

# European Integration and the Battle for British Hearts and Minds: New Labour and the Euro

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Pro-Europeans have organised three concerted propaganda campaigns to date: in 1962-3 to secure public support following Britain's first application to join the European Union,<sup>1</sup> in 1970-1 to prepare the public for accession, and in 1974-5 to ensure continued EU membership in the 1975 referendum. This article looks at New Labour's preparations and strategy for what is likely to be Britain's fourth concerted pro-European propaganda campaign – to ensure a 'Yes' vote in a referendum on British membership of the European single currency.

The central arguments of this article are six-fold. First, that the state of public opinion on euro membership currently represents an obstacle to the government's policy of staging and winning a referendum, and joining the single currency. Second, that New Labour's actual policy on the euro is one of 'prepare and persuade', rather than 'wait and see'. Third, that the central components of the government's euro referendum strategy can already be identified. Fourth, that in contrast to the situation before the 1975 referendum, the press is divided on the issue of the euro supporting both the 'Yes' and 'No' campaigns. Fifth, that there is an imbalance of forces between the 'Yes' and 'No' campaigns in favour of the former, but to a lesser extent than during the 1975 referendum. Sixth, that, given the current balance of forces, the government's success in any euro referendum is by no means assured.

The article is divided into seven parts. The first outlines the government's policy on euro membership. The second considers the first contention—that public opinion on euro membership is currently an obstacle to government policy—by looking at the state of public opinion polls on the issue. The third presents evidence to support the second contention—that New Labour's actual policy is one of 'prepare and persuade'—by revealing the institutional and legislative preparations for entry that have been made, the two 'low intensity' pro-euro propaganda campaigns, and the interventions by external actors to augment those campaigns. The fourth looks at the emerging components of the government's euro strategy and the possible problems

of winning a referendum. The fifth discusses the likely role of the media in a euro referendum propaganda campaign. The sixth looks at the present balance of forces on euro membership. The seventh part concludes.

The official policy: 'wait and see'

New Labour's election in May 1997 heralded a sea change in Britain's relationship with the EU, both rhetorically and in terms of policy. Rhetorically, New Labour promised to put Britain 'at the heart of Europe'. Policy-wise, where previous governments had exercised caution and introduced a measure of reluctance and scepticism in their relationship with the EU, New Labour pursued an overtly pro-European agenda. The decision to grant independence to the Bank of England as required by the Maastricht Treaty, the reversal of the opt-out from the social chapter, the ratification of the Amsterdam and Nice treaties, and support for the European Defence Force represent just some of New Labour's pro-European policies. The policy where change is most evident, however, is that concerning British euro membership. New Labour's manifesto in 1997 stated that

[a]ny decision about Britain joining the single currency must be determined by a hard-headed assessment of Britain's economic interests . . . But there are formidable obstacles in the way of Britain being in the first wave of membership, if EMU [Economic and Monetary Union] takes place on 1 January 1999. What is essential for the success of EMU is genuine convergence among the economies that take part, without any fudging of the rules. However, to exclude British membership of EMU forever would be to destroy any influence we have over a process which will affect us whether we are in or out. We must therefore play a full part in the debate to influence it in Britain's interests. In any event, there are three pre-conditions which would have to be satisfied before Britain could join during the next Parliament: first, the Cabinet would have to agree; then Parliament; and finally the people would have to say 'Yes' in a referendum.

Their manifesto in 2001 stated that

Labour's position on the single currency was set out by the Chancellor in October 1997 and reiterated by the Prime Minister in February 1999. We have made it clear that, provided economic conditions are met, membership of a successful euro would bring benefits to Britain in terms of jobs, investment and trade. So in principle, we are in favour of joining a successful single currency. But, in practice, the five economic tests we have set out must be met before the government would recommend entry to the single currency.

An assessment of the tests will be carried out early in the next Parliament. If the government and Parliament recommend entry, the British people will have the final say in a referendum.

