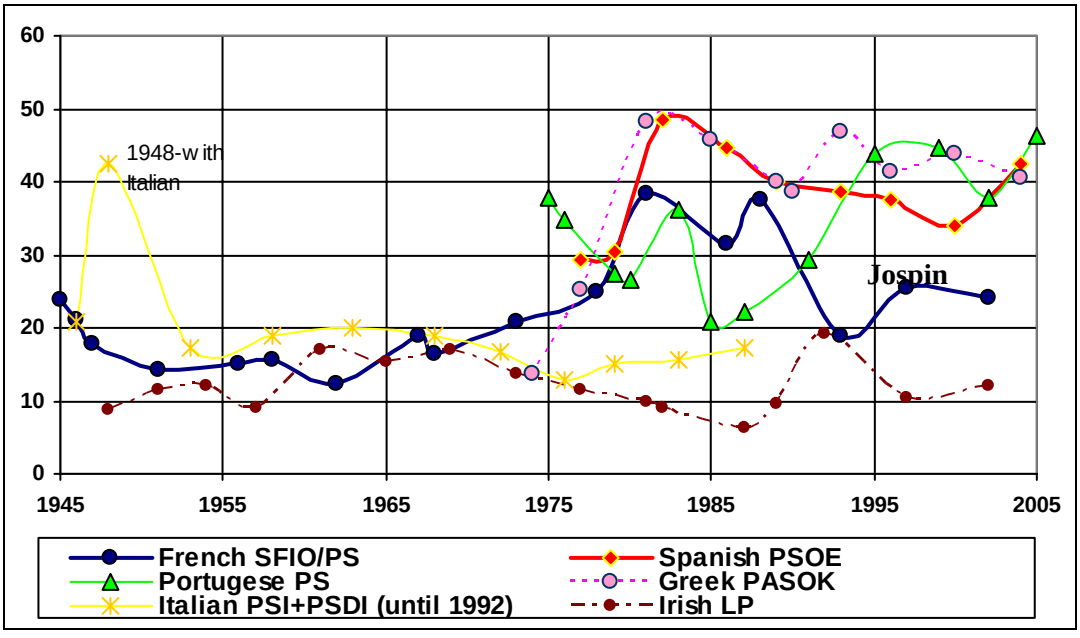


Figure E-2 Post-war social democratic votes –France, Italy, Spain, Greece, Portugal, Ireland

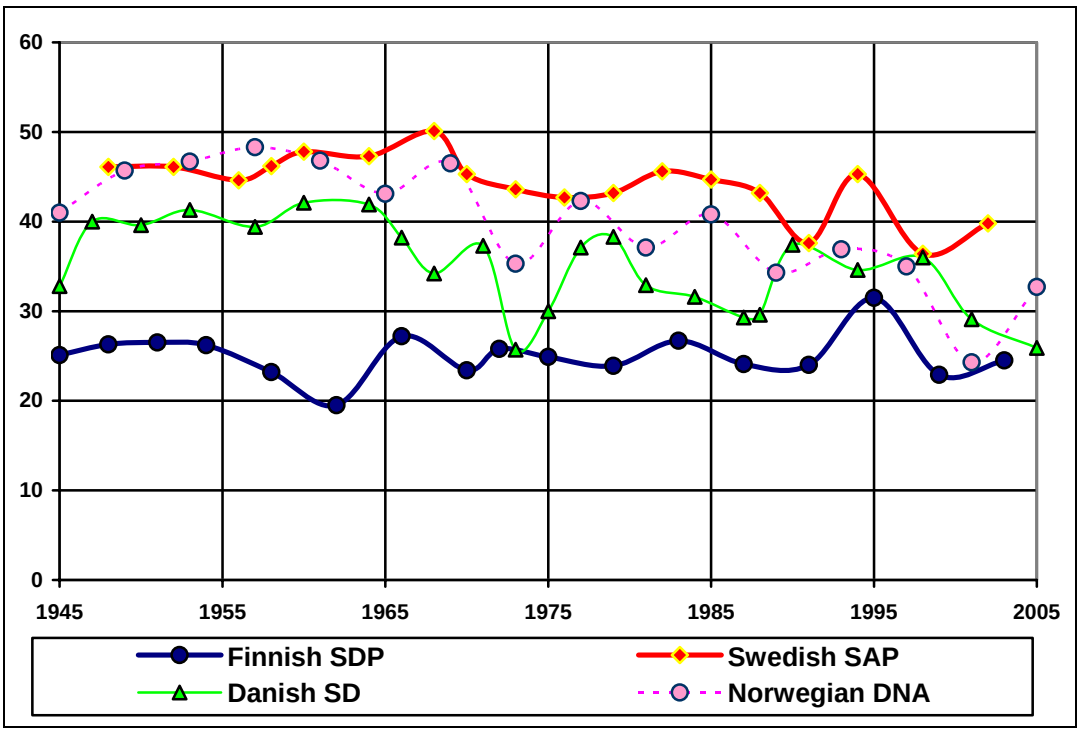


Figure E-3 Post-war social democratic votes –Sweden, Denmark, Norway, Finland

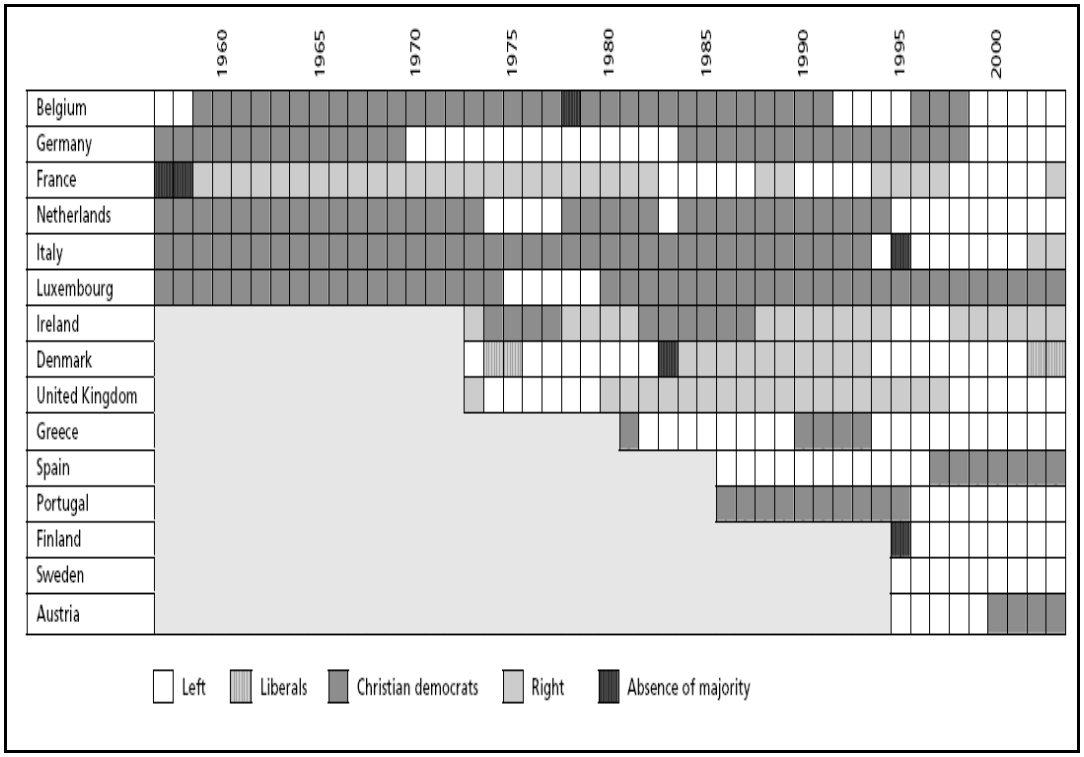


Figure E-4 Partisan colour of EC/EU member states' governments (Manow et al, 2004:12) – the dominant party if coalition government

APPENDIX F

Party of European Socialists -PES

As 2006, PES has 35 SI member parties in the EU, Norway, Bulgaria, Romania and Croatia. There are also 5 associate and 5 observer parties. It is financed by the EU and member party fees. Its affiliated organizations are the ECOSY (youth) and PES Women.

The PES statutes (dated April 2004) include five organs:

A. CONGRESS: It elects President, adopts the manifesto and statutes, resolutions and recommendations, and decides on admission of membership. It meets twice every five years. It is composed of national party delegates, PES Presidency and affiliated groups.

B. COUNCIL: In the absence of Congress, the Council convenes annually. It consists of PES Presidency and national party representatives.

C. PRESIDENCY: It carries the day-to-day working under the President. It consists of Vice-Presidents, Secretary General, one member each of the national parties, the President of the Socialist Group in the EP. It implements the decisions of the Congress and Council. It has a coordination team.

