

## **Brexit and Grexit: putting the British and Greek cases in their historical and comparative contexts within Europe and the West.**

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### **Abstract**

This paper locates the recent question of possible Greek or British exits from the institutional arrangements of the European Union within the historical development of the EU since the immediate post-war period, especially the way Greece and the United Kingdom joined and participated within the European project. The analysis includes a distinctive approach to understanding the dynamics of humiliation processes, and the interplay of the codes of honour and human rights.

Keywords: European Union, Greece, United Kingdom, human rights, honour code, state, market, humiliation.

### **Introduction**

Seventy years ago Europe was exhausted and impoverished. It had spent six years tearing itself apart. In 2015 Europe has an economy bigger than America's and accounts for more consumer spending than the United States.<sup>1</sup> Yet no one can be quite sure how it holds itself together. It is a kind of wonderland. Lewis Carroll would understand. He would have no difficulty identifying the ruling Queen of Hearts in Berlin, her white rabbits in the European 'North', and a few mad hatters across the EU.

Britain and Greece offer two rabbit holes down which to enter our amazing European wonderland.<sup>2</sup> This exercise in triangulation provides two empirical perspectives and two national narratives. It poses the challenge of constructing an argument that brings those perspectives and narratives together in a way that makes overall sense. My approach to this challenge is sociological, historical and comparative.<sup>3</sup>

I am going to interweave the historical trajectories of Greece and the United Kingdom with the development of the 'European project' since the Second World War. On the way, I will look at the impact on that project of the Allied victory of 1945, the breach of the Berlin Wall in 1989, and the recession that began in earnest during 2008. We will find our way by this route to the current uncertainties surrounding Grexit and Brexit.<sup>4</sup>

The so-called five presidents' report recently described the European Union as a house 'built over decades but only partially finished' (Juncker 2015, 4). Its authors hope that during the next ten years the EU will acquire – and please excuse this jargon overload - a stronger macroeconomic imbalance procedure, a beefed-up European stability mechanism, a system of competitiveness authorities, a capital markets union, an advisory

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European fiscal board, a banking union, and a euro area treasury. That's quite some construction project. Mr Juncker has set up a European fund (EFSI) intended to help bring about new strategic investments hopefully valued at over €315 billion.<sup>5</sup> Can it all be done? Will it be enough? Will these integrating, centralizing, energizing initiatives overcome the multiple disruptive, centrifugal, delegitimizing challenges that face the EU? The list of those challenges is long. It includes: the refugee crisis whose dimensions and duration remain unclear; the anti-EU resentment caused by enforced austerity programmes, especially in Greece, Cyprus, Spain, Portugal and Italy; the defiance of the Commission's authority by Visegrad countries such as Hungary and Slovakia;<sup>6</sup> the determined opposition to the proposed Transatlantic Trade and Investment Partnership (TTIP) both within and outside the European Parliament, not least in France; the prospect of deep and prolonged deflation in the Eurozone reinforced by the current divestment of capital from the BRICs, especially China; and, not least, the risk of potentially disruptive exits by two long-standing member-states, namely by Britain from the EU and by Greece from the Eurozone? What would investors, EU governments, and EU citizens think if either or both of these high-profile member-states decided that going through the exit door was an acceptable alternative to remaining within the club?

All those questions are very difficult, partly because the issues are so interdependent, partly because there are so many unknowns, and partly because attempts to predict the results of elections and referenda have recently proved to be so unreliable.<sup>7</sup> But at least we can try to make sense of some long-term processes, conflicting pressures, and gradually emerging structures that have shaped the European Union and held it together, so far at least. We can also try to identify some aspects of the state of play at present. In this context, the cases of Britain and Greece are fascinating in themselves; and even more so when compared. This paper will not be able to predict the future, it cannot tell us whether either Grexit or Brexit will occur and if so with what consequences, but it may help to make sense of some aspects of the past and present that are relevant to those concerns.

### ***Greece and Britain***

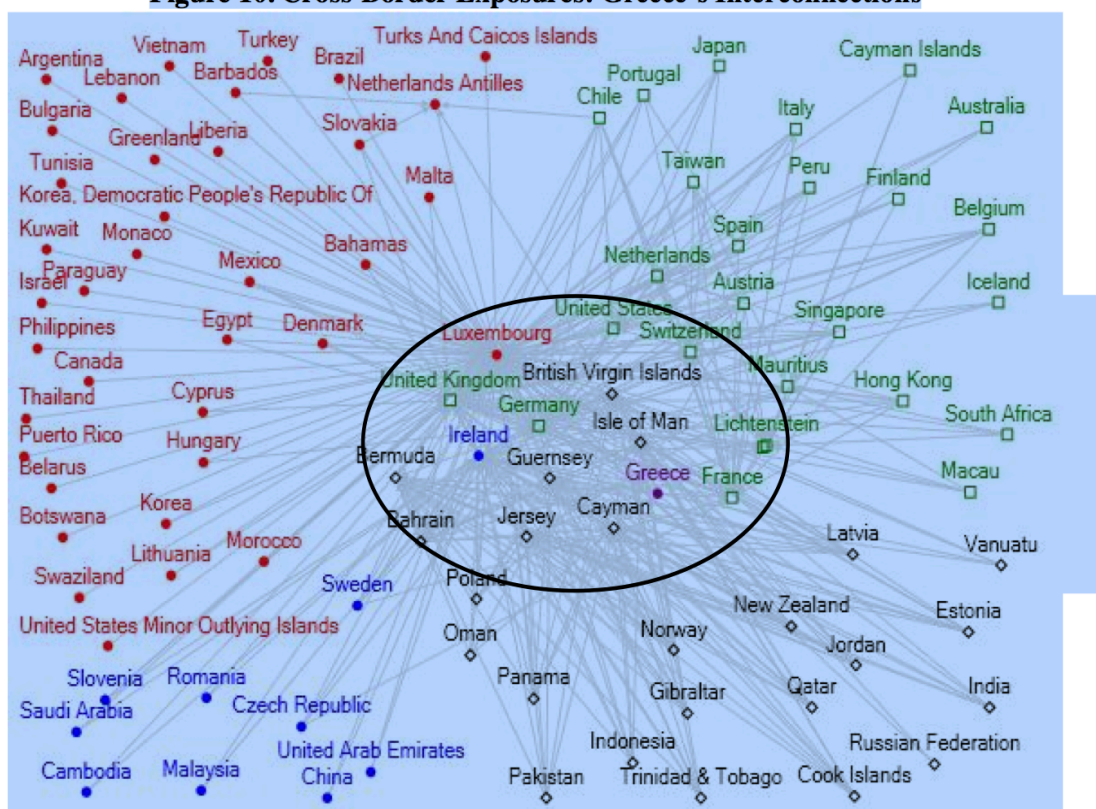
At first sight Britain and Greece make an odd couple.<sup>8</sup> Some of the differences between the two countries are obvious, such as their culinary practices, their religious traditions, their size, their climate, their language, their industry, their agriculture, and their historical trajectories. However, there are some similarities between them that may not be immediately obvious. I will mention four.

Firstly, these two countries are both at the heart of globalization processes through their deep involvement in international commerce, facilitated, historically, by their key locations on world maritime routes. On any day the City of London can be in real-time communication with both New York and Singapore. For their part, Greeks dominate world shipping, controlling roughly a quarter of the global bulk carrier fleet, with all the advantages that brings in terms of privileged access to the markets in finance, information and commodities. The shipping companies pay no tax on their business profits or ship sales, although there is a tonnage tax based on the number and size of ships.<sup>9</sup>

The IMF's report in 2010 called *Understanding Financial Connectedness*<sup>10</sup> includes a useful figure reproduced here that displays Greece's location in cross-border funding flows (see figure one). It shows that Greek financial institutions are closely interconnected with the institutions in the central nodes of four other clusters: one cluster of institutions with access to funds domiciled in Luxembourg; another cluster similarly related to the offshore centres of the British Virgin Islands, Jersey, Cayman, Guernsey, and the Isle of Man; a third focused upon Ireland; and a fourth cluster that included the US and several European countries. Prominent in this fourth cluster are both Germany and the City of London which itself has strong links to all the other clusters. Bankers from both Britain and Greece are right in the middle of both the European and global action.

Figure 1 The interconnectedness of Greece and Britain

**Figure 10. Cross-Border Exposures: Greece's Interconnections**



Sources: Lipper (Thomson Reuters); and Fund staff calculations.

Secondly, both Greece and Britain are strategically positioned between continents. Both historically and today, their politico-economic establishments have exploited this fact, politically and diplomatically. In the case of Greece, for two centuries beginning with its independence struggle in the 1810s politicians in Athens have used that country's key location between Europe, Africa and Asia as a lure or bait. The point is that Greece has mattered strategically for a long time: for example, during the slow decline of the Ottoman empire and during the two world wars. It has been on the front line with the Communist world during the Cold War, and since then a vital redoubt on the edge of Europe hovering in the mouth of the East Mediterranean, close to Libya, Egypt, Lebanon and Syria, and only a short distance via the Black Sea from the Ukraine. This strategic

situation between North and South and simultaneously between East and West has enabled Greek leaders to attract foreign political and financial interests and play them off against each other. Historically, those interests have been based in Britain, France, Germany, Russia and, more recently, the United States. The Greeks have benefited from the long-term bidding war going on between them, which still continues as shown by the tactical visits Tsipras made to Moscow and St Petersburg during 2015.<sup>11</sup> The prize that Greece offers to these rivals for its hand is diplomatic friendship and access to its territory. In return the Greeks have always asked for military protection and financial support.<sup>12</sup>

For its part, Britain has traditionally tried to use its influence to maintain a balance of power within Europe while, at the same time, steering back and forth between its various involvements with Europe and North America, and its numerous ex-imperial links in Asian and Africa. Britain has always tried, if possible, to avoid antagonizing all the powerful players in Europe at the same time. But in recent months David Cameron has found himself in exactly that position.<sup>13</sup>

He did this by promising a referendum on EU membership and telling British voters in everybody's hearing that he would threaten to come home from the party in Brussels unless his European hosts changed the music. That has obviously left all his European neighbours upset and disappointed. They have enough problems already without the British threatening to pull out. It would perhaps be tempting for them to call the British bluff. For example, now that Mrs Merkel has established Germany's superiority over the French would this, perhaps, be the golden opportunity for her to dispense with Germany's only other major rival within the EU. Perhaps the main reason this does not happen is that it would be very difficult to explain it to the Americans who are pretty well one hundred percent behind British membership of the EU. Washington may indeed be pleased that at last there is just one main telephone number to call in the EU, the one in Berlin.<sup>14</sup> However, they are no doubt happier still that the British presence in the EU prevents the Germans from becoming too dominant, now that France is in a phase of relative weakness.

In fact, it is becoming clearer by the day that neither Mr Cameron nor Mr Osborne actually wants Britain to leave the EU. Nor do the Chinese although they are hedging their political and financial bets.<sup>15</sup> So now Cameron and Osborne have an enormous challenge. They have to persuade the British they are doing something special to make the EU work really well for their compatriots. At the same time, they have to convince opinion leaders in Brussels and the national capitals that Britain really is an asset they absolutely cannot do without. We will look at this challenge in more detail later.

A third similarity between Greece and the United Kingdom relates to the diplomatic styles of their politico-economic establishments. Both of these establishments carry institutional memories of earlier times when their predecessors pursued ambitious plans. In the case of Athens the goal was to create a greater Greece composed of pieces of Asia Minor and the Balkans. The idea was to carve these pieces out of the Ottoman empire as it collapsed from the late nineteenth century to the first world war. In the British case, the objective was a greater Britain built from the Anglo-Saxon bits of the declining British empire. This dream was pursued for over half a century from the time of Joseph Chamberlain through to World War II. These ardently pursued plans did not work out in either case.

Both political establishments took these failures hard and still feel, at some deep level, a lingering pain. This has fed a mixture of arrogance and resentment that has not always been well hidden in their manner. This surly moodiness seems to have been present during some of the EU's negotiations with Yanis Varoufakis as Greek finance minister; and perhaps also when David Cameron delivered his notorious December 2011 veto at Brussels over proposed fiscal stability arrangements in the early morning hours. Perhaps even more so when Cameron tried to prevent his EU colleagues from using the European Commission and the European Court of Justice as part of the proposed intergovernmental arrangements on fiscal discipline.<sup>16</sup>

Finally, both Greece and Britain have learned what it is like to have foreign financial interests deeply installed within their countries. To give one example, between 1898 and 1936 the Greek budget was administered by an International Financial Control Commission set up by Britain and other major European powers. This commission determined how much was spent on debt repayment, how much on public works, and so on.

In Britain the legal and political circumstances have been very different, and have felt very different, but some broad parallels are worth noting. The proportion of office space in the City of London under foreign private ownership increased from only eight percent in 1980 to 52 percent in 2011.<sup>17</sup> The proportion of shares held by foreign investors in UK-listed companies increased from 30.7 percent in 1998 to 53.3 percent in 2013.<sup>18</sup> In 2002 Will Hutton reported 'an extraordinary takeover of corporate Britain by corporate America.' In 1983, the leading London investment banks were all British owned: Morgan Grenfell, Warburg and Hill Samuel. By 2001, they had been replaced by three American firms: Goldman Sachs, Morgan Stanley and Merrill Lynch. The year before US investment banks had even tried to sell off the London Stock Exchange to Frankfurt with a view to creating 'a pan-European market in company shares which they could dominate' (Hutton 2003 47). In the event this fell through.