New Labour is clearly committed both to British membership of the euro and to holding a referendum on the issue. Its enthusiasm, however, has been tempered by divided opinion in the political class, business lobby and media; the electoral cycle; policy divergence with the opposition; the potential impact of the EU Stability and Growth Pact on New Labour's programme; the need for economic convergence with the eurozone as stipulated in the government's five economic tests and the Maastricht Treaty; the exchange rate, particularly the euro–sterling exchange rate; the lack of progress towards its objective to reform the European Central Bank (ECB) in favour of the Bank of England model; slow progress towards its objective to reform of the 'European social model' in favour of neo-liberalism; and a sceptical British public.

In two senses, New Labour's euro policy is one of 'wait and see'. First, it decided against joining the first wave of euro members in 1999. Second, it has opted to delay making a decision on this issue until a number of conditions are met. These conditions were set out in October 1997, when the government argued that the euro would have to be a 'successful currency', and the benefits to Britain 'clear and unambiguous', before it would recommend membership. Furthermore, it set out five economic tests which would have to be met before any decision was made:

- 1 Whether there can be sustainable convergence between Britain and the economies of a single currency.
- 2 Whether there is sufficient flexibility to cope with economic change.
- 3 The effect on investment.
- 4 The impact on the financial services industry.
- 5 Whether it is good for employment.

Although committed to both membership and staging a referendum, there are Cabinet and departmental divisions on aspects of the government's policy. The Cabinet is united in supporting entry in principle. It is divided, however, on the issue of timing: that is, the timing of the expected referendum and of actual entry. There has been a long-running battle within the Cabinet between euro-enthusiasts and euro-realists. The former favour British membership sooner rather than later; the latter, including the Chancellor Gordon Brown, advocate a more cautious approach. The

Cabinet battle has been paralleled by a departmental struggle over who controls the euro agenda and the process of entry. The euro-enthusiast Foreign Office has repeatedly sidelined the importance of the five economic tests in an attempt to wrest control from the euro-realist Treasury.

It is clear that as the government's tenure in office has progressed, so its official policy has been progressively eroded. In February 1999, for example, following sustained criticism from several quarters that the government was dithering on the issue, Blair declared that he had 'crossed the Rubicon' in terms of membership and that the government would join at an undetermined date in the next parliament. In February 2001, before the general election, Blair promised that a re-elected Labour government would decide within two years whether to hold a referendum. In July 2001, the government duly announced that a referendum would be staged either in the autumn of 2002 or in spring 2003. In October 2001, Blair declared that the government would have the political courage to risk a referendum during the parliamentary session as long as the economic conditions were met.

The government is increasingly aware, however, that, given the electoral cycle and the opposition's policy of keeping the pound, its room for manoeuvre is becoming more limited. Both the 'No' and 'Yes' campaigns warned the government that it must decide whether or not to stage the promised referendum and hold it in 2003 if the issue was to be settled before the next general election. Both campaigns agreed that Blair's 'window of opportunity was small and closing fast'.<sup>2</sup>

#### Public opinion on euro membership

An ICM poll for the 'No' campaign in February 2002 found that 60 per cent would vote against euro membership in a referendum, compared to 27 per cent prepared to vote in favour. The straightforward question of yes or no to membership has been asked over forty times since polling began on the issue in 1992. The result of the February 2002 poll, 60–27 against, was exactly the average result of the last ten years. Over the decade, ICM and Mori polls consistently found high levels of opposition to euro membership. Furthermore, polls by ICM and Eurobarometer reported an increase in public opposition to membership since the launch of the euro as a virtual currency in January 1999.

Poll analysis by ICM revealed important demographic differences in support for the euro. ICM found a 3-point lead against membership in the managerial/professional class, for example, compared to a 37-point lead against membership in the manual/working class. There was also a long-standing gender gap: ICM found that anti-euro campaigners have a 32-point lead among women compared to one of only 12 points among men.