D. PARTY LEADERS' CONFERENCE: It convenes on the eve of European summits. It consists of party leaders, PES President and Vice-Presidents, leader of the Socialist Group in the EP, President of the SI, President of the EP –if s/he is PES member- and PES members of European Commission. It can adopt resolutions and recommendations for PES Presidency, Congress, Socialist Group in the EP and member parties *"in full respect of the Congress being the supreme organ of the PES"*.

E. SECRETARIAT

PES Presidents:

Poul Nyrup Rasmussen (SD-Denmark)	April 2004 –
Robin Cook (LP-UK)	May 2001 – April 2004
Rudolf Scharping (SPD)	March 1995 – May 2001
Willy Claes (SP-B)	November 1992 – October 1994
Guy Spitaels (PS-B)	February 1989 – May 1992

Victor Constancio (PS-P)	May 1987 – January 1989
Joop Den Uyl (PvdA)	March 1980 – May 1987
Robert Pontillon (PS-F)	January 1979 – March 1980
Wilhelm Dröscher (SPD)	April 1974 – January 1979

Socialist Group in the EP:

1979	113 MEPs (28% of all MEPs)	-17 Labour MEPs
1984	130 MEPs (30%)	-32 Labour MEPs
1989	180 MEPs (35%)	-45 Labour MEPs
1994	215 MEPs (35%)	-62 Labour MEPs
1999	180 MEPs (29%)	-29 Labour MEPs
2004	199 MEPs (27%)	-19 Labour MEPs

2004 EP Elections results and PES member parties' votes:

		MEPs	Last National Vote
UK	22.6%	19	36.0% (2005 national)
Germany	21.5%	23	34.2% (2005 national)
France	28.9%	31	24.1% (2002 national)
Italy	36.0% (Ulivo)	15	31.2% (2006 national)
Spain	43.5%	24	43.3% (2004 national)
Portugal	46.4%	12	45.1% (2005 national)
Greece	34.0%	8	40.5% (2004 national)
Malta	48.4%	3	47.5% (2003 national)
Cyprus	10.8%	-	8.9% (2006 national)
Sweden	24.6%	5	31.2% (2002 national)
Denmark	32.6%	5	25.9% (2005 national)
Finland	21.2%	3	24.5% (2003 national)
Ireland	10.6%	1	10.8% (2002 national)
Austria	33.3%	7	36.5% (2002 national)
Belgium	24.5%	7	27.9% (2003 national)
Netherlands	23.6%	7	23.7% (2003 national)
Luxembourg	22.1%	1	23.4% (2004 national)
Poland	14.6%	8	11.3% (2005 national)
Hungary	34.3%	9	41.7% (2006 national)
Czech R.	8.8%	2	32.3% (2006 national)
Slovakia	16.9%	3	29.1% (2006 national)
Slovenia	14.2%	1	10.2% (2004 national)
Estonia	36.8%	3	7.0% (2003 national)
Lithuania	14.4%	2	20.7% (2004 national)
Latvia	4.7%	-	4.0% (2002 national)

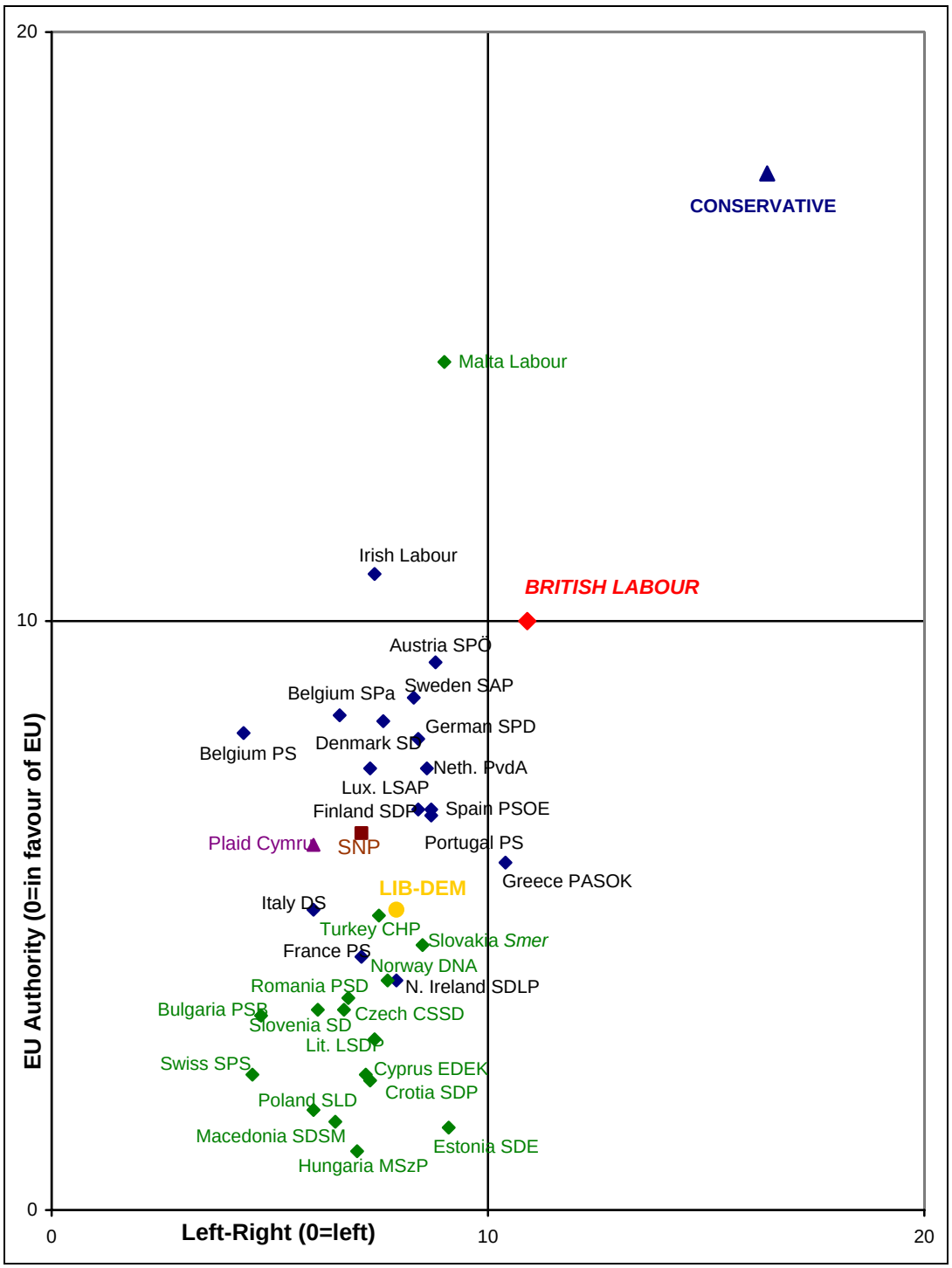


Figure F-1 A scatter plot on the relationship between Left-Right and EU dimensions
Source: derived from Benoit and Laver (forthcoming 2006)[1]

[1] It is based on expert surveys carried out in 2003-4. For France and Ireland, compatible variables are chosen. For the parties from new EU members and candidate/aspiring ones, 'EU joining variable' is substituted for the 'EU authority' one. Therefore, comparisons between old and new countries should be done cautiously.