The main point here is that in both Greece and Britain key politico-economic decisions that shape the lives of ordinary Greek and British citizens have been taken by 'outsiders', not even by their own political leaders. In recent decades both the Greeks and the British have sometimes been made to feel that their lives are being shaped by foreign interests that can easily be represented as 'intruders', global players imposing their own agendas on other peoples' lives. National political leaders have the difficult task of explaining why and how this situation is somehow good for those national citizens, or at least better for them than any alternatives on offer. That is not always easy.

That is a brief survey of the territory towards which we are heading by way of a brisk trek through some relevant bits of European history since 1945. Before setting off I am going to propose a simple typology that will help us trace the dynamics of the shifting configuration that is the European Union. I want to introduce this typology by looking at an inside report from the negotiations over the Greek economy that took place in the summer of 2015.

## I Orientation

### *A report from inside wonderland*

Donald Tusk, one time prime minister of Poland (2007-14) and President of the European Council since 2014, has a reputation for being ‘(q)uiet, unassuming, firm and politically ruthless.’<sup>19</sup> He is also a convinced ordoliberal, although this preference seems to be pragmatic rather than quasi-religious in his case.<sup>20</sup> Tusk was interviewed a couple of days after the seventeen-hour long overnight negotiation that he chaired in July 2015 culminating in a new loan for Greece and plans for further bail-out talks, *The Financial Times* published almost the entire manuscript. It provides a very realistic-sounding description of how it actually feels to be in the middle of the civilized jungle that is European politics. In this wonderland Donald Tusk can be our Alice.

Tusk had struggled hard, he said, to keep the negotiations technical and exclude feelings: ‘In fact, negotiations should be about numbers, laws, procedures. The discussions about dignity, humiliation and trust, this is not a negotiation. It is an introduction to fight, always in our history. I can understand emotions and feeling, and not only on the Greek side. For sure, you observed clear and very strong emotions on Merkel’s face. Emotions, this is not a typically southern specialization in politics. Cold Hanseatic politicians are also, from time to time, very emotional.’

Tusk had been disturbed by the debates on Greece in the European Parliament. The speech by Tsipras had been very anti-German and ‘the reaction of parliamentarians, of the MEPs, was very enthusiastic. In fact, it looked like an anti-German demonstration when it came to the left side of the chamber and the radical right. It was the first time I saw radicals with such emotion. It was almost half the European Parliament.’ This worried him because it was reminiscent of 1968 in Poland when human rights activists and neo-fascist groups both took to the streets in protest against the government. Perhaps inter-war Germany was also on Tusk’s mind because he added: ‘It was always the same game before the biggest tragedies in our European history, this tactical alliance between radicals from all sides. The main melody today is anti-European.’

In spite of his ordoliberalism, Tusk was far less concerned about the economic implications of how Greece and Germany treated each other than he was about the political fallout. ‘I was quite sure that there was no risk of financial contagion even if Greece is out [of the Eurozone].... But for sure, after a dramatic event like Grexit, we could predict some political, ideological and geopolitical consequences. I am really afraid of this ideological or political contagion, not financial contagion, of this Greek crisis...’ continued Tusk, adding that ‘This new intellectual mood, my intuition is it;’s risky for Europe...my fear is this ideological contagion is more risky than this financial one.

Tusk was very aware that ‘The whole situation around Europe – is very, very tentative. We can feel that the European construction is quite fresh and fragile.’ More people than before were ‘questioning Europe as an idea, the EU as an organization,’ He did not think the main threat to Europe was external, from Russia or North Africa. Instead, ‘the most important element of this threat is...what we feel inside.’

### ***Humiliation, human rights and the honour code***

This interview with Tusk provides a valuable participant observation report by a shrewd and highly perceptive key witness. Especially interesting is his assertion that ‘The discussion about dignity, humiliation and trust...is an introduction to [a] fight, always in our history.’ If we did a little deeper into the phenomena Tusk describes we find two contrasting approaches to the game of humiliating others and four distinctive forms of political strategy and rhetoric.

Let us start by defining humiliation as actions or events that are perceived as causing outrageous and unacceptable forced displacement. Humiliation occurs when people are shoved out or excluded from their established position in the world in a way that undermines their previous social identity and imposes a less flattering and desirable one. As we have already seen, Tusk was intrigued and disturbed by the apparent unity in the European Parliament on this issue of humiliation between far right groups like the French National Front and what he called ‘romantic’ left groups such as Syriza. They both complained of the humiliation they were experiencing at the hands of Germany and Brussels.

However, in fact the agreement of the far left and the far right is superficial and misleading. That is because their responses to humiliation are very different. The radical right says it wants *to win* the political game of humiliation. By contrast, the radical left says it wants *to eradicate* humiliation altogether,

The point is that in the modern world humiliation is deeply ambiguous. That is because it appears in strikingly different ways in two interwoven but mutually contradictory codes. According to *the human rights code*, humiliation is almost always illegitimate and should be eliminated. According to *the honour code* the ability to humiliate others is the most valuable asset a person or group can have and it is a noble thing to display physical might or mental force and exercise destructive power.

The human rights code was enshrined in European law in 2009 as a charter declaring that ‘the Union is founded on the indivisible, universal values of human dignity, freedom, equality and solidarity.’<sup>21</sup> These principles translate into enforceable universalistic rules buttressed by professional and bureaucratic groups that strongly identify with them. The human rights code recognizes that all people should be empowered to take part fully in the rough and tumble of work, politics and social life. They should be enabled to enjoy their fair share of life-enhancing experiences. Not least, they should be provided with care and protection when needed.

But the human rights code with its talk of equality, empowerment and self-realization is part of a dual mandate. It shares space with the honour code which has an equally distinctive rhetoric of glory, mastery and triumph. The honour code is the normal discourse of sports commentators, and can be traced back through tribal and feudal times to the exploits of Thor or Odysseus. The honour code gives respect above all to strength and craftiness. It values those who use brain and brawn to hurt and overwhelm others, conduct that is intrinsically despicable from a human rights perspective. The honour code despises losers. By its lights, winners are almighty. They are, on occasion, rule-benders. They can choose which rules to follow, or ignore, and which rules to impose on others, and they can change their minds at will. They can protect or abandon whoever and whatever they wish.

These two codes coincide and intermingle in many areas of human life including the sphere of the market and the sphere of the state. Consider, for example, neo-liberal ideology. From the human rights code it takes two things: firstly, every citizen should be free to strive for a better life, so no-one should be excluded from the struggle; and secondly, the competition for success and, indeed, all aspects of life should be free from violence as far as possible; robbing banks is off limits. But in neo-liberalism human rights values are interwoven with honour code thinking: the power struggle to win out in the market place is exciting and can be glorious; losers get humiliated and they should either accept that or become more ambitious and ruthless; winners get to choose what to do with their spoils; property rights should be as nearly absolute as possible; taxation is a gross imposition supported by losers, and should be avoided as far as possible. In other words, alongside Adam Smith there is more than a touch of Nietzsche in neo-liberal market ideology.

The dual mandate of the two codes also operates in the sphere of government. In dealing with its citizens, the modern democratic state will be expected to defend and implement the human rights code: including a universal franchise, and universal access to legal redress, education, healthcare, pensions and other citizenship rights. But in dealing with rivals and enemies both within and beyond the state's borders, priority is given to maintaining and exercising strength, defensively or aggressively. This includes the technological capacity to monitor, rebuff and if necessary, destroy anyone or anything posing a threat.

### ***High priests, puritans, cavaliers and buccaneers***

Now we can make the next analytical move. That is to identify four distinctive forms of political strategy and rhetoric. Political activists who want to justify their actions habitually draw upon aspects of both codes but very often one code or the other predominates. In a similar way, business entrepreneurs and their spokespeople tend to lean one way or the other, towards the human rights code with its universal rules or towards the honour code with its emphasis on the differentiating qualities of strength and craftiness or guile. This allows us to identify four types of player in Western democracies, and beyond. They can be located in a hypothetical square created by two cross-cutting dichotomies which refer to the type of code the players adhere to and the main base from which they operate (see figure one).

The first two types are the high priests and the cavaliers. They are, respectively, the rigorous rule enforcers and the crafty bullies of the state sphere. Obviously these types overlap but the *high priests* are those politicians who explicitly identify themselves as rule enforcers whose mission is to defend and implement human rights. They are, or wish to be, based in government with substantial taxation revenues, credit facilities and bureaucratic resources at their disposal. They are the guardians and enforcers of the laws made by the state. Their declared mission is to serve 'the people.' The president of the European Commission is the highest of high priests.

Acting in the same state sphere, there are the *cavaliers*. They portray themselves as being, above all, strong, or wily, or both. They are sometimes prepared to override or evade conventional legal and moral requirements in their strategies and behaviour. They justify this in terms of the honour code. This says they deserve praise and respect for being powerful, daring and successful, and for advancing the interests of 'their' people,



either their nation or a particular economic or ideological interest group. Silvio Berlusconi is one of the most cavalier examples of the cavalier type, though his star currently burns less brightly than before.

Figure 1: Four types of politico-economic actor (the base/code model)

		BASE	
		State: Serving the People	Business: Following the Market
CODE	Human Rights: Universal Rights/ Rules	HIGH PRIEST	PURITAN
	Honour: Differentiating Strength/Guile	CAVALIER	BUCCANEER

The second two types of player are the puritans and the buccaneers. They operate mainly in the sphere of business and civil society. *Puritans* are inclined to distrust over-mighty government even though some of them stand for election and gain considerable influence: for example, Wolfgang Schäuble, German finance minister. Puritans insist on rigorous application of the rules that maintain high standards of personal and professional behaviour in the realms of finance, business and the market, including the labour market. They wish to keep those arenas clean, pure and well regulated. Another prominent spokesperson for this approach is Jens Weidmann, one-time economic adviser to Angela Merkel and currently president of the *Deutsche Bundesbank*.

The *buccaneers* operate in the same market arena as the puritans but have a very different approach. They are very much more interested in pulling off spectacular deals that beef up the bottom line than in getting praise from regulators for obeying the rules. Some of them get exposed in scandals such as those affecting the LIBOR rate. Their jargon tends to be militaristic, or animalistic, or body-related. So we hear or read about dawn raids, white knights, black knights, grey knights, bulls, bears, dead cats, cash cows, vulture capitalists, poison pills, falling knives, haircuts, having skin in the game, and cooling-off periods. These words say to us: be on your guard, watch your back, be strong and alert, it's better to be a deceitful winner than an honest loser, and Machiavelli is a better guide than the Ten Commandments.<sup>22</sup>

As long ago as the 1850s Ralph Waldo Emerson argued that English commerce owed a great deal to the historical influence of 'the Norsemen' as represented in their Sagas. In his view, this influence produced people with 'good sense, steadiness, wise speech and prompt action' as well as 'a singular turn for homicide' (Emerson 2009, 35). They are, he wrote, the kind of people who will take to their boats and rob and plunder along the shorelines as long as it is profitable to do so but 'As soon as the shores are sufficiently peopled to make piracy a losing business, the same skill and courage are ready for the

service of trade' (34). Hence, perhaps, the buccaneering spirit of the City of London, powerfully renewed recently under American influence.<sup>23</sup>

Some politico-economic players in the EU, and indeed many outside it, may be located within this typology with relative ease. The City of London has a strong buccaneering tendency, the Greek government has cavalier characteristics, the European Commission is a college of high priests and German ordo-liberals are inclined to be puritan. However, it is not supposed that every member-state has a fixed or 'pure' typological identity since behaviours and locations shift and overlap. No player operates entirely in either the business or state spheres. Everyone's behaviour is shaped both by rules and by power balances. The code/base model simply indicates four points of the compass.

We can now move to the analytical narrative, which is in three parts. In the next section of this paper, the focus is upon the politico-economic dynamics that led to the foundation of the Common Market with its original six members, soon followed by its expansion to twelve countries including Britain and Greece who became members in 1973 and 1981, respectively. In the following section we see how Greece and Britain 'fitted in' to the EU as it doubled in size once more, and kept on growing, in the period between the fall of the Berlin Wall in 1989 and the fall of Lehman Brothers nearly two decades later. Finally, we explore how the Eurozone recession has affected the situation of Britain and Greece, and how it has become possible that they might become detached from their existing moorings in the EU and allowed to drift away.

## II After 1945

### *Joining in*

The post-war European project obviously had European ideological roots: Churchill, Spinelli, Hallstein, Monnet, Schumann and so on. But its political crucible was provided by the United States. During the late 1940s Washington turned Western Europe into a kind of 'court society.' The old warrior states were pacified and made into courtiers. They were forced into regular cooperation with each other. However, as everybody knows, by the 1960s the monarch was De Gaulle and the French remained the major shaping force in the EU right through to the regime of Jacques Delors in Brussels (1985-95).<sup>24</sup>

A lot more could, and has been, said on those matters but what about Greece and Britain, both left outside the Six? During the late 1950s Greece and Britain each enjoyed an economic boom. However, politically both were still in the recovery ward, nursing their war wounds. Greece had been occupied by the German army and then endured a civil war until 1949 by which time the Americans had moved in.<sup>25</sup> Meanwhile, Britain had been left almost bankrupt by its victory in 1945. Its leaders had said goodbye to their imperial possessions in India and Burma but were fighting a long, losing campaign in Malaya. Empire still beckoned till at least 1960 when Prime Minister Harold Macmillan finally admitted reality and made his 'wind of change' speech in Cape Town.

After 1960 the British foreign office quickly came to realize it was a mistake to remain aloof from the European diplomatic game being played in Brussels, Paris and Bonn. The UK applied to join the Common Market. They were forced to stomach two

refusals by De Gaulle, in 1963 and 1967, before persuading the more pragmatic Pompidou to say yes to the UK in 1973. A national referendum confirmed UK membership in 1975.