Opposition to euro membership reflects a wider euroscepticism among significant sections of the British public. Although public opinion has often been volatile on the issue, polls conducted by Eurobarometer and MORI have often found widespread opposition to EU membership. The Eurobarometer survey conducted in July 2000, for example, found that British support for the EU had reached a new low, with only 25 per cent believing that membership was beneficial. Similarly, a Eurobarometer survey conducted in February 2001 found that Britain had the lowest score in five of the seven categories of support for the EU. These surveys prompted one European Commission spokesperson to state that 'these are the worst ever results published in the last 20 years.'<sup>3</sup>

Levels of knowledge play an important part in shaping opinion on both the euro and EU membership. In July and November 2001, Eurobarometer surveys found that British ignorance about the EU was higher than in any other member state, particularly among young people. This led the European Commission to declare that a referendum in Britain was not a viable option.

Given that the government has committed itself to holding a referendum before entry, the public opinion poll evidence clearly supports the first contention: that the state of public opinion is currently an obstacle to government policy. The government cannot easily win a referendum when polls have consistently shown over 60 per cent against and only 27 per cent for membership over almost a decade.

The actual policy: 'prepare and persuade'

In contravention of its official policy of 'wait and see', the government has been actively preparing for euro membership. This preparation has taken the form of institutional and legislative action; two 'low-intensity' propaganda campaigns designed to prepare business and public opinion ahead of a referendum; and acquiescence during interventions by other actors on the euro issue.

A number of institutional and legislative actions lend support to the view that the government is actively preparing for entry. These include the government's response to Lord Neill's report into party political funding; the National Changeover Plan; the creation of a new Cabinet Office 'enforcer' post; the development of the 'Eurogrid' media rebuttal unit; the Political Parties, Elections and Referendums Act 2000; the funding of Euro-Info Centres; and the formation of regional euro forums.

The government commissioned Lord Neill, as chair of the Committee on Standards in Public Life, to investigate and produce a report on party political funding. The committee's remit also included the conduct and funding of referendums. After its report was published, the government announced that it would not accept some of its recommendations, specifically those concerning the funding and conduct of referendums. Lord Neill recommended that public funds should only be used for party political campaigning during referendum periods, and that the government should remain neutral by not publishing literature about the referendum issue on which people are to vote. Taking issue with these recommendations before the Home Affairs Select Committee in October 1998, Home Secretary Jack Straw stated that 'it seems unrealistic to expect the government to be neutral on an issue to which ministers have devoted substantial energy and resources.'<sup>4</sup>

In February 1999 the government published the first part of its National Changeover Plan, which set out three stages to Britain joining the euro within three years of a 'Yes' vote: a referendum to be held four months after a government decision; euro notes and coins to be introduced between twenty-four and thirty months following a 'Yes' vote; pound notes and coins to be withdrawn six months after the introduction of the euro. With a view to implementing the plan, the government announced a series of initiatives to prepare both businesses and government departments for membership: £20 million, for example, was set aside to upgrade government computer systems to ensure euro-compatibility. In November 1999 the government published the second part of the National Changeover Plan, including guidelines for ministries on how they should introduce the euro. The government also published changeover plans for local authorities and the National Health Service.

For some, the National Changeover Plan does not represent a formal change of policy; for others, it is part of an increasingly unsubtle government attempt to prepare the public for membership. It is clear, however, that the plan does represent a practical shift in policy; the government has abandoned its 'wait and see' policy and is actively preparing for euro membership, using public funds without a mandate to do so.

In June 2000 Blair secretly appointed a 'European enforcer' to further promote links between the government and the EU, while preparing government departments for the adoption of the euro. This new Cabinet Office position controls and co-ordinates European policy across all departments. In November 2000 the government established the 'Eurogrid', similar to the Labour Party's Rapid Rebuttal Unit, to provide the Strategic Communications Unit and the Foreign Office with advance warnings of European Commission and European Parliament decisions which presented Britain in a negative way.