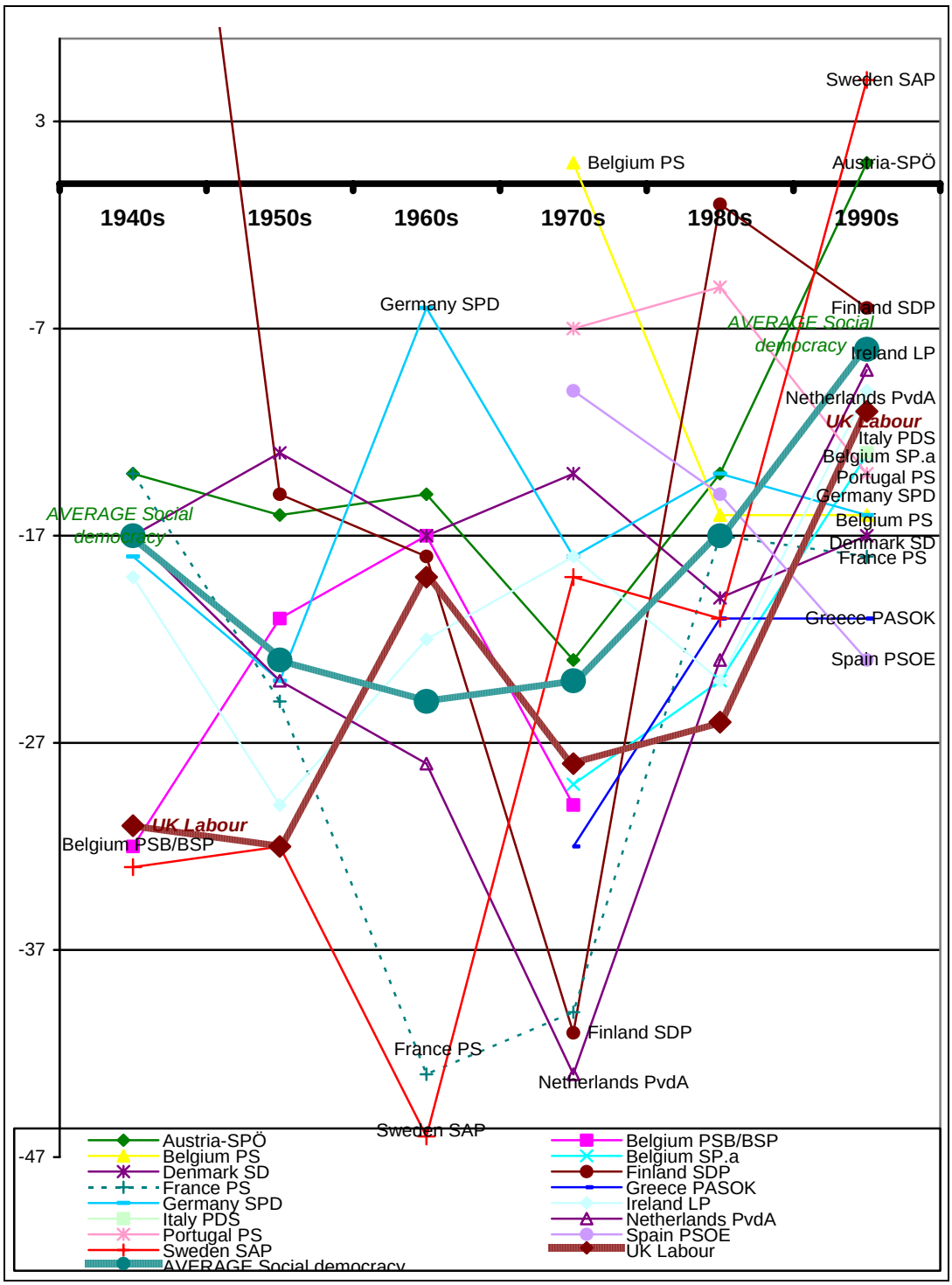


Figure F-2 Left-Right Scale (±100)
Source: derived from Comparative Manifestos Database (Volkens, 2004)[2].

[2] Note that the reason why more 'genuine' social democrats seem to be the rightist ones may be related with an explanation of directional theory of voting. These positions may reflect a directional movement, as well as stable positions (Pelizzo, 2003).

APPENDIX G

Social Democrats in the EC/EU Commission[1]

1977-81: *Jenkins Commission*

Roy Jenkins (British Labour) –president

Claude Cheysson (French PS) –development

Henk Vredeling (Dutch PvdA) –employment, social affairs

1981-84: *Thorn Commission*

Ivor Richard (British Labour) –employment, social affairs

1985-88: *Delors I Commission*

Jacques Delors (French PS) –president

Claude Cheysson (French PS) –Mediterranean and North-South policy

Stanley Clinton-Davis (British Labour) -environment

1989-92: *Delors II Commission*

Jacques Delors (French PS) –president

Manuel Marin (Spanish PSOE) –cooperation and development

Bruce Millan (British Labour) –regional policy and cohesion

Vasso Papandreaou (Greek PASOK) –employment, industrial relations

Karel van Miert (Belgian SP.a) –transport

1993-95: *Delors III Commission*

Jacques Delors (French PS) –president

Manuel Marin (Spanish PSOE) –cooperation and development

[1] Some sources (e.g. Centre for a Social Europe, 2004) identify Commissioners as along the same ideology of the national government that nominates them to the service. But this is untrue. Also many commissioners have a civil service or academic background, so it is hard to categorise them politically. The proportion of Commissioners with a political party background has increased after 1985 (cf. King 1999).

Bruce Millan (British Labour) –regional policy and cohesion

Karel van Miert (Belgian SP.a) –transport

1995-99: *Santer Commission*

Neil Kinnock (British Labour) –transport

Ritt Bjerregaard (Danish SD) –environment

Edith Cresson (French PS) –research, science, technology

Anita Gradin (Swedish SAP) –immigration, justice, home affairs

Erkki Liikanen (Finnish SDP) –budget, personnel, administration

Manuel Marin (Spanish PSOE) –relations with Mediterranean, Latin America and Middle East

Christos Papoutsis (Greek PASOK) –energy and tourism

Karel van Miert (Belgian SP.a) –competition

2000-04: *Prodi Commission*

Philippe Busquin (Belgian PS) –research

Anna Diamantopoulou (Greek PASOK) –employment, social affairs

Neil Kinnock (British Labour) –administrative reform

Pascal Lamy (French PS) –trade

Erkki Liikanen (Finnish SDP) –enterprise and information society

Poul Nielson (Danish SD) –development, humanitarian aid

Pedro Solbes Mira (Spanish PSOE) –economic and monetary affairs

Günter Verheugen (German SPD) –enlargement

Antonio Vitorino (Portuguese PS) –justice and home affairs

Margot Wallström (Swedish SAP) –environment

2004- : *Barroso Commission*

Peter Mandelson (British Labour) –trade

Margot Wallström (Swedish SAP) –institutional relations, communications

Joaquin Almunia (Spanish PSOE) –economic and monetary affairs

Günter Verheugen (German SPD) –enterprise and industry

Vladimir Spidla (Czech CSSD) –employment, social affairs, equal opportunities

Laszlo Kovacs (Hungarian MSzP) –taxation, customs union

APPENDIX H

Some selected illustrations from British media[1]

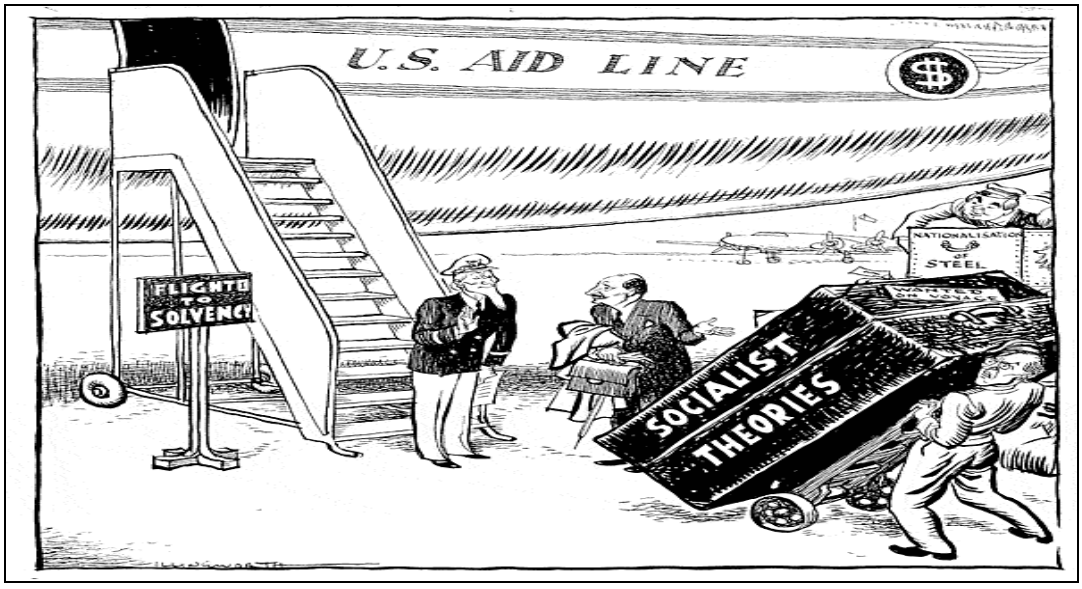


Figure H-1 Leslie Illingworth, 1947, National Library of Wales (*Attlee*)

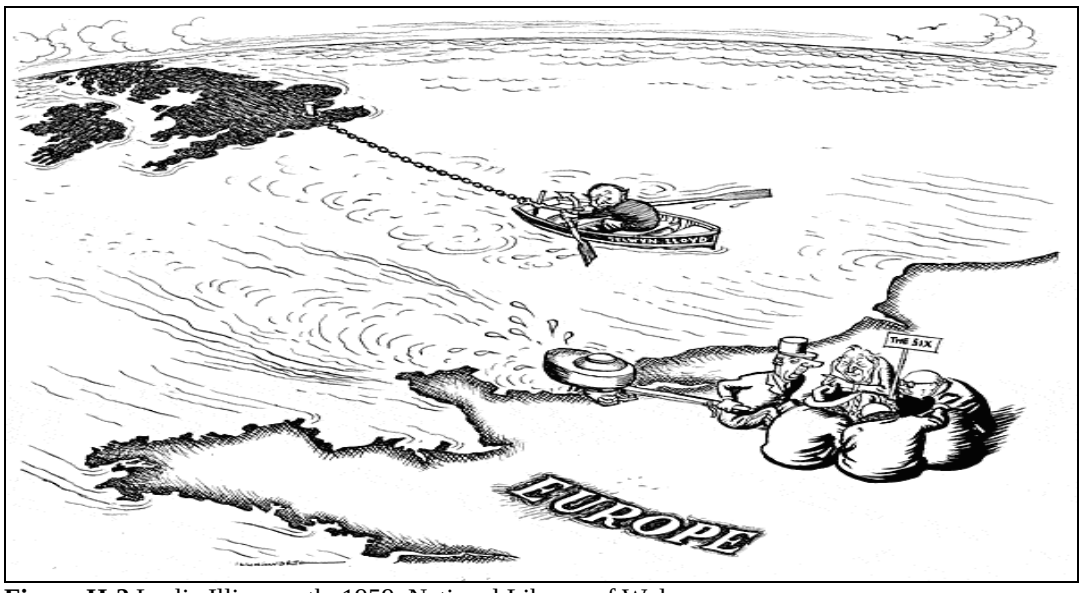


Figure H-2 Leslie Illingworth, 1959, National Library of Wales

[1] Sources: Cartoon centre database -http://opal.ukc.ac.uk/cartoonx-cgi/; National Library of Wales – http://www.llgc.org.uk/illingworth, Private Eye covers -http://ugandandiscussions.co.uk; and Guardian website