As for Greece, during the late 1960s it belonged to a small list of potentially ‘risky’ European dictatorships that the Americans were nursing towards economic prosperity and political stability. But in the early 1970s, the United States devalued the dollar and cut back American involvement in Europe. This was the cue for the Common Market to expand its membership to get greater clout in transatlantic bargaining. So Britain, Ireland and Denmark joined in 1973.<sup>26</sup> The dictatorships in Athens, Madrid and Lisbon collapsed shortly afterwards. It did not take long for Greece, Spain and Portugal to get re-classified as worthy members of the Common Market.

So, by the 1980s both the UK and Greece had joined. What did those countries get out of it? Their motives were very different. For Britain, the Common Market was a new realm of business opportunity. By contrast, for Greece it was a new zone of political opportunity. British business wanted a larger market without a burdensome overhang of bureaucratic regulation. Greek politicians wanted enhanced patronage possibilities without a burdensome overhang of fiscal discipline.

### ***Britain in Europe***

The big attraction for Britain was the single market in prospect. The British in Brussels promoted this strongly and worked hard to make it a practical reality. This appealed to a British audience because it could be presented as the removal of bureaucratic obstacles to enterprise rather than the imposition of rules and control. The Single Market Act of 1986, which enhanced free trade, coincided with radical changes in the City of London. The so-called ‘big bang’ of 1986 transformed the City. It was deregulated and digitized, bringing in American companies and traders on a scale that swept aside the old British imperial traditions of ‘gentlemanly capitalism.’<sup>27</sup>

The atmosphere of the time was caught in Michael Lewis’s book *Liar’s Poker* (Lewis 2006). Lewis was a Wall Street banker who came to work at a London branch of a US investment bank in 1985. He already knew that, as he put it, ‘There is a genus of European, species English, to whom slick financial practice comes naturally. The word for them in the Euromarkets is “spivs”.’ Lewis was very disappointed to find that there were no spivs working for him in London. Instead he had ‘the refined products of the right school...For them work was not an obsession, or even, it seemed, a concern.’ He used to call them “‘Monty Python’s Flying Investment Bankers’”. So what did Lewis and newcomers like him do? The relentless American invasion of ruthless transactional operators swept away the old-fashioned ‘relationship banking’ of the British. As Lewis put it, ‘There was never any sense that the old English bankers were competing with us in any way...It was much more, how much did we have to pay them to clear out of town and do something else with their lives.’<sup>28</sup> Perhaps at least some Old Etonians found that careers in London could still be made in the fields of journalism, public relations and politics.

In the mid-1980s the cabinet secretary warned his political masters that in the new deregulated regime money would be ‘made in ways that are at least bordering on the unscrupulous.’<sup>29</sup> It turned out he was right. The newly turbo-charged City of London was keen to exploit the rich opportunities on the continent. Its traders brought their

lawyers and lobbyists with them as they took their wagon trains from London to the new frontier of Brussels and the high chaparral beyond. Members of the buccaneering tendency installed themselves within the Common Market in a big way, laying siege to the temple of the high priests and the chapels of the puritans. This ‘Anglo-Saxon’ invasion shifted the culture. Catherine Stewart, British chairwoman of the public affairs consultancy Interel Group, first moved to Brussels in 1984. She recalled that ‘lobbying was very much a dirty word’ at that time. But by 2003 there were reportedly around 15,000 lobbyists in Brussels, a figure that at least doubled by 2015, although both estimates are probably far too conservative.<sup>30</sup>

### ***Greece in Europe***

The context for Greece’s entry was very different. In 1974 Greece’s military dictatorship collapsed. The long exile of the Greek left from their country’s governing class was over. It had begun with the dictatorship of General Metaxas in 1936. After nearly four decades democratic politics finally resumed. It was democracy combined with patronage politics; in other words, democracy built around party networks reinforced by financial favours, business contracts, job opportunities and family ties; like many other democracies, of course – but much more so. In 1975 prime minister Konstantinos Karamanlis resumed his long campaign to get Greece into the Common Market. He succeeded in 1979 but when Greece finally joined in 1981 the main beneficiary was the new premier, Andreas Papandreou, leader of PASOK, the Panhellenic Socialist Party.

Papandreou was a brilliant political campaigner. Once in office (1981-9) he secured a large amount of funding from the EU. This helped him provide ordinary Greeks with concrete social rights that helped the old, unemployed, and low-paid as well as families in need of healthcare and educational facilities. EU funding was supplemented by a great increase in the Greek public debt. The new funding did not just go to the poor and weak. It also provided well-paid and secure jobs in government and administration for Papandreou’s supporters and their relatives. This was their compensation for the previous four painful decades of humiliation. PASOK’s main opponents, the New Democracy party, criticized Papandreou’s government for being wasteful, hypocritical and self-serving. However, when they came to power they did the same, only this time in favour of their own supporters. Like PASOK, they bent the rules to help ‘their’ people. In other words, with the accession of Greece to the Common Market, the cavalier tendency within the EU was greatly strengthened.

### ***Compromise and Eurosclerosis***

So, by the mid-1980s, all four political types – high priests, puritans, buccaneers and cavaliers – were strongly represented among the twelve member-states, each operating according to its own principles. The system – or lack of system – survived because a climate of compromise prevailed. The point is that many senior politicians and businesspeople still remembered the bad old days in Europe during the 1940s when they suffered the humiliation of Nazi occupation following by the different kinds of humiliation imposed by the American liberators. During the 1970s Europe recovered its dignity. The massive protests against the American war in Vietnam in the late 1960s and early 1970s had been, apart from anything else, a reassertion of European political, cultural and moral independence. In Europe during the 1980s, peace between states plus increasing prosperity was a valued combination of benefits. In order to

preserve this condition, everybody protected their own vested interests but tried to avoid upsetting others.<sup>31</sup>

One outcome of these political compromises was a heavy drag on economic output. In the early 1980s the Common Market's growth rate was only half the American rate and only a quarter of the level achieved by Japan. In 1985 the influential German economist Herbert Giersch labeled this state of affairs 'Eurosclerosis.' Why had it happened? Because, said Giersch, '(e)ssential members of the body economic have become too rigid to permit a quick and painless adjustment' (Giersch 1985, 4). New information technology was advancing world-wide but Europe was missing the boat. Giersch pointed to the conservatism of almost all Europe's politico-economic organizations and the stifling of individual initiative. But the main cause, in his view, was inflexibility in the labour market protected by trade unions and welfare legislation. In other words, he threw his intellectual weight behind the ordo-liberal puritan tendency.

However, the two decades after 1985 did not belong to Europe's ordo-liberals. Instead two other interests predominated. They were the high priests and the buccaneers: the first group embodied by men such as Jacques Delors, Martin Bangemann and Peter Sutherland, three of the European Commission's heavyweights;<sup>32</sup> the second group well represented by companies such as HSBC, J P Morgan and Goldman Sachs. But this part of the story belongs to the transformed European and transatlantic world that came into existence after the amazing events of 1989.

### III After 1989

#### *Three frontiers of negotiation*

After 1989 the future of the transatlantic world was suddenly frighteningly open. Would divided Germany be made one again? Would Berlin and a reinvigorated Moscow combine to share domination of central and Southeast Europe? Would Britain and France unite their forces, and perhaps their sovereignty to resist this? Would Germany be driven back into the pariah status it had worked so hard to overcome?

As everyone knows, a grand bargain was made between Germany and France. The new bigger Germany would be contained and domesticated within a new bigger European Union. France, channeled through Jacques Delors and his commission, would design the architecture and décor for this new structure. Basically, the EU would begin to look more like a state, with its own passport, foreign policy, social policy, central bank and currency. Germany would deliver the strength and credibility of the deutschmark, investing those assets in the new common European currency.<sup>33</sup>

For nearly two decades after 1989 the EU was held together by constant negotiation along three frontiers: between the French and German leaders; between government and business; and, finally, between the member states and the Commission. The first frontier was the most peaceful and secure: Kohl and Mitterand worked well together, and so did their successors, Schröder and Chirac. The second frontier was also pretty well managed: politicians and officials got on really well with business lobbyists, despite occasional embarrassing hiccups such as the one that led to the mass resignation of the Santer Commission in 1999.<sup>34</sup> Keith Middlemass provided a succinct

analysis of lobbying in the early 1990s. He explains how regulation became ‘a bargained process’ with governments learning to ‘rely on market players to police’ highly technical and rapidly changing markets like financial derivatives. Public officials would even get the market players themselves to ‘help them write the rules’ (Middlemass 1995, 442). So.

Middlemass shows how lobbying styles differed: German firms made sure they maintained regular contact with Commission officials; the French tended to wait till Commission policy became clear then made sure ‘always to have an answer for the Commission when asked’ (449); but the British had ‘a facility for getting in earlier, often assisted by the UK Representation’ (450). The long-term strategic goal for all lobbyists was ‘creating an attitude of mind among officials’ (461), creating a disposition that favoured one’s own technology, fuel, standard or firm.

The most difficult of these three frontiers was probably the one between the European Commission and the member states, whose numbers were steadily increasing. Most states set out on the long journey of economic convergence leading towards the Euro. Greece and the United Kingdom both joined in. In doing this, each country displayed a specific characteristic of its national political culture: in the British case, it was schizophrenia; in the Greek case, it was amnesia.

### ***British schizophrenia.***

The British establishment was fundamentally divided over the European Union. On one side, the British labour movement’s leaders really liked the social chapter that Brussels promised. Jacques Delors had been a great success when he spoke at the British Trades Union Congress in 1988. On the other side, Margaret Thatcher was hostile to Delors’s ambitions. She was keen on the single market but she did not want to go further. She refused to join the European exchange rate mechanism (ERM) when it was established in 1979.<sup>35</sup>

John Major, Thatcher’s Chancellor of the Exchequer, finally got the UK to enter the ERM eleven years later, in 1990. At that time Jacques Delors was driving hard towards the Euro. It even seemed like a good idea. The British government was happy to take the credit for joining in but in reality Britain did not enter the ERM out of any great enthusiasm for the Euro. Instead it had a practical objective: to keep inflation down in the UK without taking politically unpopular decisions to push up the interest rate. But as Christopher Johnson, wrote a few years later, Britain’s decision to go into the ERM was ‘taken at the wrong time, at the wrong interest rate, for the wrong reasons, and in the wrong way’ (Johnson 1996, 2).

Within two years currency speculators had forced sterling out of the ERM and into devaluation. It was a very expensive political disaster. It brought the government huge embarrassment, and condemned the Conservative party to five years of intense infighting followed by thirteen years in opposition. Norman Lamont, the finance minister, had to announce the British government’s withdrawal from the ERM in a hurriedly arranged press conference held on the pavement outside the Treasury in the early evening of ‘Black Wednesday’ (16 September 1992) under the glare of television lights.

Two years after this immolation Lamont came out as a Eurosceptic, which he remains. Another prominent Eurosceptic is Nigel Lawson, Lamont's colleague in government. Lawson had also been in favour of Britain's attempt to establish itself in the ERM in the early 1990s. Significantly, Lawson is now the leader of the 'Conservatives for Britain' campaign that wants Britain to withdraw from the EU. The public humiliation of Black Wednesday struck deep in the Tory party. That is why it is relevant that press photographs show that standing just behind Norman Lamont on that fateful day was a young man, a political adviser, later described by Lamont as 'an Old Etonian with a taste for the good life' (Lamont 1999, 194). This was David Cameron.<sup>36</sup>

### ***Greek amnesia.***

However, by the mid-1990s the European climate was changing, and this provides the context for Greece's more successful *entrée* into the Euro track. In 1995 the hard-driving Delors left the European Commission. A more relaxed approach arrived along with Jacques Santer. His regime happened to coincide with the start of a spectacular boom in so-called shadow banking. This created a large reservoir of easy credit that boosted the purchasing power of governments, companies and householders.<sup>37</sup> The political atmosphere of the late 1990s favoured borrowing and lending to maximize short-term profit in preference to self-discipline and denial for long-term economic strength. It was in this context that Greece made its bid to be accepted into the Eurozone. As with Britain and the ERM, the Greek attitude to the Euro was far from idealistic. The British wanted external support for its economic strategy of keeping interest rates low, mainly to satisfy house buyers. The Greek government wanted external support for its political strategy of giving jobs and contracts to its supporters, and being in the Euro helped enormously because it greatly improved its access to credit.

In May 1998 twelve member states applied to enter the new currency. Greece was the only one to be refused. The government was informed that its inflation rate, public deficit and public debt did not meet the "convergence criteria" set out in the so-called Stability and Growth Pact agreed the previous year. In response Greece followed the example already set by Italy during the late 1990s. It turned for help to derivative traders. Greece's public debt managers made a deal with Goldman Sachs in London. This company engineered some currency swaps that allowed the reported Greek public debt to appear lower than before, a device permitted by the accounting rules that then applied. Greece was duly welcomed into the Eurozone in 2001.<sup>38</sup>

At this point the Greek state's institutional amnesia becomes relevant. Basically, the historic pattern of Greek borrowing has been as follows: to forget to keep the specific plans and promises made to secure the loan; to forget to pay the loan back in full, or even at all; and to forget that this has happened many times before. In Athens this pattern was well established by the 1820s and 1830s when politicians and military commanders were fighting to be independent from the Ottoman empire. There have been major defaults in 1826, 1893, and 1932. Since 1932 the pattern has been complicated by war, foreign occupation and periods of dictatorship but in 2015 the Greek government again defaulted, this time on a loan from the IMF (see table one).