The Political Parties, Elections and Referendums Act 2000 guarantees that there will be an imbalance between the 'Yes' and 'No' campaigns in any euro referendum. Reflecting the government's objections to Lord Neill's report, the legislation enables the government to spend as much as it likes on pro-euro propaganda six months before a referendum. Furthermore, the legislation allows the Conservative and Labour parties to spend £5 million each on their respective campaigns. Other pro-euro parties—such as the Liberal Democrats, Plaid Cymru and the Scottish National Party—will be allowed to spend £4 million each, thus ensuring that the 'Yes' campaign will outspend those opposed to membership.

On the issue of neutrality, the government rejected an amendment to the Act which called for all government information on the euro to be impartial. Lord Bassam, a government home affairs spokesperson, stated that 'Amendment 203 would additionally require that material circulated by the government during the referendum period as a whole must be factual and impartial . . . In other words, it is proposed that . . . it should be incumbent upon the government to prepare neutral material during the . . . referendum period. This would not work.'<sup>5</sup>

The government also rejected an amendment which would have prohibited campaigning by the European Commission during a referendum, stating that it had no power to do so:

There is a need for some realism about the intentions of the [European] Commission. That needs to go hand in hand with some realism about what such a prohibition could achieve. An explicit ban on referendum expenditure or the publication of referendum material by the institutions of the EU would beg the question how such a ban could be enforced . . . Given the immunities for which the protocol on the privileges and immunities of the European Communities provides, the jurisdiction of our courts in relation to a breach of the provisions of this part by an institution of the Community would be extremely doubtful.<sup>6</sup>

This clears the way for the EU to intervene in British elections and campaign in favour of British membership of the euro.

The government has contributed financially to the development of a network of twenty-four Euro-Info Centres (EICs) to distribute pro-euro information. The EICs—which are based in the same offices as local Chambers of Commerce, Regional Development Agencies, or Business Link organisations—have an estimated budget of £7 million. The government also established regional euro forums which bring together government officials, public sector officials and businesspeople. These forums, which enable the Treasury's Euro Preparations Unit to disseminate pro-euro material, are being transformed into regional campaigning organisations.

In 1998 the government launched its two-stage 'low-intensity' propaganda campaign in favour of the euro. The campaign—recommended by the late Lord Jenkins, a key ally of Blair, who warned that 'Britain had made a habit of joining initiatives late and needed to prepare for a referendum through a "substantial build-up" in order to persuade hostile voters'<sup>7</sup>—was designed to prepare public opinion for the real propaganda campaign expected during a euro referendum.

The first stage coincided with the launch of the euro as a virtual currency and was principally aimed at the business sector. In its Fifth Report on Euro Preparations, dated 2001, the government stated that total spending on changeover planning had been £23.5 million. It also stated that it planned to distribute *Using the Euro—Competing in Europe* to 1.5 million small and medium-sized businesses. As noted by Business for Sterling/New Europe, however,



at various points over the last two years, the government had admitted to spending £60 million [on euro information] . . . Giving evidence to the House of Commons Select Committee on 2 March 1999, Lord Simon stated that the government had spent £8.7 million in 1998 on 'business awareness' for the launch of the euro . . . He also stated that there was a further budget for business information of £7.5 million for 1999.<sup>8</sup>

In December 2001 the government announced the second stage of its 'low intensity' propaganda campaign, aimed at the business sector and the public, by declaring that British membership of the euro was 'almost inevitable' and that millions of pounds would be spent in 2002 to 'sell' the EU and the euro to the British public. The process of 'softening up public opinion for a referendum' would include the publication of simple-to-understand leaflets, a major report on the EU by the Foreign Office, and a series of speeches by Peter Hain, who had been instructed to 'get out and sell Europe'.<sup>9</sup>