Figure H-3 Victor Weisz, 6 October 1961, Evening Standard (*"There, now we're in the right position from which to attack the Tories and win a resounding victory for-er-socialism" Brown, Gaitskell, Wilson)*

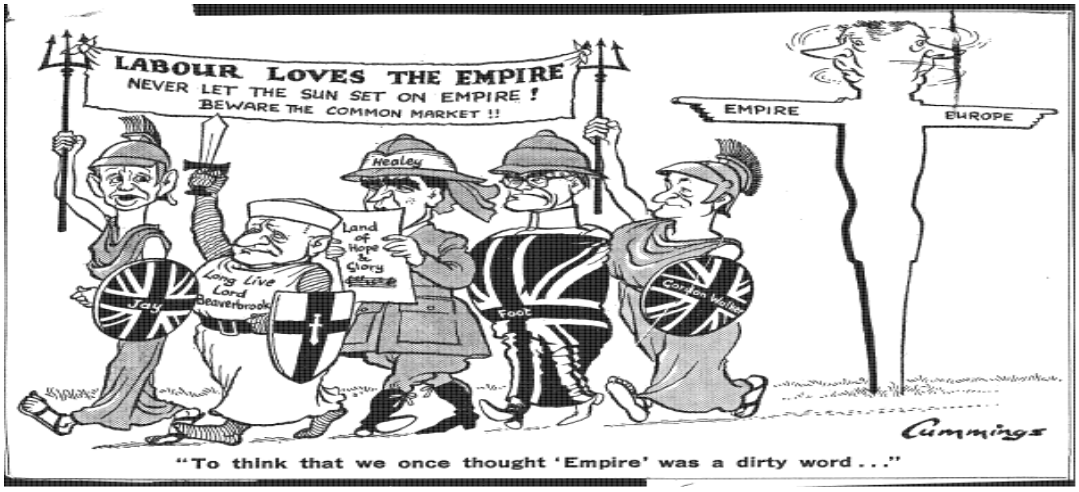


Figure H-4 Michael Cummings, 9 March 1962, Daily Express (*"To think that we once thought 'Empire' was a dirty word ..." Jay, Beaverbrook, Healy, Foot, Walker, Gaitskell*)

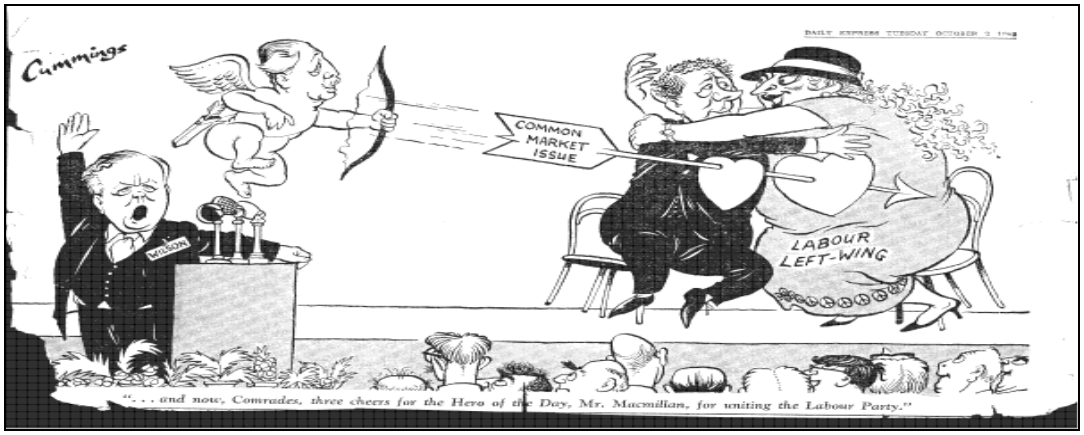


Figure H-5 Michael Cummings, 2 October 1962, Daily Express (*"... and now comrades, three cheers for the Hero of the Day, Mr Macmillan, for uniting the Labour Party!" Wilson, Macmillan, Gaitskell*)

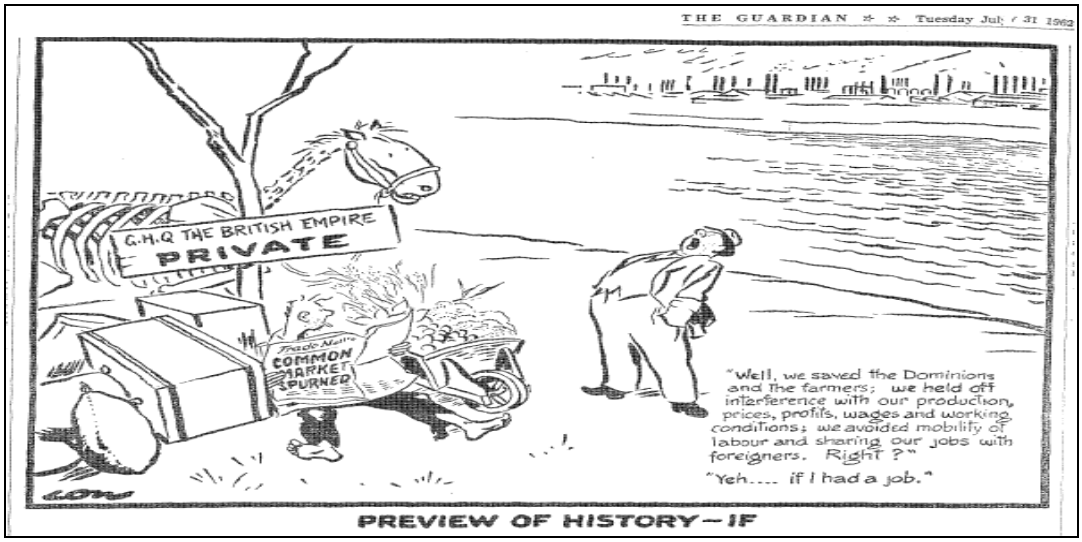


Figure H-6 David Low, 31 July 1962, Guardian (*"Well, we saved the Dominions and the farmers; we held off interference with our production, prices, profits, wages and working conditions; we avoided mobility of labour and sharing our jobs with foreigners. Right?" "Yeh ... if I had a job")*

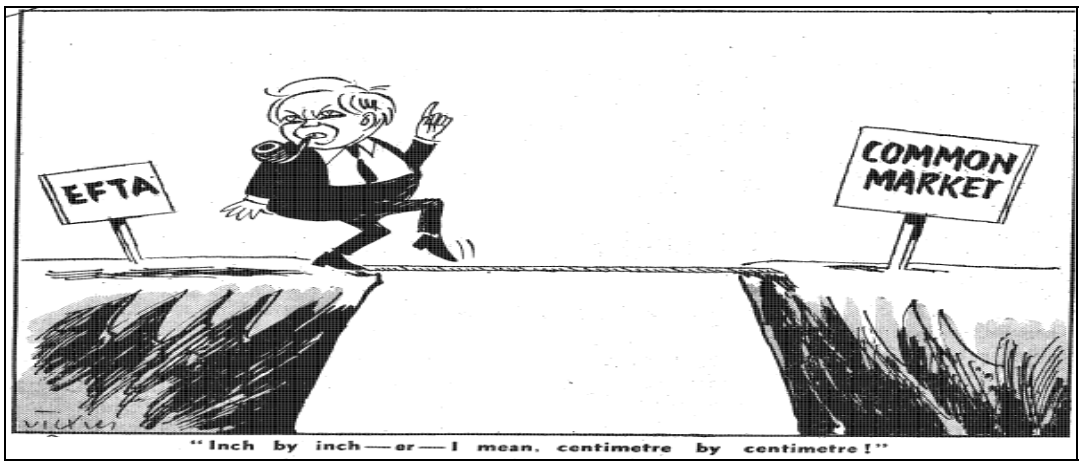


Figure H-7 Victor Weisz, 25 May 1965, Evening Standard (*"Inch by inch –er- I mean, centimetre by centimetre" Wilson*)