Successive governments in Greece, as elsewhere, have often presented ambitious long-term plans to their voters while focusing on short-term advantage for their political friends. At the same time, ordinary Greek citizens, and indeed Italian citizens, have,

historically, welcomed efforts by sympathetic experts from North European administrations to introduce more discipline and transparency into their affairs. That is one reason for the widespread popular enthusiasm for the EU in both Greece and Italy. The main proviso has always been that the imposition of discipline and transparency from outside should not be done in an aggressively patronizing or obnoxiously colonial manner.

Table 1: Greece and its creditors 1824-2015<sup>39</sup>

Four historic sequences of debt, default and bailout	
1824-79	1824-29: Independence War leading to independence of the Hellenic Republic. Two loans from London 1824, 1825. <b>Greek Default in 1826</b> 1833 A German aristocrat (Otto of Bavaria) made King of Greece. Loan from Britain, France and Russia who are given legal control over Greek revenues 1843 onwards: Economic downturn in Greece, Greek protests against high taxes and reduced spending. Uprisings against Otto (overthrown in 1862). 1866 Debt renegotiations begin, finally leading to debt restructuring in 1878
1879-1932	1879-93: easier credit, new Greek foreign debt builds up (loans in 1879, 1881, 1884, 1887, 1889, 1890). <b>Greek default in 1893.</b> 1897 debt restructuring. 1898 another loan but also imposition in 1898 of the International Finance Commission (IFC) initially run by Britain, France, Italy, Germany and Austria. IFC operated from 1898 (to 1942). It took responsibility for managing Greek budget and servicing of debt. 1923 Greek exodus from Asia Minor. Further loans (and a refugee settlement commission) organised by the League of Nations.
1932-1964	<b>Greek default in 1932.</b> Dictatorship (from 1936), occupation by Nazis (from 1941), civil war (1944-9). Marshall Aid from 1947. 1954-64 negotiations about debt restructuring.
1964-2015	1964 debt restructuring and Greece allowed back into the international market for credit. 1967-74 Military dictatorship. 1981 Greece joins Common Market. Access to grants and loans 2001 Greece joins Euro. 2007-08 Credit crunch and sovereign debt crisis 2010-2015: Greece debt becomes unsustainable following IMF, European Commission, ECB seek to impose budgetary discipline and structural reforms on Greece as a condition for bailout 2012 Private debt restructuring <b>2015 Temporary (?) default on IMF loan</b>

To see some evidence of this, take a glance at one of the streets names in central Athens. Close to Syntagma Square in Athens may be found Edward Law Street. Major Edward Law was the first president of the International Financial Commission of Control of Greece (IFC), which supervised Greece's financial affairs for over four decades beginning in 1898. Law was apparently a great success and was much liked. The IFC represented Britain, France, Italy and, until World War I, Germany and Austria. The street name is a tribute to the tact, effectiveness and even popularity of its president, a British finance expert who managed to restore order and regularity to Greek finances during his regime.<sup>40</sup>

The interesting question is why the loans have kept on coming to Greece, not just recently but regularly over a period of two centuries since the Greek War of Independence. The answer has, in fact, already been given. It is because rich and powerful governments have decided it is worth becoming the benefactor of Greece with its vital geo-strategic situation in the Southeast of Europe at the end of the Balkans. No country could ever risk that its rivals, including the Russians, might get a bigger voice in the counsels of Greece than themselves. Historically, many of the so-



called loans to Greece are, in effect, something else. Not gifts as such but purchases. They are a way to pay for two things that are of great value to foreign powers. Firstly, they help maintain at an acceptable level the stability, peacefulness and effectiveness of the Greek political order, including its systems of policing, social welfare and education. Secondly, they buy access and influence in a strategic listening post where much of the world's traffic of all kinds passes by, both across the Mediterranean and along the Balkan peninsula.

### ***Embarrassed but well satisfied***

We have now seen how Britain and Greece responded to the more ambitious European project that took shape after 1989. Britain hovered between a desire for economic advantage and a fear of losing too much autonomy. Greece wanted to embed itself as securely as possible within structures that would provide economic nurture and political protection. In the event, both countries were broadly happy with the deals they got. The sterling devaluation in 1992 triggered over a decade of economic prosperity that mainly benefited the Labour party in government. Greece within the Eurozone was able to provide employment and welfare to farmers, office workers, commercial developers and politicians.

## **IV After 2008**

Now we turn, finally, to the years of the Eurozone crisis that has morphed into the refugee crisis. There are three tasks. The first is to consider the influence of humiliation dynamics upon the shaping of our contemporary European political landscape. The second is to sketch in its main counters of collaboration, rivalry and alienation. The third task is to show how the issues of Grexit and Brexit fit into this broader political landscape.

### ***Humiliation dynamics.***

The Eurozone crisis was a massive shock to the European Commission. The EU had been floating on a vast lake of credit but the plug was suddenly pulled out and the lake drained. This undermined the EU's *raison d'être* established during the 1990s. During and after that decade, the EU was getting larger, doubling in size by 2004 and still growing. The official mantra of the EU was 'ever closer union.' However, in practice during those years its core message was 'ever growing prosperity for ever more people'.

After the credit crunch it became clear that for the foreseeable future the EU would not be able to deliver prosperity to its citizens. It was trading on a false prospectus. Its credibility and authority were damaged. It had been knocked off its high horse and cut down to size. The EU was soon forced to bring in the IMF. This is generally an embarrassing sign that a would-be sovereign body cannot cope on its own. It is always a delicate business given the IMF's power and prestige, and its strong American connections.

How would the leadership of the European Union, especially the Commission, deal with its own humiliation? The Europeans soon heard the tone being struck on the IMF's tuning fork. Christine Lagarde gave an interview expressing casual contempt for people in Greece who chose not to pay their taxes, implying that was the cause of the

recession.<sup>41</sup> This reflected and legitimized a wave of negative stereotyping in the mass media directed at the so-called ‘pigs’ (Portugal, Italy, Greece and Spain) that were supposedly feckless, lazy and unreliable. This demeaning language was politically convenient. It seemed to justify the very harsh cuts to public spending enforced by the so-called *troika*. Consciously or not, the victims of imposed austerity were being degraded in order to demonstrate that they deserved nothing better.

The troika’s harshness of language and action is an example of Elias Canetti’s argument in *Crowds and Power*. He wrote that that when a person or group has felt the sting of humiliation it will try and get rid of that sting by passing it on.<sup>42</sup> In other words, the EU leadership transferred their own hurt onto scapegoat governments and citizens, especially Greece and Cyprus. Of course they deny this. They would hardly admit it. It is humiliating to describe oneself as being humiliated. But consider some circumstantial evidence.

The EU leadership went to a G20 meeting in Mexico on 18-19 June 2012 and asked for some financial help. At a press conference on the first day a North American journalist asked why Americans should get the Europeans out of trouble. President Barroso got very angry at this point. He denied any responsibility for the credit crunch and sovereign debt crisis and blamed the North Americans for sending the recession over to Europe. Barroso emphatically declared: ‘Frankly, we are not here to receive lessons in terms of democracy or in terms of how to handle the economy.’<sup>43</sup>

Cyprus had the misfortune to make its own application for a bailout on 25<sup>th</sup> June 2012, just one week after this incident. It may be a coincidence but the terms imposed by the troika on the Cypriots were exceptionally harsh, the worst that they inflicted, including severe ‘haircuts’ on depositors, even, initially at least, those protected by the EU-wide guarantee on savings up to €85,000.<sup>44</sup> Did the cat that had been bitten by the dog turn its rage upon the mouse?

Apart from Cyprus, Greece was the target of choice for both the invective and the cuts. The spending cuts were a direct hit on the public establishment, extending from the ministries in Athens to the schools and surgeries throughout Greece. These organizations gave secure employment to many families whose senior members had been exiled or excluded from political life between the dictatorship of Metaxas in the 1930s to the dictatorship of the colonels in the 1960s and 1970s. Those families regarded those jobs as a long-delayed compensation for their extensive historic suffering. They had a strong sense of entitlement and felt betrayed when the men and women from Brussels and Washington snatched their birthright away. The response in Athens was ferocious. The middle classes, or at least their younger members, went onto the streets and the crowd showed their outrage over several nights on several occasions. There were obviously violent opportunists in the crowd also; and the events were a gift for Golden Dawn.

Humiliation dynamics have a long reach. Consider the current Europe-wide anxiety about the arrival of a large number of refugees from war zones across North Africa, the Middle East and Central Asia. The people arriving are recognizably like the Europeans they encounter as they make landfall: educated, articulate, determined. Consider the implications of that. The refugees are, quite rightly, actively demanding their human rights - that is the plea they explicitly make - and they have been receiving a positive

and supportive answer from many Europeans in many places, to the disgust of other European citizens who feel passed over. Europe's rescue mission is taking place in the midst of an existing European population that has just seen its own social rights slashed in the name of austerity. No wonder there is anger. Irrespective of the morality of the matter, the psychology and anthropology of the situation are fascinating and extraordinary.

Popular anger is intensified when ordinary citizens in Europe feel their views are not being taken into account. When a referendum comes along it gives people the chance to hit back at their masters, to reject the humiliation they feel, to transfer the sting to someone else. That helps to explain the resounding *oxi* or 'no' that Greek voters gave to the loan conditions from the EU that Alexis Tsipras put before them on 15<sup>th</sup> July 2015.

Tsipras knew he would have to accept something like the terms on offer but he played it very skillfully. When he asked the Greek people to say *oxi*, everyone got the reference. *Oxi* was what the Greeks said to Mussolini in 1940 when the Italian dictator demanded to be allowed to send his troops into Greece. It did not stop the Italians coming but it expressed the contempt of those about to be their victims. The same rationale operated in 2015. The referendum gave Greek voters a punch bag they could hit. It released popular anger and gave Greeks back some pride. In the event Tsipras certainly did not accept the specific terms that the Greeks had rejected. Instead, after long negotiations, he accepted even harsher terms. After the deal was done he called a snap election. And won it. Tsipras has surfed humiliation's shifting tides with great skill.

### ***The political landscape of 'German Europe'***

Timothy Garton Ash recently suggested that nearly sixty years after Thomas Mann called for a European Germany rather than a German Europe we have in fact got both.<sup>45</sup> That catches a useful truth but things are, of course, more complicated than that. Here is another attempt at summarizing the EU's current political landscape by examining the relations between our four types of political actors: high priests, puritans, cavaliers and buccaneers. Earlier, we made two distinctions: between the human rights and honour codes, and between the state and the market as operational bases for action by politico-economic players. Now we may summarize the play of tensions within the following way:

- firstly, the highest degree of collaboration is found within each of the two code zones, upholding, respectively, the priority of righteous rules in the human rights zone and the priority of efficacious strength in the honour code zone;
- secondly, there is a high degree of rivalry and contestation within each of the base zones, centered, respectively, on the state and on the market; and,
- finally, the highest levels of antipathy and alienation are found at the points where differences in code intersect with differences of base; eg buccaneer (strength code/market base) versus high priest (rights code/state base), or puritan (rights code/market base) versus cavalier (strength code/state base).

*Zones of collaboration.* Let us quickly survey this scene, starting with the collaborations within each of the two code zones, rights/rule-based and strength/guile-based respectively. The European Union in its initial form as 'the six' was founded on

a collaboration between two rule-loving forces: the *dirigiste* French who dominated the Commission’s high priesthood, and the punctilious Germans with their puritan ordoliberal business approach who led the way in industrial prowess. Over half a century later Germany has become the leading force in both the Council and the Commission. Meanwhile, the German leadership has come increasingly under the influence of ECB president Mario Draghi. The ECB has been prepared to operate the very un-puritan strategy of quantitative easing, with the approval or at least acquiescence of Berlin. The ordoliberal German bankers do not like that and they have resisted though without much success.<sup>46</sup> In reaction to being elbowed out from the centre of power, the French, especially under Hollande, have been increasingly drawn towards the position of leadership of the dissident cavalier tendency, speaking up for Greece and Italy.

Figure 2: Collaboration, rivalry and alienation in the EU

→← = collaboration ↓ = rivalry      ↘↙ = alienation ↑                      ↗↖		BASE	
		State: Serving the People	Business: Following the Market
CODE	Human Rights: Universal Rights/Rules	→ HIGH PRIEST ↓                      ↘	← PURITAN <i>Grexit?</i> ↙                      ↓
	Honour: Differentiating Strength/Guile	↑                      ↗ CAVALIER →	↖                      ↗ <i>Brexit?</i> BUCCANEER ←                      ↑

Because of these divisive tendencies with in this erstwhile zone of collaboration, the original close cooperation of France and Germany as high priests and puritans has increasingly being supplemented by a new more collegiate approach. This means that Germany and those in alliance with Berlin on any particular issue get together to exercise joint persuasion of the others. This has two main expressions, so far. The first is the Eurogroup where informal pragmatic deal-making is possible amongst the nineteen Eurozone finance ministers. The second is the informal college of five presidents, of the council, commission, Eurogroup, ECB and the European parliament, whose members jointly authored the plan for completing economic and monetary union by the early 2020s.

Crucially, these networks of collaboration are largely focused on the Eurozone. The British and all non-Eurozone members have been deliberately excluded even as observers from the Eurogroup’s deliberations.<sup>47</sup> This has raised suspicions in Whitehall that at some time the instruments of central control envisaged in the ‘five presidents’ report’ might be applied to the UK even against its wishes. Anti-EU campaigners in the UK are certainly doing their best to advertise this report and represent it in a threatening manner.