The government's campaign was augmented by a number of other campaigns, principally Britain in Europe. On 13 October 1999, Blair, Brown and Robin Cook joined Kenneth Clarke, Michael Heseltine, Charles Kennedy and Lord Marshall on a platform to launch the Britain in Europe campaign. It was described as 'an act of co-operation not seen since the original European referendum campaign of 1975' and 'the strongest cross-party alliance of a generation'.<sup>10</sup>

In February 2000, however, following government pressure to revise its campaign for immediate euro entry, Britain in Europe redirected its activity to promoting EU membership and combating euroscepticism. Their 'Out of Europe, Out of Work' campaign warned that euroscepticism had reached a dangerous point, citing a BBC poll which found 34 per cent in favour of withdrawal from the EU. They further claimed that three million British jobs were dependent on the EU. On the specific question of the economic impact of EU membership, Britain in Europe commissioned the National Institute of Social and Economic Research (NIESR) to investigate the economic effects of EU withdrawal. They prematurely claimed that eight million jobs were at risk, but had to retract when the NIESR stated that such a figure was 'absurd'. In January 2001, to coincide with the launch of the euro, Britain in Europe distributed 'Britain misses the boat' posters on billboards across the country. This was followed a month later by the distribution of *Staying Ahead: Why British Business Needs the Euro to hundreds of thousands of businesses*.

Interventions by other actors, namely business leaders and EU officials, on the issue of the euro augmented these 'low-intensity' campaigns. Between 1998 and 2000, Ford, Matsushita, Mitsubishi, Nissan, Toyota, Vauxhall and Unilever all issued statements in support of Britain's early membership. Some of these companies threatened that inward investment would be at risk if Britain did not join. Likewise, the British ambassador to Tokyo warned that uncertainty about Britain's euro policy could jeopardise Japanese investment in the UK. This coincided with a leaked memorandum from the Department of Trade and Industry warning that manufacturing faced 'meltdown' if the government did not declare that membership was inevitable.

EU officials also intervened in the euro debate. In February 1998, Yves-Thibault de Silguy, the European Commissioner for Monetary Affairs, warned British businesspeople and bankers of the consequences of not joining the euro; in June 2000, his successor Pedro Solbes claimed that Britain would benefit from euro membership; in June 2000, the ECB argued that there was a 'window of opportunity' for Britain to join the euro and that the main obstacle was 'psycho-political' rather than economic; and in July 2000, Tommaso Padoa-Schioppa, a member of the executive board of the ECB, warned that Britain would not be welcome as a member unless there were a cross-party consensus in favour of both the EU and the euro.

The government did not initiate and publicly support these interventions, but nor did it counter them. Its acquiescence seems to suggest that these interventions were welcomed, in that they contributed to the perception of the inevitability of British membership.

#### The campaign: strategy and problems

Two studies, both published in 2001, sketched out a potential strategy to enable the government to win a referendum. Paul Whiteley found that as the 2001 general election campaign progressed, so the issue of the EU became more salient; that this trend was accompanied by a decline in scepticism as people switched from a 'stay out' to a 'wait and see' position; and that older people, less educated people and women were generally more eurosceptic. It led Whiteley to argue that

[s]ince age and sex do not change during an election, they cannot explain shifts in attitudes. It is fairly clear that these changes were explained by political factors. Given that the euro is complicated and many

feel confused because they do not know enough to make a judgement, they are likely to be influenced by opinion leaders whom they trust.<sup>11</sup>

Whiteley highlighted a number of other important lessons from the study: that significant shifts in attitude can occur in a relatively short time; that public opinion is sceptical but that attitudes are 'shallow'; that supporters should act before the inevitable mid-term trough in support for the government; and that supporters should act before the Conservatives recover politically.