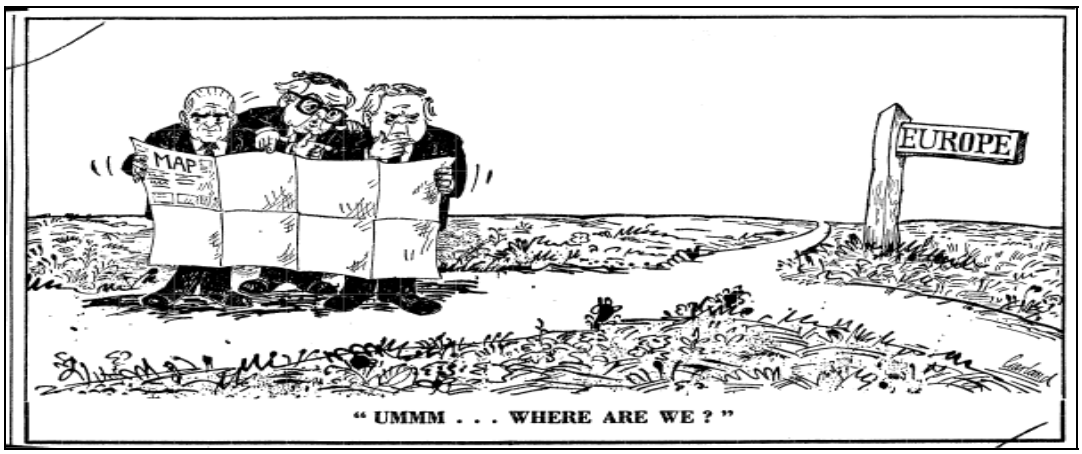


Figure H-8 Nicholas Garland, 24 May 1966, Daily Telegraph (*"Ummm … Where are we?" Brown, Wilson, Stewart*)

Figure H-9 Michael Cummings, 30 April 1967, Sunday Express (*Wilson's Anti-Commarket Speeches, "Don't throw them away, Georges! I shall need them again if we fail to get in ..." Brown, Wilson*)

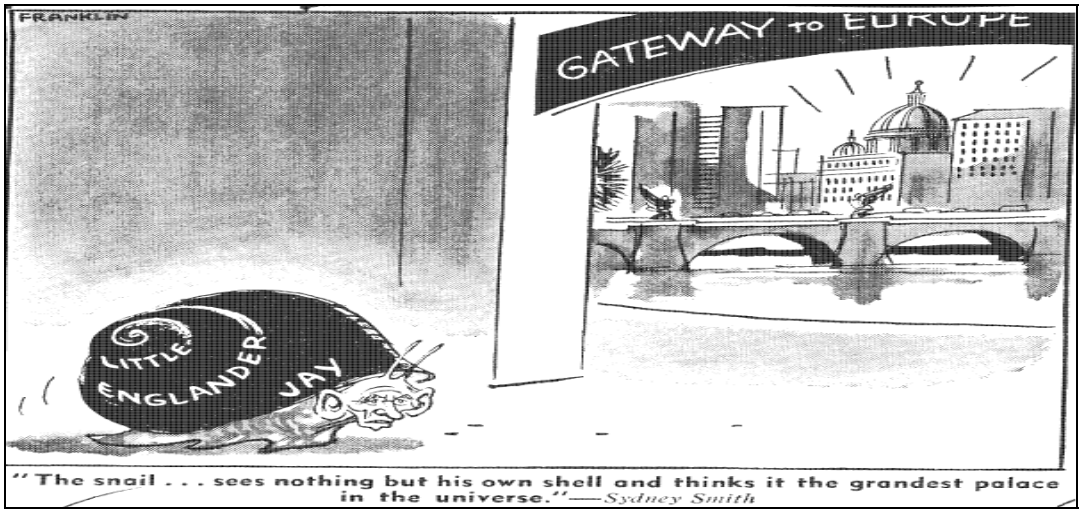


Figure H-10 Stanley Franklin, 10 May 1967, Daily Mirror (*"The snail ... sees nothing but his own shell and thinks it the grandest palace in the universe" [Sydney Smith] Jay*)

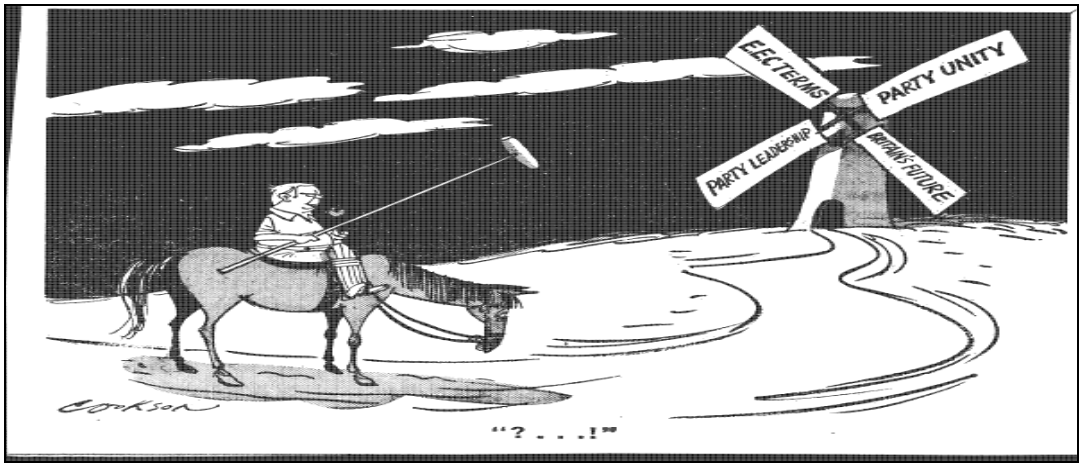


Figure H-11 Bernard Cookson, 6 July 1971, Evening News (*"EEC terms- Party leadership- Party unity, -Britain's future" Wilson*)

Figure H-12 Nicholas Garland, 10 June 1971 Daily Telegraph (*"Right, we agree not to agree exactly when we shall meet to discuss whether or not we favour the Common Market" Heffer, Jenkins, Wilson, Mikardo, Callaghan*)

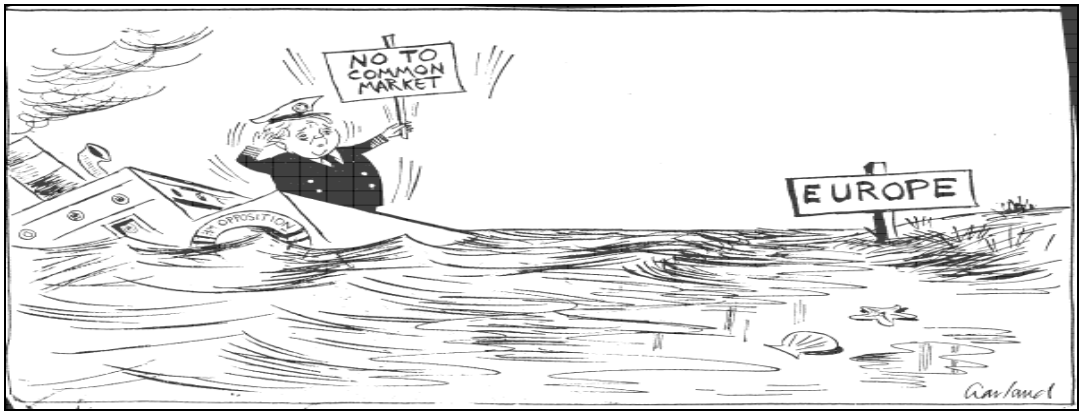


Figure H-13 Nicholas Garland, 3 January 1973, Daily Telegraph (*Wilson*)

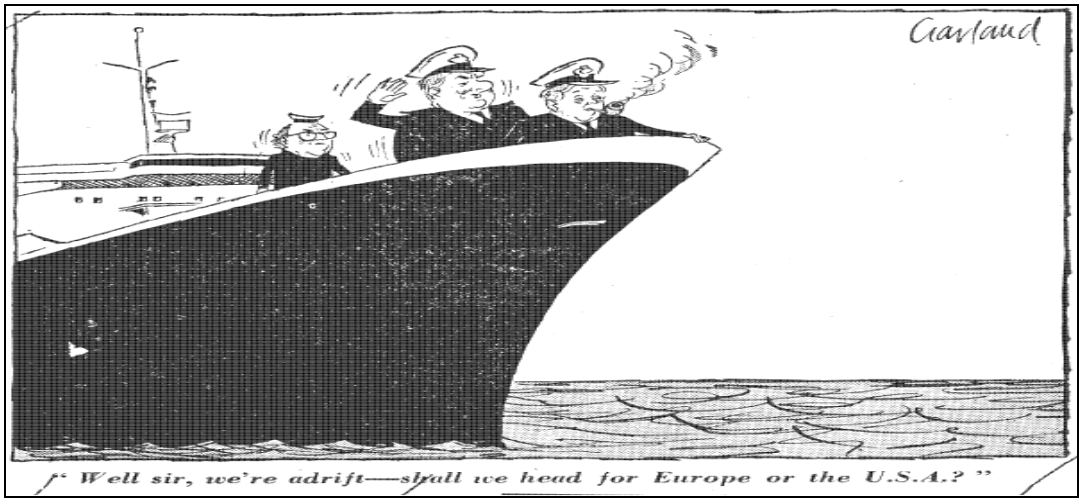


Figure H-14 Nicholas Garland, 3 April 1974, Daily Telegraph (*"Well sir, we're adrift –shall we head for Europe or the USA?" Wilson, Callaghan, Jenkins*)