However, another, wider, collaborative network has also been taking shape and becoming increasingly dense since the late 1980s. That is the developing community of

interest between two groups: on the one hand, politicians keen to use their muscle to cut down the thickets of state administration and remove state support from whole sectors of the population; and, on the other hand, business operators who see the wasteland newly created by ‘austerity’ as a good opportunity to make money by offering privatized services in areas such as transport, health, education and care for the aged. It is within this collaborative arena that private capital, politicians and lobbyists meet and exchange ideas. These swirling waters and shifting sands are home to both the buccaneers and cavaliers who can do good business together. This is the lagoon on which the projected Transatlantic Trade and Investment Partnership would be floated.

*Zones of rivalry.* Now let us turn briefly to the rivalry within each of the two base zones, centred on the state and business respectively. In each there is a kind of tug of war going on. As already mentioned, within the market sphere puritans and buccaneers are in competition. There is a contest between London and Frankfurt over access to trading opportunities and for control over the type and extent of market regulation. The Bundesbank would like to attract financial business that currently goes to the City of London. For its part, the ECB has tried to restrict London’s operations in the Eurobond market. After a four-year legal battle in March 2015 the EU general court decided that the ECB had no such power.<sup>48</sup>

There is a parallel contest within the sphere of political governance, between the European Commission and the governments of certain member states including not only Britain and Greece but also Romania, Italy and the Visegrad countries. Over the past few years Brussels has castigated both Viktor Orbán, the Hungarian prime minister, and Victor Ponta, leader of Romania, for constitutional reforms intended to give their own political parties long-term electoral advantages in contravention of human rights. In September 2015 the Slovakian government set in motion legal action at the European Court of Justice in opposition to the EU’s mandatory distribution of migrants across a number of countries. In October 2015 Poland elected the Law and Justice party with a Eurosceptic agenda, a radical change from Donald Tusk’s Civic Platform.

*The zone of alienation.* This takes us to the third sphere, where differences in code are compounded by differences in base. This is the zone of alienation and it is here that impassioned talk of Grexit and Brexit has arisen. There, in the middle of the game, so to speak, stand two deeply divisive individuals.

One of them is, of course, Wolfgang Schäuble who has become the classic exemplar of neo-Calvinist insistence on strict compliance with all procedures and obligations. This attitude has justified an almost visceral German repulsion from the supposed moral inadequacies of Greek politicians and citizens. The other is Nigel Farage of UKIP who expresses buccaneering contempt for the whole EU hierarchy and its institutions. Farage was a City trader for about twenty years. Then he turned himself, for political purposes, into a self-styled British small business type who likes his beer and fags and does not want ‘Johnny foreigner’ messing about with his British liberties. Nigel Farage is an accomplished commodity salesman and for the past ten years the commodity he has been promoting is resentment, a mood that is rather infectious, and can easily become a style. By depicting the EU in entirely negative terms he has inhibited many

ordinary citizens from asking why the EU exists, what it is for, how it works, and where the UK fits in to it.

Schäuble and Farage have both regularly achieved very high popularity ratings and during 2015 each was scoring higher than his country's leader. In the event, both of these maverick figures have been contained but at a higher cost in the British case. As we have seen, Mrs Merkel was able to use Schäuble's demands as a background threat to keep Tsipras listening to her own ideas at the negotiating table. She was able to make herself seem less threatening than Schäuble. Grexit has been avoided as a result, so far at least. By contrast, Mr Cameron decided to offer a referendum on EU membership, which now makes Brexit a real possibility. So now it is time to examine how the issues of Brexit and Grexit are playing out, beginning with the latter.

### ***Grexit?***

Alexis Tsipras has kept the trust of the Greek electorate to a substantial degree. He has also been able to combine very skilful short-term footwork with an eye to the longer game. The refugee crisis is strategically valuable to him because it shifts the power balance towards Greece somewhat. It turns that country's relative weakness into strength. In 2015, Greece, along with Italy and Turkey, has been doing the heavy lifting of coping with the desperate crowds of people fleeing the horrors of North Africa, Syria and elsewhere in that region. The EU cannot afford to weaken and upset the Greeks in a big way at a time when their full cooperation is absolutely vital. It is also probably helpful that the current EU commissioner for migration, is Dimitris Avramopoulos, one-time mayor of Athens.<sup>49</sup> He has long been a supporter of closer ties between Greece and Turkey and is, reputedly, a long-standing friend of the current Turkish president.

Against this background we finally arrive back at the negotiations of July 2015 between Tsipras and Merkel, which we have already seen through the shrewd eyes of Donald Tusk. During those negotiations the German finance minister Wolfgang Schäuble proposed, not for the first time, that Grexit should be considered. But by 2015 Grexit was an idea whose time had both come and gone away again.

In fact, Grexit had always been a confused idea. It had at least four sets of backers but their objectives were mutually incompatible. Firstly, the notion was widely floated in the City of London during 2012. Why? Perhaps because the idea evoked sweet memories of financial killings made by currency traders during 1992 in the UK? Grexit would have given speculators new opportunities to make large and quick profits from turbulence in the bond markets. It might also have put pressure on other Eurozone members, especially Spain and Italy, which at that time were twin towers ripe for attack. In other words, Grexit was seen as a means to bring about profitable disorder.

Secondly, some of the puritans in Frankfurt and Berlin wanted Grexit but for exactly the opposite reason, as a means of enforcing order, uniformity, tidiness and discipline. In 2012 Schäuble told the US treasury secretary, Tim Geithner, that a Grexit would 'help scare the rest of Europe into giving up more sovereignty.' He added that 'A Greek sacrifice could be just what was needed to form a stronger banking and fiscal union.'<sup>50</sup>

Thirdly and fourthly, Grexit has been attractive to members of the radical left and radical right in Greece itself. To the radical left because it would hopefully create a political space within which to begin constructing a more reasonable politico-economic order that would be demonstrably superior to the one prevailing in the West. To the radical right, notably Golden Dawn, because it would be a step towards recreating the militaristic political culture of ancient Sparta and building a greater Greece.

So there were four different agendas, pointing in four directions, each sapping vitality from the others and preventing a coherent consensus from coalescing about how to bring about Grexit. In any case, by 2015 the relevant hatches had been battened down and as a result it was generally concluded that Grexit would bring much less financial turbulence than previously feared; in other words, it would be less dangerous for the Eurozone but also less profitable for speculators. But, as Tusk and others recognized, by 2015 the danger from Grexit was not economic contagion in the Eurozone but political contagion throughout the EU. If Grexit became a reality, it would generate a lot of nastiness and ill-feeling both within Greece and within the EU. Such an atmosphere would encourage the European political game to change its character fundamentally. It would move away from constructive cooperation towards protecting yourself at all costs at the expense of your neighbours; in other words, it would ratchet up humiliation dynamics even further.

In fact, things were already going that way during the spring and summer of 2015. The fear of forced displacement was spiraling through anxious populations all along the Balkans and across central Europe as the fences went up and the police dogs came out. Grexit would only make all that much worse, not least in Bulgaria, Macedonia, Romania, Serbia, and Cyprus, all of which have strong cultural sympathies with Greece as well as financial links in some cases. Not to mention Russia. In fact, the Grexit option was not pursued in the July negotiations but it was, so to speak, left sitting on the table as an unopened package.<sup>51</sup> The painful prospect of opening it kept all parties looking for an alternative.

Consider the following analysis, either optimistic or pessimistic according to one's point of view. The informal but now well-established Eurogroup of Eurozone finance ministers is monitoring the Greek deal as it rolls out, probably leading to further loans that will, presumably, also be closely monitored in the same way.<sup>52</sup> In other words, within the Eurogroup Greece's homework is now being marked by its European classmates in a relatively chummy club-like setting. This may produce a more relaxed atmosphere. In some respects we are back to 1898, although this time the IFC's successor is parked in Brussels, not Athens. It is presumably possible that Jeroen Dijsselbloem, as president of the Eurogroup, might seek to have the same emollient effect on the Greeks in 2015 as Major Law did over a century before as first president of the IFC. The reward Tsipras or perhaps his successors may hope to achieve is substantial debt forgiveness, which has been urged by the IMF. That would transform Greece's debt repayment challenge from Mission Impossible, as everyone agrees it is at present, to Mission Excruciatingly Difficult But Just About Possible.

That would give Tsipras or his successors a little more political and budgetary space which they could, if they chose, use to push for structural changes in public administration that are as radical as those being pursued by Matteo Renzi in Italy. Perhaps we might even see the emergence of a new South in Europe – post Berlusconi,

post Papandreou – that displays the spirit of creative flexibility in its reform efforts without always waiting for a pat on the head from Brussels. Of course, these things may not happen.

### ***Brexit?***

*Why a referendum?* Meanwhile, let us turn more directly to the question of Brexit and look at some other things that may or may not happen. Brexit would make its long-term advocates very happy. Victory would no doubt be a sweet thing in itself. However, it might well also bring enormous uncertainties and political discomfort, not just for Britain but also for Britain's allies and close trading partners. So why did Cameron put himself in this situation of risk by offering a referendum? For two reasons: to hold his own party together, and to outbid Nigel Farage's United Kingdom Independence Party which achieved a national vote of 27.5 percent in the 2014 European parliamentary elections.<sup>53</sup>

There is little doubt that David Cameron and George Osborne would not have offered the British voters a disruptive and time-consuming referendum on EU membership if they did not think it was the only way they could be on the winning side after the next general election. By mid-2015 Mr Cameron had expected at best to be heading a coalition government with partners who would be expected to veto the referendum that he had promised. That would have been a perfectly acceptable outcome for him. But the election result was unexpected in four ways. The Scottish National Party almost swept the board in Scotland, winning 56 out of 59 Scottish seats in Westminster. The Labour party lost 26 seats and subsequently elected Jeremy Corbyn, a long-standing radical left campaigner, as their leader. UKIP got just one seat, which was not won by Farage.<sup>54</sup> And the Conservatives gained 24 seats, enough to win an absolute majority. The only expected outcome was that the junior coalition partners, the Liberal Democrats were tossed aside by the electorate, losing 49 of their 56 seats.

*What if the outcome is to leave the EU?* It is impossible to anticipate what the outcome of the referendum will be, especially bearing in mind that recent opinion polls, apart from some exit polls done on the day, failed to predict the outcome of either the British general election in May 2015 or the Greek election in September 2015. However, two speculations may be risked about the possible consequences of a referendum vote that led to Britain's withdrawal from the EU. One is that trading operations based in the City of London would continue to thrive, using the practical ingenuity and legal creativity that currently sustains the current highly complex global system of financial interconnectedness including the amazing network of tax havens.

No doubt there would be losers, and some very big ones but there would surely be more outside the so-called square mile than within it. It would be bad news for many involved in agriculture, many in the poorer regions of Britain, and some employees in some industries both inside and outside the M25 orbital motorway around London. But operators in financial services in the nation's capital would still prosper although probably in slightly altered circumstances. For example, Dublin and Paris might find themselves being drawn into networks of financial connectedness in new and profitable ways. Explaining how this might be done is an issue requiring specialized knowledge or expertise that cannot be brought to bear at this point. However, it is not difficult to conclude that compared to what is already being achieved in terms of navigating around, through and beneath governmental legislation, Brexit would offer a perfectly



manageable challenge to the financial world. The very turbulence produced by Brexit would bring windfall gains to hedge fund traders. After that the joint efforts of lawyers, lobbyists, accountants and other fixers and persuaders would no doubt soon spin another serviceable web.

The other speculation that might be risked is that Brexit is by no means guaranteed to bring about the break-up of the United Kingdom, at least not in the foreseeable future, despite the SNP's stated policy of seeking independence within the European Union. The Scottish nationalists have recently achieved an enviable dual representation with substantial voting powers both in Edinburgh, where they are currently in government, and in Westminster where they may well hold the balance of power in the foreseeable future, even if not in the next few years. They are unlikely to give up that dual representation lightly. After all, it might well eventually bring them a very substantial degree of Scottish home rule and long-term political dominance north of the border without the risks of full independence.

*Making the case.* In these new and wholly unexpected circumstances, how will Cameron and Osborne build a case for staying inside a reformed EU? The first relevant point is for the last forty years the British electorate has hardly given the European Union a moment's thought. It has become a taken-for-granted fact of British life, like rain, traffic jams and taxes. Normally, willful ignorance of that kind would suit politicians very well because it allows them to pursue their goals with minimum democratic interference. However, now the referendum is inevitable, it is becoming clear that the prime minister and his finance minister have decided to make the relative ignorance of the British about the EU into a plus factor.

Consider the following possible scenario. Cameron and Osborne will hope to work as a slick and sharp team, skillfully shaping the relatively unformed and unmade-up mind of the British electorate. They will want to make the EU negotiations seem like the next chapter in a series of brilliant successes: rebooting the economy after the recession, keeping unemployment low, getting the housing market moving, winning the general election, etc. News management will be vital, maintaining a flow of story lines that say 'competent and responsible government looking after us' rather than 'vulnerable borders exposing us to danger.'

Timing is crucial. It is conceivable that the prime minister and chancellor will want to delay making their main pitch to voters about the EU until the citizens are, hopefully, getting slightly bored and depressed by the gloomily negative messages conveyed by the (so it may come to seem) endlessly repetitious Eurosceptics, those old warhorses with their familiar faces. By contrast, the British negotiators will want to present the voters with something that feels vibrant and even thrilling. They will try and give them a fresh and vivid view of what the EU is and what the EU will become with the dynamic participation of their two leaders. They will promote this prospectus for a new and improved EU to the British people, timing their message just right so there is not too long for their critics to tear it apart before the referendum comes. That, it may well be imagined, might be the plan.

