

# Books & Arts

## A Euro bridge too far for Labour left

**The Euro: The Politics of the New Global Currency** by David Marsh  
Yale University Press, £25

WHY does the euro cause such convulsions in British politics? In this important and highly readable book about the European single currency, David Marsh brings to life the historical genesis, birth pangs and now remarkable achievements of a currency that no one would have thought possible only a generation ago.

On the way to speak at a union conference in 1996 Robin Cook assured me with all the magisterial authority that only Robin could command that there was no chance of the euro coming into existence. "It's impossible for Italy and Spain to meet the criteria. It's just a good idea but it's not gonna happen, Denis," he pronounced. It was one of the givens of many on the thoughtful left of Labour before 1997 that, while they had weaned themselves off the isolationist anti-Europeanism of the Peter Shore, Barbara Castle and Tony Benn generation, the notion of a single currency was a European bridge too far.

I begged Robin to lift his eyes and actually understand that the euro was a done deal in Paris, Berlin, the Benelux countries and Brussels. "It will come into being. Britain has to adjust to that reality," I told him.

To be sure, British entry after 1997 was always a red herring. The pound sterling was far too strong and under Ken Clarke's final disastrous months as Chancellor the pound revalued by nearly 30 per cent against the deutschmark and the franc. This was a boost, of course, for the speculative finance capitalism the Tory years installed, but was absolutely devastating for Britain's manufacturing economy which found itself crippled with an overvalued Tory pound and facing competition from imports which, thanks to Clarke's disastrous currency mismanagement, replaced much local British production from the middle 1990s onwards.

The incoming Labour Government was helpless in the face of an overvalued pound. It was also helpless in the face of the venomous anti-European press. Even *The Guardian*, which was pro-European in broad cultural terms, ensured that its City and business pages pumped out anti-euro propaganda fed to it by the Treasury elites who had always wanted to have as little to do with Europe as possible.

That is the British side of the story. Ruth Lee, to take one of the more prominent anti-Europeans beloved of the BBC, referred to the European Union as "Noddyland". This contempt for the

Continent was symptomatic of a Whitehall-media-City elite that believed in the supremacy of the pound sterling and a City-run finance capitalism that would never face any problems.

Today, anti-Europeans are saying that the massive devaluation of the pound is somehow a good thing though, as the CBI reports, there has been little increase in exports. Taken with another British decision to axe foreign language teaching in our schools, again in the belief that the rest of the world would rush to give Britain a living because we happen to speak English, this has meant we now have a weak currency that will fuel inflation as an import-dependent Britain now has to pay 30 per cent more for everything from raw materials to Primark cheap clothing and the electronic goods that sustain so much High Street sales.

By contrast, the euro-using economies have not faced great runs on their currency or the kind of speculative attacks that George Soros organised in 1992 to drive the pound out of the European Exchange Rate Mechanism.

There are clear tensions in the Eurozone but it is in Germany's interests to ensure that there is no break-up of the Eurozone as a return to economic nationalism would be disastrous for an export-based economy like Germany.

For the Europe-haters in British politics, and these include some of the growing group of national-populists in

### *Devaluation is like ecstasy or cocaine – just a quick buzz*

Labour, the long-awaited break up of the Eurozone is something devoutly to be wished for.

David Marsh, in the concluding chapters of this fine book, hedges his bets. As one of the best German and European correspondents of *The Financial Times* – and a man who has better contacts in the German banking and political class than anyone else in the world – he sustains a healthy pragmatic British scepticism.

But if, for example, Italy or Greece were suddenly to quit the euro, they would still have to pay back their important government debts in any newly-devalued lira or drachma. And devaluation is like ecstasy or cocaine. A quick buzz but the cold light of reality returns and economies have to be managed intelligently, budgets brought into some equilibrium, and the right balance between public spending, borrowing and fiscal stimulus arrived at.

It is hard to see how any single market



can be sustained if its component regions all have different currencies.

What David Marsh's book does is allow an adult exploration of the euro. But because we now have a very good history of the currency written in a very non-technical and accessible way it does not mean that we can now have an adult discussion about whether Britain should consider joining the single currency.

The Conservatives under William Hague's fanatical anti-Europeanism and David Cameron's no less ideological dislike of the European Union have decided to put everything into the scales against both the single currency and even sustaining political links with the ruling centre-right parties of Europe.

Can Labour make this an opportunity to represent both the economic interests of Britain as an internationalist trading nation which should be arguing for currency stability rather than the fluctuations of sterling's up and down movements? Or will the hostility to the euro that was so evident from the Treasury after Labour won power in 1997 continue to be the guiding force for Labour's thinking on the currency which our main allies and partners in Europe have now adopted?

On the issue of the euro, Labour has always preferred to follow the conventional Eurosceptic wisdom of the London establishment elites. Britain will enter the euro at some stage just as – despite the Euroscepticism from 1950 onwards – Britain finally did decide to join France, Germany, Italy, the Netherlands and Belgium in signing up to the Treaty of Rome. The fascinating question is which political party will be in government when the decision to enter the euro is taken and who will be the political leaders with the courage to face down the isolationism and protectionism that lie at the heart of hostility both for the European Union and for the single currency?

**Denis MacShane**