Figure H-15 Nicholas Garland, 12 March 1975, Daily Telegraph (*"And now, ladies and gentlemen, the grand finale!" Wilson, Benn, Foot*)

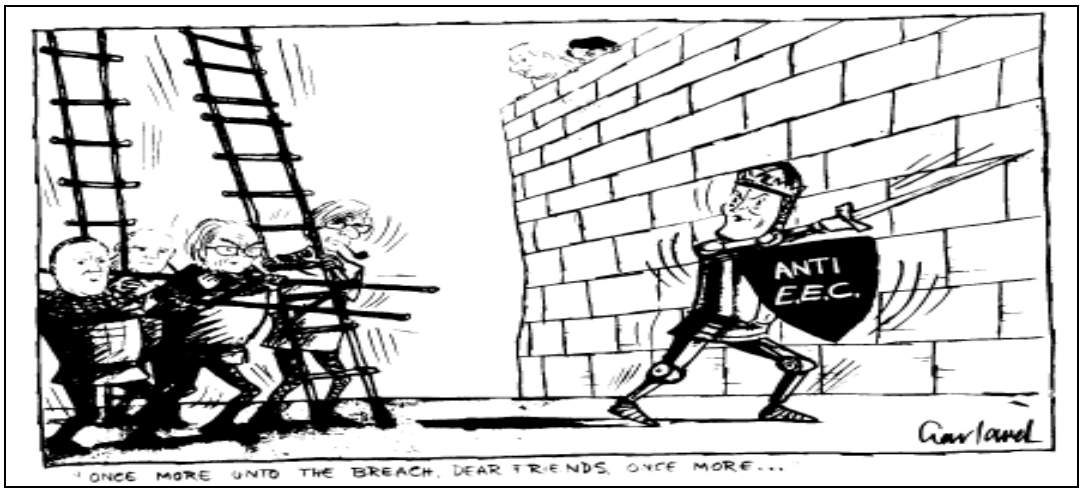
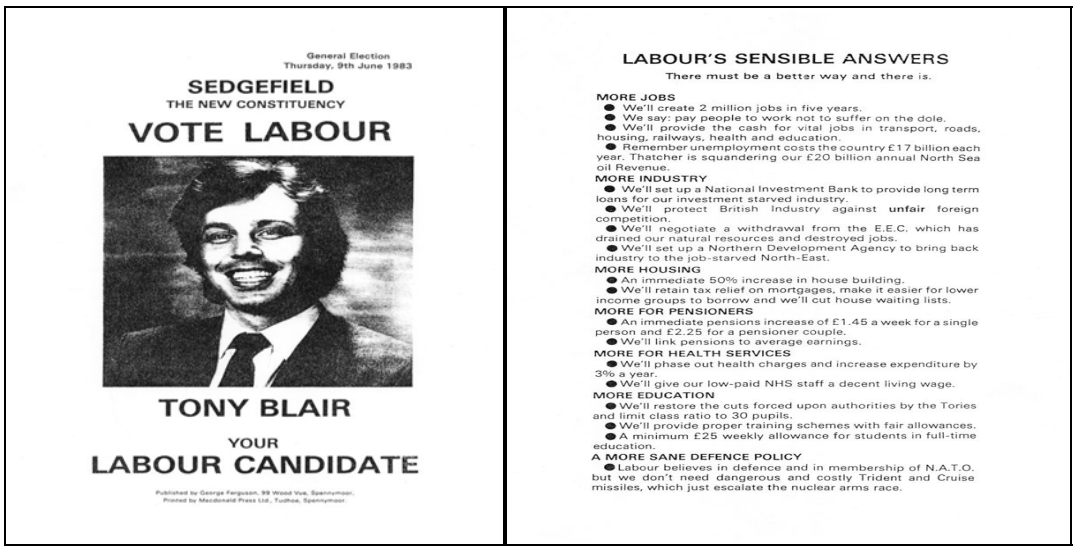


Figure H-16 Nicholas Garland, 10 June 1977, New Statesman (*"Once more unto the breach, dear friends, once more ..." Benn, Foot, Shore, Callaghan*)


General Election
Thursday, 9th June 1983

SEDGEFIELD
THE NEW CONSTITUENCY

VOTE LABOUR

TONY BLAIR
YOUR
LABOUR CANDIDATE

Published by George Ferguson, 99 Wood Vue, Spennymoor.
Printed by Macdonald Press Ltd., Tudhoe, Spennymoor.

LABOUR'S SENSIBLE ANSWERS

There must be a better way and there is.

MORE JOBS
- We'll create 2 million jobs in five years.
- We say: pay people to work not to suffer on the dole.
- We'll provide the cash for vital jobs in transport, roads, housing, railways, health and education.
- Remember unemployment costs the country £17 billion each year. Thatcher is squandering our £20 billion annual North Sea oil Revenue.

MORE INDUSTRY
- We'll set up a National Investment Bank to provide long term loans for our investment starved industry.
- We'll protect British Industry against **unfair** foreign competition.
- We'll negotiate a withdrawal from the E.E.C. which has drained our natural resources and destroyed jobs.
- We'll set up a Northern Development Agency to bring back industry to the job-starved North-East.

MORE HOUSING
- An immediate 50% increase in house building.
- We'll retain tax relief on mortgages, make it easier for lower income groups to borrow and we'll cut house waiting lists.

MORE FOR PENSIONERS
- An immediate pensions increase of £1.45 a week for a single person and £2.25 for a pensioner couple.
- We'll link pensions to average earnings.

MORE FOR HEALTH SERVICES
- We'll phase out health charges and increase expenditure by 3% a year.
- We'll give our low-paid NHS staff a decent living wage.

MORE EDUCATION
- We'll restore the cuts forced upon authorities by the Tories and limit class ratio to 30 pupils.
- We'll provide proper training schemes with fair allowances.
- A minimum £25 weekly allowance for students in full-time education.

A MORE SANE DEFENCE POLICY
- Labour believes in defence and in membership of N.A.T.O. but we don't need dangerous and costly Trident and Cruise missiles, which just escalate the nuclear arms race.

Figure H-17 Tony Blair's 1983 Sedgefield election pledges, including the sentence: "*we'll negotiate a withdrawal from the EEC which has drained our natural resources and destroyed jobs*"