Cameron and Osborne are only just (in early November 2015) starting to show their cards but it is already becoming clear that they want to take a strong initiative in defining how the European Union should develop over the next few years. They have

to do this in a way that will appeal both to their British compatriots and to their political counterparts on the continent. On the plus side, they will have a degree of credibility stemming from the UK's relative economic success in recent years and the fact that unlike powerful counterparts such as Merkel and Hollande the present British government has a current mandate that runs at least until 2020 and quite possibly beyond that time, given Labour's recent meltdown. However, they must move quickly since economic indicators can shift in a menacing direction at very short notice. They must also try to speak and act in ways that do not offend powerful members of the Commission or the Council, while also responding to some of the fears that lie behind British Euroscepticism.

In this endeavour Cameron and Osborne have certain assets: the broad support of the City, which does nearly forty percent of its business in the EU; Britain's reputation as a very strong supporter of the single market; the skills of the British civil service; and, no doubt, the informal insider advice of Jonathan Faull, the British head of the EU taskforce dealing with these negotiations.

*Four demands.* On 10<sup>th</sup> November David Cameron sent a letter to Donald Tusk outlining the four demands that will form the leading edge of the British government's campaign:

- 1 Economic Governance: there should be support for the integrity of the single market and non-Eurozone members must be protected if the union integrates further
- 2 Competitiveness: this must be enhanced by cutting the burden of regulations on business
- 3 Sovereignty: UK to be exempted from commitment to "ever closer union", national parliaments to have an enhanced role, and subsidiarity to be respected, especially in respect of justice and home affairs
- 4 Immigration: measures should be taken that will reduce the scale and speed of the impact of immigration from EU member states upon the United Kingdom<sup>55</sup>

This list shows that the British government is determined to counteract any pressures put on non-Eurozone countries to join the Euro in order to avoid disadvantageous conditions outside it.<sup>56</sup> In this respect, there are some troubling straws in the wind such as a lament in the five presidents' report that the existence of multiple currencies in the EU weakens or fragments its representation on international bodies such as the IMF.<sup>57</sup> More specifically, the British demands seek to protect the interests of the Bank of England, the City of London, British industry and the taxpayer. It is not difficult to imagine that agreed formulae might be found that reconcile these demands with the five presidents report, even by December 2015, if the political will is there.

*The larger campaign.* However, these conditions may be serving mainly as the point of entry for a larger campaign that seems to have five elements.

1. The first of these elements is a gradually crystallizing cost-benefit analysis, being released in measured drops, that is intended to create the perception that withdrawing from the EU is a poor option compared to staying in and making it work the way Britain wants. So, for example, Mr Cameron followed his recent Scandinavian trip with the assertion that the 'Norwegian option' would leave Britain with barely reduced

costs and no influence on the EU's rules and policies.<sup>58</sup> Mr Cameron has also thrown cold water on the suggestion that a negative referendum result could be followed by a further referendum allowing Britain to change its mind for whatever reason. The Americans have helped by issuing a statement to the effect that they would not be interested in a separate free-trade deal with a UK that was outside the EU. The Chinese have said they want Britain to stay in the EU; and so on.

2. Secondly, in a move perhaps intended to swill away the lingering bad taste left by David Cameron's early morning veto four years ago, George Osborne is making a strong pitch to be Germany's new best friend. The rationale is, to quote Osborne, that Germany and Britain together are "the beating heart of Europe... Together we make the world's third-largest economy, behind only America and China and, since the crisis ended, we have generated two-thirds of EU growth."<sup>59</sup> The hidden agenda is, perhaps, to locate Berlin and London together at the political heart of the EU, respectively leading the Eurozone and the non-Eurozone countries, ensuring smooth coordination between the two.

3. Such a move would require a great deal of finessing in respect of relations between London and Frankfurt. This introduces the third element in British strategy, which is management of the zone of rivalry in the market sphere. Here Mr Juncker has been very helpful. In 2014 he gave key influence in this arena to a man shaped in the London business world. That is Jonathan Hill, one time PR consultant and political lobbyist, ex-leader of the House of Lords. Lord Hill has become the EU's Commissioner for Financial Stability, Financial Services and Capital Markets Union. Lord Hill's great virtue from the British point of view has been his slow pace in moving towards capital markets union, something that could give the City new rich pickings across the EU but might also subject it to new unwelcome regulation. This arena includes much of the City's core business such as venture capital, equity financing, insurance and the bond market.<sup>60</sup> Hill is keeping his powder dry and his buccaneering credentials well under wraps for the time being. The *Financial Times* catches the spirit of the Hill regime with its recent headline declaring that the commissioner is 'no markets union swashbuckler'.<sup>61</sup>

4. Fourthly, and just as cautiously, the British have been keeping an eye on the second zone of rivalry, between the commission and some of the more independent member states, especially from the Visegrad group. There has been talk of enhancing the existing yellow card scheme to a red card arrangement strengthening the blocking powers of national parliaments. So far this talk has been widely dismissed as unrealistic or irrelevant<sup>62</sup> but it is an attempt to cultivate support both in the British electorate and within the European Council.

5. Finally, and this is perhaps the 'deepest' strategy of all, David Cameron is determined, as he puts it, to 'turbo-charge' the negotiations over the Transatlantic Trade and Investment Partnership. For example, in December 2014 he attended a meeting supporting TTIP hosted in Brussels by the Confederation of British Industry.<sup>63</sup> Also there were the prime ministers of Denmark, Italy, Spain, Poland, Finland and Latvia, as well as business organizations from those countries. Mr Cameron wants to be able to claim that he is the primary advocate of an agreement that will bring new jobs and investment to the EU and especially Britain. He also hopes he is building a

posse of prime-ministerial cheer-leaders who will support him when the referendum comes round.

The advantages to the British politico-economic establishment of TTIP, if it comes about, would be as much political as economic. The major hub of transatlantic trading relations is the City of London. The City and Wall Street are, in the words of Martin Wolf of the *Financial Times*, ‘like Siamese twins’; in other words, a single dense network and institutional complex with two geographical bases, one each side of the Atlantic.<sup>64</sup> TTIP would be at the heart of the second major axis of collaboration within the EU between Europe’s restless cavalier politicians, broadly right-leaning, and its buccaneering financiers, whose sphere of operations has been steadily expanding for the past quarter of a century. TTIP could provide the institutional basis for a powerful and thriving politico-economic network stretching right across the EU’s single market. A very important point is that if successful this would both encompass and encircle the Eurozone and would quite likely have Britain at its commercial centre.

But these particular chickens are very unhatched, and not to be counted on. Two large obstacles lie ahead. One is political opposition to TTIP. This will probably come from the Scottish National Party, Jeremy Corbyn’s Labour Party, campaign groups throughout the EU and, not least, powerful doubters within the European Council, including France.

The second obstacle, and the final point to be made, is that European negotiators who deal with the United States should be very wary. They are confronting a corporate sector that is ruthless and determined and a state that, compared to the EU, is much more coherent and confident. Just as important, the Americans are desperately anxious about the rising power of China and beating about to find ways of shoring up their position. They surely want to siphon off resources and profits from Europe. Meanwhile, the European Union is an unfinished institutional building site still very vulnerable to storms such as the current refugee crisis. Some Europeans may be persuaded that the United States will provide shelter and external buttressing. But that protection might come at a very heavy price.

For example, a lot of attention has quite properly been paid to the challenges to democracy posed by the proposed investor state dispute settlement procedures within TTIP.<sup>65</sup> But we should also look out for measures being proposed that try to prevent nations and regions from requiring incoming investors to draw on local homegrown products and services. The Americans have taken to calling these requirements ‘forced localization measures’ and they want to sweep them away. The US will try to sell this approach to the EU on the grounds that eliminating such barriers would give both the US and the EU more muscle power to get their own way in Asia, Africa and Latin America. But in fact it surely would be used at least as much by American investors coming into the EU. Many European communities and producers would suffer. To get a flavour of the American approach see the argument made by US commercial lawyer Jonathan Kallmer:<sup>66</sup>

‘Some of the most pernicious barriers to international investment are “forced localization measures.” These require that firms locate operations, consume goods or services or conduct other activities within a country’s territory. Such

measures include requirements that firms achieve certain levels of “local content” in their products, ensure that a certain percentage of senior management are nationals and transfer proprietary technology to the government or local competitors (or both), among other measures. The US has taken an aggressive approach to such “performance requirements” since issuing its 2004 model bilateral investment treaty (BIT), adding to that a discipline on “indigenous innovation requirements” (i.e., requirements that economic actors use domestically developed technology in their production processes) in its 2012 revision.’ Kallmer adds that he expects the EU ‘will support a similarly tough approach to forced localization measures.’<sup>67</sup>

Reading passages like this takes me back to where we began, to Lewis Carroll, only this time to his sequel *Alice Through the Looking Glass*. At the start of chapter four Carroll recounts the story of the Walrus and the Carpenter. Let the Walrus stand for Wall Street and the Carpenter for the US State Department. According to Lewis Carroll, the Walrus and the Carpenter went down to the seashore to discuss great matters with a crowd of eager and earnest oysters. Let us imagine these oysters are member states of the EU. The Walrus sat down with a benevolent expression and declared that ‘the time [had] come to talk of many things’, such as ‘cabbages and kings’ – rather like trade talks, in fact. But by the time evening came round there was no more talk. The oysters were perfectly silent. Why? Because the Walrus and the Carpenter ‘had eaten every one.’<sup>68</sup>

## **Appendix**

### ***David Cameron’s letter to Donald Tusk, 10<sup>th</sup> November 2015***<sup>69</sup>

Dear Donald,

#### **A NEW SETTLEMENT FOR THE UNITED KINGDOM IN A REFORMED EUROPEAN UNION**

Thank you for inviting me to write setting out the areas where I am seeking reforms to address the concerns of the British people over our membership of the European Union.

As you said, the purpose of this letter is not to describe the precise means, or detailed legal proposals, for bringing the reforms we seek into effect. That is a matter for the negotiation, not least as there may, in each case, be different ways of achieving the same result.

I am grateful for the technical discussions that have taken place over the last few months and, as we move to the formal stage of negotiations, I welcome this opportunity to explain why these changes are needed and how I believe they can benefit all Member States. I am also making a speech today to update the British people on the process for the negotiation and how I intend to address their concerns. I have been encouraged in many of my conversations with my fellow Heads of Government in recent months that there is wide understanding of the concerns that I have raised, and of the case for reforms that would benefit the European Union as a whole. I particularly appreciate your own personal support throughout.

The European Union has a long history of respecting the differences of its many Member States and of working to overcome challenges in a way that works for the whole European Union. For example, with the protocols and other instruments agreed for Denmark and Ireland, the EU was able to arrive at a settlement, which worked for each country and did not disadvantage other Member States.

Our concerns really boil down to one word: flexibility. And it is in this spirit that I set

out the four main areas where the United Kingdom is seeking reform.

## **Proposals for reform**

### **1. Economic Governance**

There are today effectively two sorts of members of the European Union. There are Euro members and non-Euro members. As set out in Protocol 15, the United Kingdom has a permanent opt-out from the Eurozone. Other countries will in due course join the Euro. But, for now, there are nine of us outside; and it matters to all of us that the Eurozone succeeds. So we do not want to stand in the way of measures Eurozone countries decide to take to secure the long-term future of their currency. But we want to make sure that these changes will respect the integrity of the Single Market, and the legitimate interests of non-Euro members.

I am confident we can achieve an agreement here that works for everyone. Britain is not seeking a new opt-out for the UK in this area — we have the opt-out from the single currency we need. Nor are we looking for a veto over what is done in the Eurozone. What we seek are legally binding principles that safeguard the operation of the Union for all 28 Member States — and a safeguard mechanism to ensure these principles are respected and enforced.

These principles should include recognition that:

The EU has more than one currency.

There should be no discrimination and no disadvantage for any business on the basis of the currency of their country.

The integrity of the Single Market must be protected.

Any changes the Eurozone decides to make, such as the creation of a banking union, must be voluntary for non-Euro countries, never compulsory.

Taxpayers in non-Euro countries should never be financially liable for operations to support the Eurozone as a currency.

Just as financial stability and supervision has become a key area of competence for Eurozone institutions like the ECB, so financial stability and supervision is a key area of competence for national institutions like the [Bank of England](#) for non-Euro members.

And any issues that affect all Member States must be discussed and decided by all Member States.

### **2. Competitiveness**

People across Europe want the European Union to help generate growth and jobs. The United Kingdom has always been a champion of making Europe more competitive. So the United Kingdom welcomes the current European Commission's focus on supporting economic growth and scaling back unnecessary legislation. This has included some important measures that British businesses have called for, such as the further steps towards a single digital market, which could add 3 per cent to EU GDP; and a Capital Markets Union, which will help get finance to entrepreneurs and growing businesses.

The United Kingdom also welcomes the new trade strategy published last month, reflecting an agenda we have been advocating for years and including pursuing potentially massive trade deals with America, China, Japan and ASEAN.

But with the best will in the world, we would all acknowledge that the EU can go much further. In particular, for all we have achieved in stemming the flow of new regulations, the burden from existing regulation is still too high. So the United Kingdom would like to see a target to cut the total burden on business. The EU should also do more to fulfil its commitment to the free flow of capital, goods and services.

The United Kingdom believes we should bring together all the different proposals,

promises and agreements on the Single Market, on trade, and on cutting regulation into a clear long-term commitment to boost the competitiveness and productivity of the European Union and to drive growth and jobs for all.