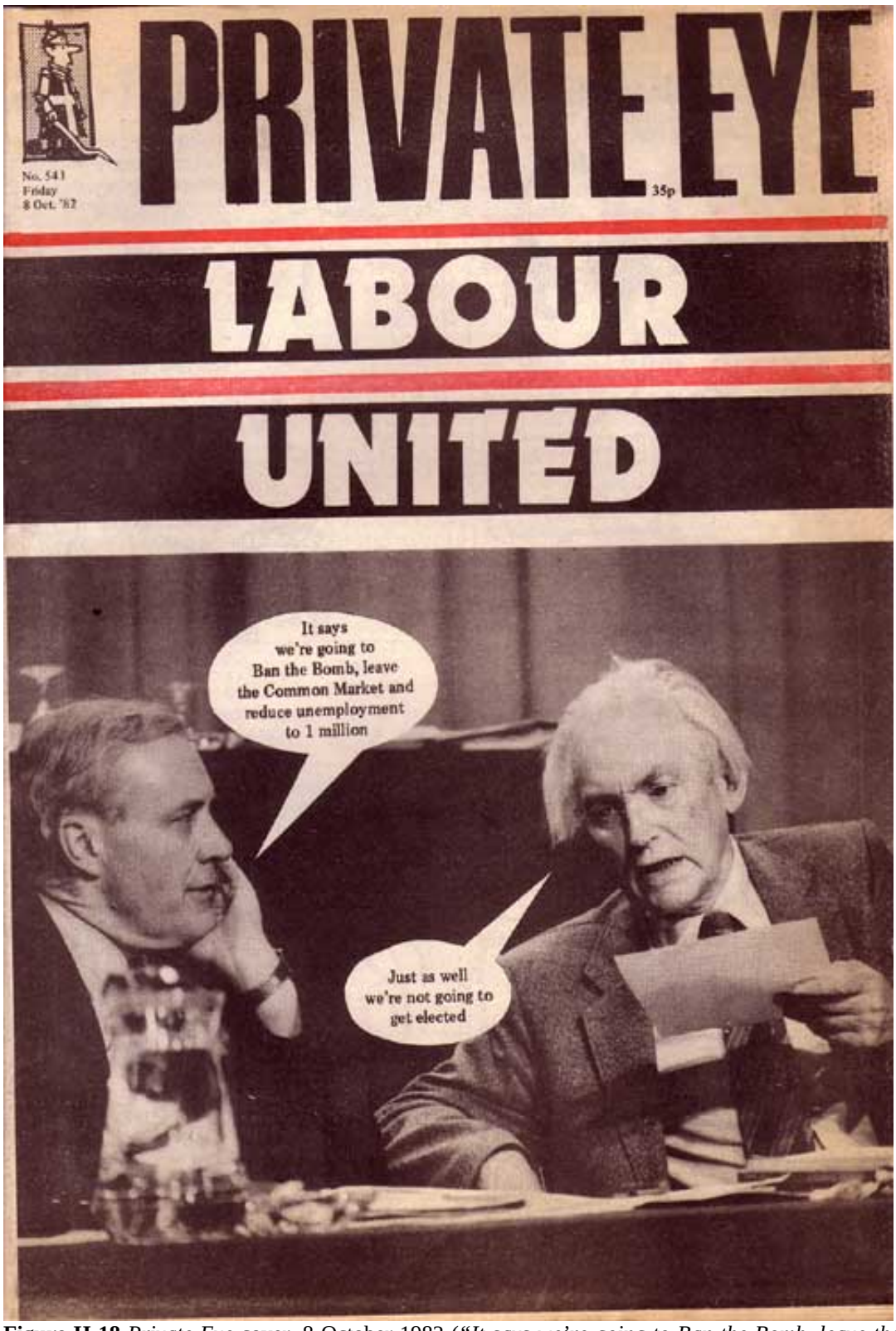


Figure H-18 *Private Eye* cover, 8 October 1982 (*"It says we're going to Ban the Bomb, leave the Common Market and reduce unemployment to 1 million" "Just as well we're not going to get elected" Benn, Foot*)

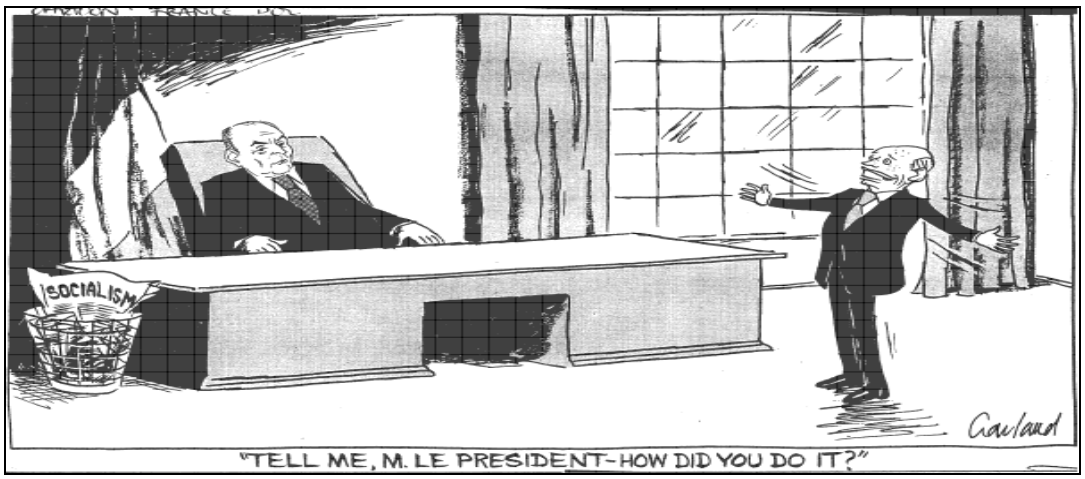


Figure H-19 Nicholas Garland, 11 May 1988, Independent (*"Tell me, M. Le President –How did you do it? Kinnock, Mitterrand*)

Figure H-20 Nicholas Garland, 12 October 1994, Daily Telegraph (*Mark Thatcher Accused ... Tory Party and Sleaze ... Lamont Drops Bombshell ... Tory Divisions over Europe Open Up" Blair*)

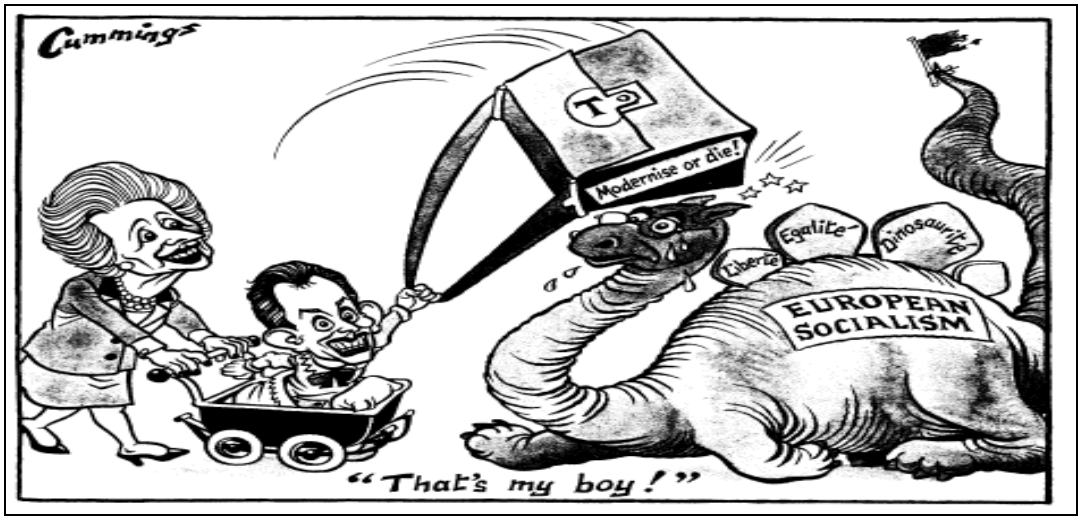


Figure H-21 Michael Cummings, 14 June 1997, The Times (*"That's my boy!" Thatcher, Blair*)

Figure H-22 *Private Eye* cover, 16 May 1997 (*"Happy darling?" "Sorry. You'll have to ask Peter Mandelson"*)

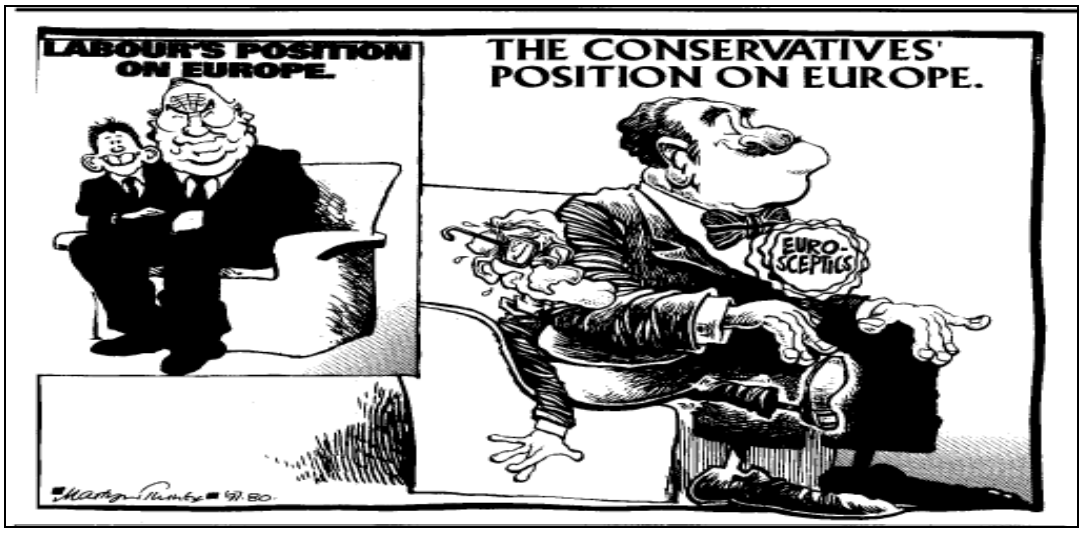


Figure H-23 Martyn Turner, 20 April 1997, Sunday Express (*Blair, Kohl, Major*)

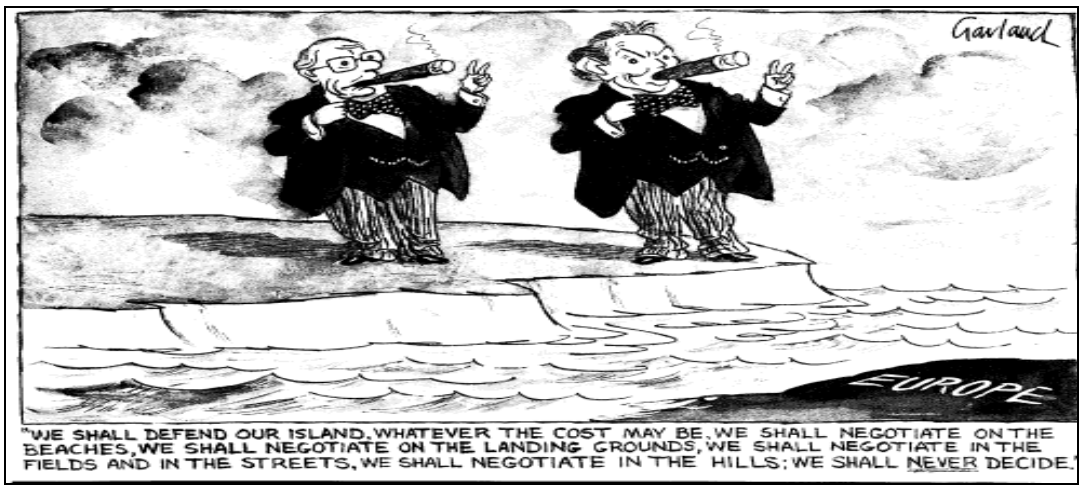


Figure H-24 Nicholas Garland, 23 April 1997, Daily Telegraph (*"We shall defend our island, whatever the cost may be, we shall negotiate on the beaches, we shall negotiate on the landing grounds, we shall negotiate in the fields and in the streets, we shall negotiate in the hills; we shall NEVER decide" –[changing Churchill's words]- Major, Blair*)

Figure H-25-26 Nicholas Garland, 25 June 1998, Daily Telegraph (*"..The sun's turn came next, and he began to shine as hotly as possible on the head of the poor weatherbeaten traveller. The man grew faint with the heat..." [Aesop] Blair*), The Sun frontpage, 1 November 1990

Figure H-27 Peter Schrank, 14 March 1999, Independent (*Blair, Brown, Schröder, Lafontaine*)

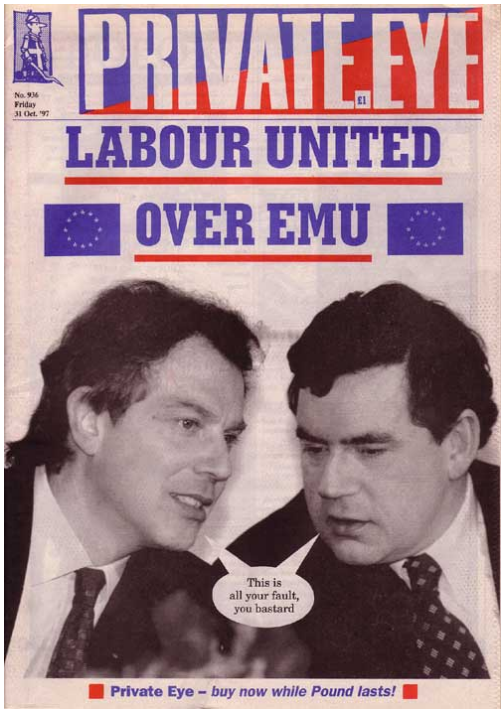


Figure H-28 *Private Eye* cover, 31 October 1997 (*"This is your fault, you b...."* Blair, Brown)

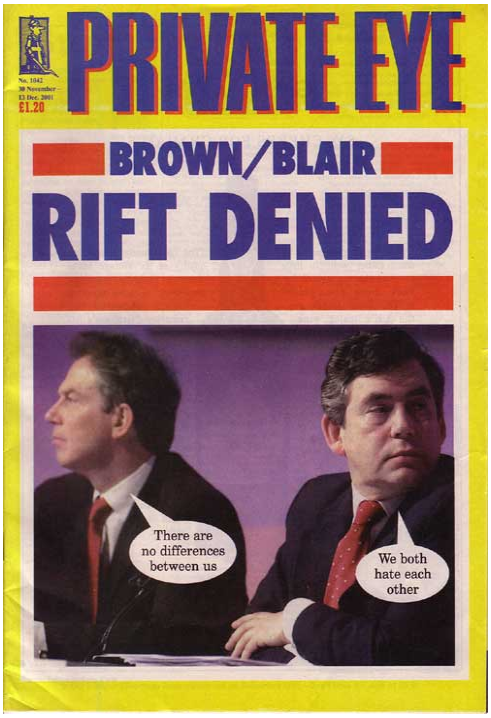


Figure H-29 *Private Eye* cover, 30 November 2001 (*"There are no differences between us" "We both hate each other" Blair, Brown)*

Figure H-31 *Private Eye* cover, 17 February 2006 (*"Roses are red, violate are blue..." "No one loves me, And no one loves you!" Blair, Brown*)

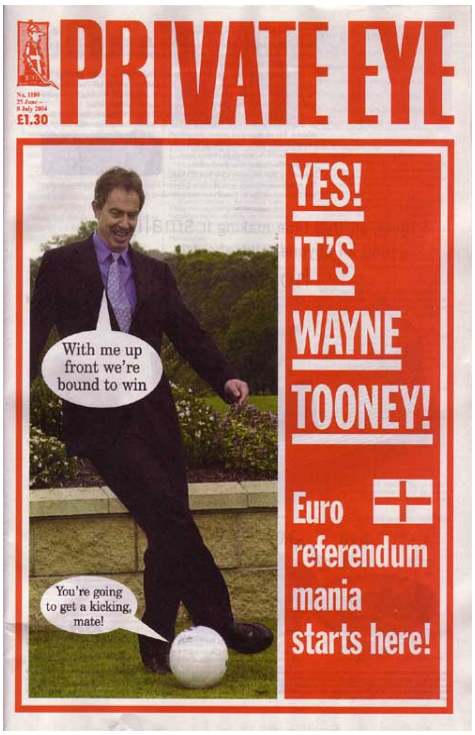


Figure H-30 *Private Eye* cover, 25 June 2004

Figure H-32 Steven Bell, 10 June 2003, Guardian (*"I will touch it with the bargepole of prudence ... but not yet!" Brown*)

Figure H-33 A No-Euro campaign photomontage (*"If we joined the euro we would lose control of the economy"*)

Figure H-34-35 Steven Bell, 30 March 2003, Guardian (*"I pledge allegiance to th'constitution of th'yurpeen Union, one yurp under Bush, so help me George" Blair*) and The Sun frontpage 'Chirac est un ver' 19 February 2003

Figure H-36 Steven Bell, 21 April 2004, Guardian (*"Forward with Blairese Characteristics!")*

Figure H-37 Martin Rowson, 21 June 2004, Guardian (*"For goodness sake listen! I said quite clearly it would be madness to remove ourselves from the decision making process at the heart of Europe" Blair, Bush*)

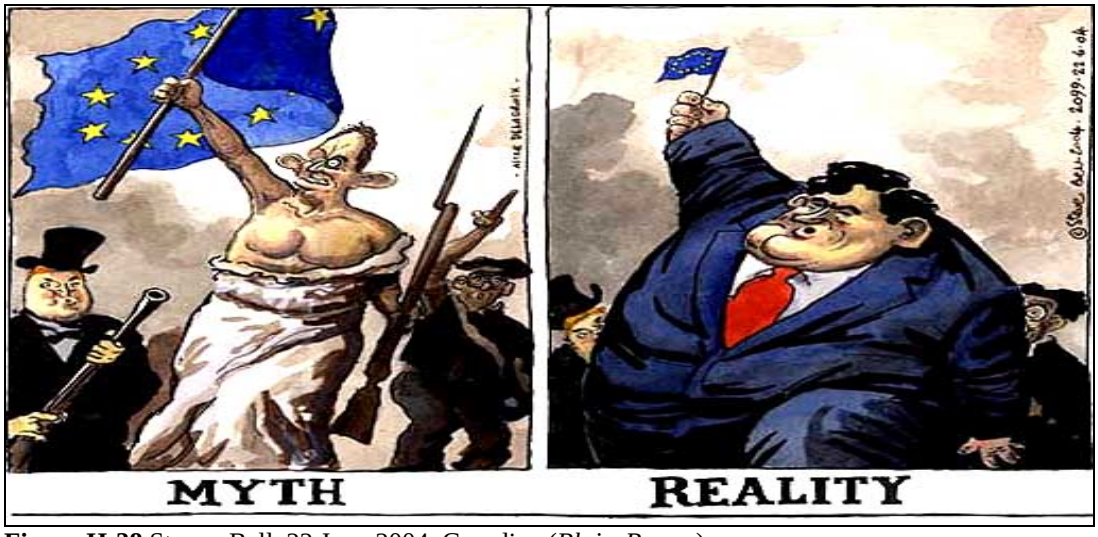


Figure H-38 Steven Bell, 22 June 2004, Guardian (*Blair, Brown*)