### **3. Sovereignty**

As you know, questions of sovereignty have been central to the debate about the European Union in Britain for many years. I have three proposals in this area. First, I want to end Britain's obligation to work towards an "ever closer union" as set out in the Treaty. It is very important to make clear that this commitment will no longer apply to the United Kingdom. I want to do this in a formal, legally-binding and irreversible way.

Second, while the European Parliament plays an important role, I want to enhance the role of national parliaments, by proposing a new arrangement where groups of national parliaments, acting together, can stop unwanted legislative proposals. The precise threshold of national parliaments required will be a matter for the negotiation.

Third, I want to see the EU's commitments to subsidiarity fully implemented, with clear proposals to achieve that. As the Dutch have said, the ambition should be "Europe where necessary, national where possible". In addition, the UK will need confirmation that the EU institutions will fully respect the purpose behind the JHA Protocols in any future proposals dealing with Justice and Home Affairs matters, in particular to preserve the UK's ability to choose to participate. National Security is — and must remain — the sole responsibility of Member States, while recognising the benefits of working together on issues that affect the security of us all.

### **4. Immigration**

The UK believes in an open economy. But we have got to be able to cope with all the pressures that free movement can bring — on our schools, our hospitals and our public services. Right now, the pressures are too great. The issue is one of scale and speed. Unlike some other Member States, Britain's population is already expanding. Our population is set to reach over 70 million in the next decades and we are forecast to become the most populous country in the EU by 2050. At the same time, our net migration is running at over 300,000 a year. That is not sustainable. We have taken lots of steps to control immigration from outside the EU. But we need to be able to exert greater control on arrivals from inside the EU too.

Britain has always been an open, trading nation, and we do not want to change that. But we do want to find arrangements to allow a Member State like the UK to restore a sense of fairness to our immigration system and to reduce the current very high level of population flows from within the EU into the UK. These have been unplanned and are much higher than forecast — far higher than anything the EU's founding fathers ever envisaged. These very substantial flows of population have, of course, also had a significant impact on a number of Member states, many of whose most highly qualified citizens have departed en masse. So this is a shared challenge.

We need to ensure that when new countries are admitted to the EU in the future, free movement will not apply to those new members until their economies have converged much more closely with existing Member States. We also need to crack down on the abuse of free movement, an issue on which I have found wide support in my discussions with colleagues. This includes tougher and longer re-entry bans for fraudsters and people who collude in sham marriages. It means addressing the fact that it is easier for an EU citizen to bring a non-EU spouse to Britain than it is for a British citizen to do the same.

It means stronger powers to deport criminals and stop them coming back, as well as preventing entry in the first place. And it means addressing ECJ judgments that have

widened the scope of free movement in a way that has made it more difficult to tackle this kind of abuse.

But we need to go further to reduce the numbers coming here. As I have said previously, we can reduce the flow of people coming from within the EU by reducing the draw that our welfare system can exert across Europe. So we have proposed that people coming to Britain from the EU must live here and contribute for four years before they qualify for in-work benefits or social housing. And that we should end the practice of sending child benefit overseas. I understand how difficult some of these issues are for other Member States and I look forward to discussing these proposals further so we can find a solution that deals with this issue.

### **NEXT STEPS**

As we agreed, the details of the reforms in each area are a matter for the negotiation itself. But I hope that this letter can provide a clear basis for reaching an agreement that would, of course, need to be legally-binding and irreversible — and where necessary have force in the Treaties. I look forward to a substantive discussion at the December European Council.

It remains my aim to conclude an agreement at the earliest opportunity, but the priority is to get the substance right. I believe that reform in these areas would address the UK's concerns and provide a fresh and lasting settlement for our membership of the European Union. Furthermore, I believe such reform is both reasonable and in the wider interests of the European Union as a whole.

The United Kingdom is the EU's second largest economy, the fifth biggest in the world. We bring an enormous contribution — political, economic, financial — to the European Union. If we are able to reach an agreement, it will show the world that, amongst the many more difficult issues it faces, the European Union is flexible enough to accommodate the concerns of its members. I hope and believe that together we can reach agreement on each of these four areas. If we can, I am ready to campaign with all my heart and soul to keep Britain inside a reformed European Union that continues to enhance the prosperity and security of all its Member States.

I look forward to discussing this with you and colleagues further in the weeks ahead. I am copying this letter to the President of the European Commission, the President of the European Parliament and all Heads of State and Government in the European Council.

Yours,  
David

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## Notes

<sup>1</sup> According to Joseph P. Quinlan, quoted by *Business Insider UK*, ‘the European Union (plus Norway, Switzerland, Iceland) accounted for 25.4% of world output in 2014 according to data from the International Monetary Fund. That was greater than America’s share (22.5%) and well in excess of China’s—13.4%.’ The data also showed that the EU and periphery nations, accounted for 28.5% of all consumer spending in 2014, more than the 26.6% spent by US consumers and the 15.6% spent by the BRICs (Brazil, Russia, India and China) combined. See <http://uk.businessinsider.com/charts-eu-economy-is-bigger-than-the-us-2015-6?r=US&IR=T> (accessed 6 November 2015). Quinlan is joint author of Hamilton and Quinlan 2015.

<sup>2</sup> See ‘Down the rabbit-hole’, Carroll, chapter 1, 1ff.

<sup>3</sup> For different aspects of my approach, see, for example, Smith 1991, Smith 1999, Smith 2002, Smith 2003, Smith 2006, Smith 2010, Smith 2014a, Smith 2014b, Smith 2014c, Smith 2014d, Smith 2015

<sup>4</sup> For various perspectives on the past, present and future of the EU, see, for example, Beck 2013, Cafruny and Ryner 2007, Dixon 2014, Flassbeck and Lapavitsas 2015, Fligstein 2008, Giddens 2014, Green 2014, Holland 2015, Jabko 2006, Lapavitsas 2012, Lundestad 1998, McCormick 2013, Macshane 2015, Milward 1992, Morin and Ceruti 2014, Rifkin 2004, Seidentop 2000, Shore 2000, Varoufakis 2015.

<sup>5</sup> For equity deals organized under the European Fund for Strategic Investments (EFSI) scheme during 2015 see [http://www.eif.org/what\\_we\\_do/efsi/equity-deals.pdf](http://www.eif.org/what_we_do/efsi/equity-deals.pdf). ‘One global law firm had this overview of the scheme: ‘The European Commission and the EIB will work together as strategic partners; as illustrated below, the European Commission will re-allocate €16 billion of funds from the EU budget in the form of a guarantee and the EIB will commit €5 billion, thus funding EFSI with €21 billion, which could mobilise at least €315 billion over the next three years or 15 times the EFSI funds. The key that will unlock this is what the EU calls a ‘multiplier’. The unclear way in which this term has been communicated may have led to misunderstandings. Some critics, it seems, have understood ‘multiplier’ to mean ‘leverage’. More clarity in this respect would be desirable.’ (Gardfors 2014, 5). It may be noted that extensive ‘leverage’ within the shadow banking world through dealing in over the counter derivatives of was one of the practices that had amplified the credit crunch six years before. See Tett 2010.

<sup>6</sup> The Visegrad member states are Poland, Hungary, Slovakia and the Czech Republic. Visegrad is a small town in Hungary, the location of an important congress in 1335, which led to an alliance between the kingdoms of Poland, Hungary and Bohemia (now part of the Czech Republic).

<sup>7</sup> For example, apart from last-minute exit polls, pollsters failed to predict either the outright victory of David Cameron in the British general election of May 2015 or the success of Alexis Tsipras in the Greek general election of September 2015.

<sup>8</sup> On Greece see, for example, Dritsas 1993, Koliopoulos and Veremis 2002, Manolopoulos 2011, Mouzelis and Attilides 1971, Mouzelis 1971, Peckham 2001, Petrakis 2006, Spourdalakis 1988, Veremis 1997, Woodhouse 1982. On Britain, see, for example, Annan 1990, Beloff 1963, Blair 2010, Colley 2014, Ferguson 2003, Kynaston 2002, Mander 1963, Peston 2008, Runciman 2015, Skidelsky 2014, Young 1990.

<sup>9</sup> See ‘Greek maritime industry fears being punished for its success’, 2 July 2015 *Financial Times*.

<sup>10</sup> See IMF 2010, 19.

<sup>11</sup> See, for example, ‘As Greece teeters, Alexis Tsipras is feted in St Petersburg’, 18 June 2015 *Financial Times*,

<sup>12</sup> For historical details see Smith 2014a.

<sup>13</sup> ‘Critics say Mr Cameron has abandoned a centuries-old British tradition of balancing powers on the continent. It is easy to see the marginalisation of Britain in the EU, a progressive breakdown of relations

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and, ultimately perhaps, Britain's departure', reported *The Economist* in a piece entitled 'Game, set and mismatch', 17 December 2011, *The Economist* at <http://www.economist.com/node/21541875> (accessed 8 November 2015)

<sup>14</sup> The Americans also no doubt appreciate that Mrs Merkel has a good line of communication to Vladimir Putin.

<sup>15</sup> The Chinese issued their first sovereign bond from London during Xi Jinping's visit in October 2015. The next day 'Angela Merkel, Germany's chancellor, and China's premier Li Keqiang attended the signing of the agreement in Beijing today between Deutsche Börse, the Shanghai Stock Exchange and China Financial Futures Exchange to set up Ceinex' which is 'a Frankfurt-based exchange to trade a host of renminbi-denominated products, in a further sign of Europe's aggressive courting of Beijing for financial business.' See 'China and Germany strike deal to boost renmibi trading business', *Financial Times* 20 October 2015

<sup>16</sup> See the references in note 11 for further details.

<sup>17</sup> 'Non-U.K. Owners Hold Most of London's City', Wall Street Journal 23 November 2011 at <http://www.wsj.com/articles/SB10001424052970203710704577054022122955682>

<sup>18</sup> One contributory factor is the 'massive shift' of UK pension funds out of equities and into bonds. See 'Global Britain: over half of UK company shares owned by foreign investors', and 'Britain's ability to attract so much foreign capital has saved us', both at City A.M. at <http://www.cityam.com/article/1380157581/global-britain> (accessed 7 November) and <http://www.cityam.com/article/1380157413/britain-s-ability-attract-so-much-foreign-capital-has-saved-us> (accessed 7 November 2015)

<sup>19</sup> See 'Donald Tusk's rise to European council president is a big moment for Poland', 31 August 2015 *The Guardian* at <http://www.theguardian.com/world/2014/aug/31/donald-tusk-european-council-president-poland> (accessed 7 November 2015).

<sup>20</sup> Quotations in this section are from 'Donald Tusk interview: the annotated transcript', 16 July 2015 *Financial Times*. Ordoliberalism has German roots and is a reaction against both fascism and communism. It also abhors Keynesian approaches such as deficit spending. According to *The Economist* its approach may be summarized as follows. Ordoliberals believe that 'capitalism requires a strong government to create a framework of rules which provide the order (*ordo* in Latin) that free markets need to function most efficiently. From the original ordoliberals sprang one big idea for state intervention when cartels dominated the economy: a muscular antitrust policy. A second was a strict monetary policy that focused rigidly and exclusively on price stability. A third was the enforcement of *Haftung*, which means not just liability but also responsibility. Germany has tougher insolvency laws than America or Britain, for instance.' See 'Of rules and order', 9 May 2015 *The Economist* at <http://www.economist.com/news/europe/21650565-german-ordoliberalism-has-had-big-influence-policy-during-euro-crisis-rules-and-order> (accessed 8 November 2015).

<sup>21</sup> For the charter of fundamental rights see <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:12012P/TXT> (accessed 7 November 2015).

<sup>22</sup> See also Thorstein Veblen's *The Theory of the Leisure Class* (Veblen 2009)

<sup>23</sup> See, for example, Kynaston 2003 and Augar 2000.

<sup>24</sup> See, for example, Beloff 1963, Delors 2004, Kuisel 1993, Sutton 2007.

<sup>25</sup> Here is a slightly fuller account. During the mid-1940s, Greece was recovering from its defeat and occupation by the Germans (1941- 44), and about to suffer a disastrous economic crisis coinciding with a vicious civil war (1944-9). Greece stood on the front line of the Cold War with the communist bloc just to the north in the Balkans. Stalin and Churchill had agreed that the British should have dominant influence in Greece after the war. Whitehall tried to pick up the reins of empire again by moving their officials and troops into Athens in 1944. But this was a disaster. The British were unable to impose their authority effectively. They moved out of Greece in 1947 and the Americans moved in, bringing serious levels of investment and a high level of political surveillance to prevent communism from taking hold. In fact, a large part of Greece's educated elite had already been excluded from Greek parliamentary politics during the dictatorship of General Metaxas (1936-41) who had imprisoned or exiled many left-wing activists. See also Lykogiannis 1999.

<sup>26</sup> Roy Jenkins became Council President in 1977 and was the first person holding that office to attend a G7 meeting.

<sup>27</sup> See, for example, Augar 2000, Kynaston 2002.

<sup>28</sup> See Kynaston 2003, 710-11, 740; Lewis 2006, 182-2, 201-2, 216-17, *Naked City* BBC2, 234 October 1996.

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<sup>29</sup> See 'Archives 1985 & 1986: Thatcher policy fight over 'Big Bang' laid bare', 30 December 2014 *Financial Times*

<sup>30</sup> On Catherine Stewart see 'Living and lobbying in the European capital' dated 12 November 2013 at <http://www.xpats.com/living-and-lobbying-european-capital> (accessed 7 November 2015). For statistics on lobbyists see also, for example, [https://en.wikipedia.org/wiki/Lobbying#European\\_Union](https://en.wikipedia.org/wiki/Lobbying#European_Union), <http://www.theguardian.com/world/2014/may/08/lobbyists-european-parliament-brussels-corporate>, <http://www.ibtimes.co.uk/eu-financial-sector-spends-120m-lobbyists-1444268> (all accessed 7 November 2015). See also Middlemas 1995.

<sup>31</sup> For nearly two decades after 1966 the so-called Luxemburg Compromise prevailed which inhibited member states from pursuing issues that certain other member states (eg France) regarded as 'very important interests'. See Sutton 2007, 136-8.

<sup>32</sup> Martin Bangeman was Commissioner for the internal market and industrial affairs in the Delors Commission (1989 to 1995), Commissioner for Industrial affairs, Information & Telecommunications Technologies (1995-99), and responsible for the 1994 report on "Europe and the Global Information Society. Peter Sutherland Commissioner for Competition (1985-9), and later first director-general of WTO (1993-5), following a period as chairman of Allied Irish Banks (1989-93). He has held several other leading positions in business and public life

<sup>33</sup> The Euro was, of course, eventually introduced in 1999 without a Eurozone-wide treasury backed up by a central political authority able to discipline member-states and regulate their taxation and public expenditures. Nor was there a banking union allowing the stronger credit of more thriving national economies to protect others during difficult times. In the late 1990s public opinion was not prepared to accept this additional pooling of national sovereignty. In other words, going ahead with the Euro in this diminished form without enforceable discipline or reliable support was all that could be managed politically. However, there was some intellectual justification for this as an exercise in so-called 'bicycle theory,' or 'neo-functional spillover theory.' This approach had worked quite well in the 1950s and 1960s. The coal and steel community came into operation in 1952. It gave 'the six' practice in working together, made them want to do more, and exposed gaps in their cooperation that they wanted to fill. So five years later the Treaty of Rome was signed with all that followed. That same year, in 1957, Jean Monnet expressed the opinion that 'Via money Europe could get political in five years' (quoted in Duchêne 1994, 312). In other words, he thought bicycle theory could work once again with the introduction of a common currency. In fact, as we know, the bicycle got stuck in the mud after 2008. See, for example, Smith 2014b.

<sup>34</sup> See Topan 2002. See also Andreasen 2009, Craig and Elliott 2009, Connolly 1995.

<sup>35</sup> Later, after losing office Margaret Thatcher was a ferocious opponent of the Maastricht Treaty signed by her successor John Major in 1991, even though he had arranged an opt out from the social chapter (later reversed by Tony Blair).

<sup>36</sup> When Lamont made his skepticism about British EU membership clear at the Conservative party conference in 1994, Cameron cut him dead; he totally ignored him and refused to speak. No doubt it was in part revenge for the embarrassment of 1992. But in any case Cameron did not want to go down the Lamont/Lawson road. He did not want to bury himself politically amongst the inflexible die-hard Tory anti-Europeans. Significantly, Tony Blair had made his first speech as Labour leader to his own party conference the previous week. Cameron was never such a Euro-enthusiast as Tony Blair. But he could certainly see Blair's three main assets. He had infectious charm. He could reassure people or mobilize their fear, whichever he chose. Above all, he could change his political message whenever necessary without making waves or pausing for breath. Cameron has called himself 'the heir to Blair.' See Lamont 1999, 47-8; 'David Cameron styles himself as heir to Tony Blair on public service reform', 17 January 2011, *The Guardian*.

<sup>37</sup> This was a sector of over-the-counter trading where regulation was very undeveloped. The rising wave of credit derivatives was accompanied by a gale of slice-and-dice securitization which mixed good and bad debt together in ever more complex packages. This movement originally came out of Wall Street, notably from J P Morgan but during the late 1990s it swept across Europe. It turbo-charged the expansion of credit that had already been nurtured by the credit-card industry since the 1960s. This boosted the portfolios of corporate lobbyists in Brussels and around the national capitals. See Tett 2010. Also Palan 2003, Shaxson 2012.

<sup>38</sup> This kind of thing reportedly also happened with other member states in the following years as new members from the old Soviet Bloc joined the Eurozone. In 2010, financial commentator Nick Dunbar reflected that the Greek deal had been just one move in a 'decade-long tango between financial innovators at investment banks and institutional clients, including governments, which were anxious to skirt various restrictions' He added that 'The most significant restraints are accounting rules.' Eurostat

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finally changed those rules in 2008 at which point the Greek government was criticized for being slow to admit their complicity. In fact, there had been widespread complicity in this rule-bending, including by the Irish-German bank Depfa which bought a hefty slice of Greek risk from Goldman Sachs before transferring it to the National Bank of Greece in 2005. See Nick Dunbar, 'Revealed: Goldman Sachs' mega-deal for Greece', 1 July 2003 *Risk* magazine at <http://www.risk.net/risk-magazine/feature/1498135/revealed-goldman-sachs-mega-deal-greece> (accessed 7th November 2015); and 'Goldman, Greece and a troubling tango', 18 February 2010 *Risky Finance* at <http://nickdunbar.net/2010/03/01/goldman-greece-and-a-troubling-tango/>

<sup>39</sup> See Reinhart and Trebesch 2015, Wynne 2000

<sup>40</sup> See Morison and Hutchinson 1911.

<sup>41</sup> 'Christine Lagarde's Greek comments provoke fury', 28 May 2012 *The Guardian* at <http://www.theguardian.com/world/2012/may/28/christine-lagarde-greek-comments-fury>

<sup>42</sup> See Canetti 1973, 67. Also Smith 2006, 39, 174.

<sup>43</sup> See, for example 'G20 summit: Barroso blames eurozone crisis on US banks', 19 June 2012 *The Guardian* at <http://www.theguardian.com/world/2012/jun/18/g20-summit-barroso-eurozone-crisis> (accessed 8 November 2015)

<sup>44</sup> Although Martin Sandbu points out that despite the political atmosphere surrounding the troika's intervention in Cyprus the eventual approach taken of imposing both creditor and depositor writedowns along with some capital controls did not produce any adverse market reaction nor the feared flight of deposits from Spanish and Italian banks. In other words, whatever the motives, the Cyprus approach was appropriate in terms of effective market management and Jeroen Dijsselbloem should be congratulated for recommending it as the best type of response in such situations. See Sandbu 2015, 150-5.

<sup>45</sup> 'Angela Merkel needs all the help she can get' 8 February 2012 at <http://www.theguardian.com/commentisfree/2012/feb/08/angela-merkel-all-help-can-get> (accessed 9 November 2012).

<sup>46</sup> In December 2012 The Bundesbank submitted a lengthy legal opinion to the German constitutional court objecting to the ECB's bond-buying approach to quantitative easing, specifically its Outright Monetary Transaction programme intended to do "whatever it takes" to save the Euro. See 'Bundesbank takes aim at Mario Draghi's ECB rescue plan', 26 April 2013 *Financial Times*

<sup>47</sup> It may be imagined that those who find themselves largely outside the regular meetings occurring within these circles are liable to find themselves caught out by the degree of consensus amongst the others that they unexpectedly encounter in negotiations.

<sup>48</sup> 'Victory for UK over eurozone clearing houses' 4 March 2015 *Financial Times*.

<sup>49</sup> See, for example, [http://ec.europa.eu/commission/2014-2019/avramopoulos\\_en](http://ec.europa.eu/commission/2014-2019/avramopoulos_en)

<sup>50</sup> Geithner was not impressed, especially since 'much of the risky borrowing in the periphery [was]...funded by risky lending by banks in the German and French 'core'.'" Quoted and cited in 'The hard line on Greece', 29 June 2015 *New York Times*. See Geithner 2015.

<sup>51</sup> Schäuble also suggested a trust fund should be set up to hold the funds that would be realized by a large Greek privatization programme. After some wrangling over details this was accepted. The Greek government will be allowed to reinvest directly just over a quarter of the trust fund proceeds; the rest goes towards debt repayment and help for Greece's banks.

<sup>52</sup> This will, of course, be complemented by the formal processes of the European semester.

<sup>53</sup> See 'Ukip wins European elections with ease to set off political earthquake' 26 May 2015 *The Guardian*

<sup>54</sup> This was won not by Farage, who was defeated at the polls, but by Douglas Carswell, an ex-Tory MP. Farage and Carswell disagree on key issues and have signed up for different Brexit campaign groups, a damaging public display of disunity. Farage as an individual continues to deliver popular 'political performances', so to speak, and can mobilize anti-immigrant sentiment very effectively, especially as a protest vote or a round of applause. However, Cameron has avoided giving UKIP additional ammunition by the tactic of refusing to join in the current quota scheme for taking in refugees. Instead he has emphasized the British aid effort in North Africa and the Middle East. This has kept the UK out of the unpleasant confrontations on the continental mainland, both political confrontations and clashes between migrants and police.

<sup>55</sup> For full letter see Appendix beginning page 29.

<sup>56</sup> The list of UK requirements is shorter and less demanding than either Cameron's Bloomberg speech of 2013 or the Conservative party pamphlet *Fresh Start* published in 2013. See <http://www.newstatesman.com/politics/2013/01/david-camerons-speech-eu-full-text> (accessed 8 November 2015) and <http://www.eufreshstart.org/downloads/manifestoforchange.pdf>

<sup>57</sup> 'However, in the international financial institutions, the EU and the euro area are still not represented as one. This fragmented voice means the EU is punching below its political and economic weight as each euro area Member State speaks individually. This is particularly true in the case of the IMF despite the efforts made to coordinate European positions' (Juncker 2015, 17)

<sup>58</sup> 'Cameron tells anti-EU campaigners: 'Norway option' won't work for Britain', 28 October 2015 *The Guardian* at <http://www.theguardian.com/politics/2015/oct/28/cameron-to-confront-norway-option-anti-eu-campaigners> (accessed 8 November 2015)

<sup>59</sup> 'UK and German economies 'the beating heart of Europe', says George Osborne', 2 November 2015 *Guardian* at <http://www.theguardian.com/world/2015/nov/02/uk-and-german-economies-are-the-beating-heart-of-europe-says-osborne> (Accessed 8 November 2015)

<sup>60</sup> See [http://ec.europa.eu/finance/capital-markets-union/index\\_en.htm](http://ec.europa.eu/finance/capital-markets-union/index_en.htm) (accessed 9 November 2015).

<sup>61</sup> 'Why Hill is no markets union swashbuckler, 29 September 2015 *Financial Times*

<sup>62</sup> See, for example Amndrew Duff 'Why David Cameron's "red card" plan for national parliaments won't work' at <http://blogs.lse.ac.uk/europpblog/2014/02/14/why-david-camerons-red-card-plan-for-national-parliaments-wont-work/> (accessed 8 November 2015)

<sup>63</sup> See 'Premier fights to put US-EU trade talks back on track', 17 December 2014, *Financial Times*

<sup>64</sup> See 'New York and London: twins in finance and folly', 8 May 2009, *New York Times* at [http://www.nytimes.com/2009/05/09/business/09nocera.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2009/05/09/business/09nocera.html?pagewanted=all&_r=0) (accessed 8 November 2015).

<sup>65</sup> From many possible sources, consider the following from the Transnational Institute as an example <https://www.tni.org/en/briefing/ttip-why-rest-world-should-beware> (accessed 8 November 2015).

<sup>66</sup> Kallmer is a counsel in Crowell & Moring's International Trade Group and International Dispute Resolution Group and is based in Washington. See 'The global significance of transatlantic investment rules' *Columbia FDI Perspectives*, 99, July 15 2013 at [http://ccsi.columbia.edu/files/2014/01/FDI\\_99.pdf](http://ccsi.columbia.edu/files/2014/01/FDI_99.pdf) (accessed 8 November 2015).

<sup>67</sup> Kallmer comments that 'If the two sides agree to strong prohibitions on such measures, they will help create pressure on the many third countries that rely on such requirements to reconsider or revise their practices.'

<sup>68</sup> Here are the relevant verses of Lewis Carroll's *The Walrus and the Carpenter*:

*"The time has come," the Walrus said,  
"To talk of many things:  
Of shoes—and ships—and sealing-wax—  
Of cabbages—and kings—  
And why the sea is boiling hot—  
And whether pigs have wings."*

*"But wait a bit," the Oysters cried,  
"Before we have our chat;  
For some of us are out of breath,  
And all of us are fat!"  
"No hurry!" said the Carpenter.  
They thanked him much for that.*

*"A loaf of bread," the Walrus said,  
"Is what we chiefly need:  
Pepper and vinegar besides  
Are very good indeed—  
Now if you're ready Oysters dear,  
We can begin to feed."*

*"But not on us!" the Oysters cried,  
Turning a little blue,  
"After such kindness, that would be  
A dismal thing to do!"  
"The night is fine," the Walrus said  
"Do you admire the view?"*

*"It was so kind of you to come!*



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*And you are very nice!"  
The Carpenter said nothing but  
"Cut us another slice:  
I wish you were not quite so deaf—  
I've had to ask you twice!"*

*"It seems a shame," the Walrus said,  
"To play them such a trick,  
After we've brought them out so far,  
And made them trot so quick!"  
The Carpenter said nothing but  
"The butter's spread too thick!"*

*"I weep for you," the Walrus said.  
"I deeply sympathize."  
With sobs and tears he sorted out  
Those of the largest size.  
Holding his pocket handkerchief  
Before his streaming eyes.*

*"O Oysters," said the Carpenter.  
"You've had a pleasant run!  
Shall we be trotting home again?"  
But answer came there none—  
And that was scarcely odd, because  
They'd eaten every one.'*

<sup>69</sup> <http://www.cityam.com/228395/eu-renegotiation-dear-donald-the-full-text-of-david-camerons-letter-to-donald-tusk>