Leonard and Arbuthnott presented the government with a list of what it needed to do to be able to win a referendum.<sup>12</sup> These included the need for trusted leadership; the need to inform the public about the euro and EU membership; the need to focus on the one-third of 'No' voters who are open to persuasion; the need to produce a 23 per cent swing to ensure a 'Yes' vote; the need to overcome the 'emotional association' between currency and country; the need to stress that EU and euro membership are the status quo, and that it is anti-euro campaigners who want change, thereby conflating the issues of EU and euro membership and confusing the electorate; the need for an aggressive and personalised attack on the 'No' campaign; the need to expose the divisions of the 'No' campaign on EU membership; the need to highlight the unelectability of the 'No' campaign leadership; the need to show how price transparency can combat 'rip-off Britain'; the need to demonstrate the dangers of voting 'No', both to businesses and to voters' personal prosperity; and the need to tackle the eurosceptic press.

Some of these studies' recommendations have been adopted by the government in its emerging euro referendum strategy. The strategy centres, thus far, on ten key elements, namely: the government actively campaigning for a 'Yes' vote; the targeting of key sections of the population; the 'inevitability' argument; the process of 'euro creep'; the 'notes and coins effect'; presenting anti-euro campaigners as 'extremists'; the warning that an anti-euro vote will inevitably lead to British withdrawal from the EU; the perceived threat to inward investment; the need for business to campaign in favour; and changing the nature of the debate by declaring that the five economic tests have been met. Following the precedent set during the 1975 referendum, the government has already signalled its intention to campaign in favour of a 'Yes' vote by sending a document outlining the case for euro membership to every household in Britain during a referendum campaign.

ICM and the 2001 British Election Survey both found that some sections of the British public, women for example, were more eurosceptic than others. This prompted the government to announce in June 2001 that it was going to target women over EU and euro membership, using women's magazines and daytime television programmes.

The government has argued on occasion that British membership of the euro, whatever the state of public opinion, is 'inevitable'. In August 2001, for example, Europe Minister Peter Hain declared that euro membership was bound to occur, being the 'logical' development of greater European integration. Following the technically successful launch of euro coins and notes in January 2002, Hain repeated his unsubstantiated assertion, claiming that it was not sustainable for sterling to coexist indefinitely; that Britain could end up isolated and alone as the only member of an enlarged, 25-strong EU outside the euro. To some extent, the inevitability argument seems to be effective: in December 2001, an ICM poll found that 62 per cent of voters believed that British membership of the euro within ten years was inevitable. This compared to 31 per cent in November 2000. Interestingly, however, another ICM poll in early 2002 revealed that the euro was seen as inevitable because of a distrust of politicians and the electorate's lack of faith that its opinion will be reflected by politicians. Perceptions of 'inevitability', therefore, will not necessarily generate changes in voting behaviour.

The government expects the process of 'euro creep'—whereby businesses trading in euros, and shoppers and tourists purchasing in euros, become accustomed to using the currency—to help reverse public hostility to the currency. Consequently, a postponed government-organised campaign was expected in the autumn of 2002 after millions of British holidaymakers had used the new currency, many for the first time. Some pro-euro campaigners, for example Simon Buckby, director of Britain in Europe, claim that this 'notes and coins effect' will have a huge impact on public opinion. However, although some poll results showed minor changes in public opinion in the run-up to the introduction of notes and coins, these were not translated into major shifts in public opinion. Temporary changes in public opinion also occurred when the euro was launched in 1999.

The government has attempted to present anti-euro campaigners as 'extremists' who are 'out of touch' with the naturally conservative British public. Likewise, it has suggested that an anti-euro vote will inevitably lead to British withdrawal from the EU.

The government claimed that Britain's reluctance to join the euro was a threat to inward investment, and thus jobs. In November 2001, Brown told colleagues that he recognised that failure to make a decision on membership by the summer of 2003 would be seen by the markets and overseas investors as 'indefinite postponement', which could lead to a loss of investor confidence. Furthermore, the government has stated that it would prefer the business sector also to campaign in favour of the euro. An NOP poll in January 2000 found that 51 per cent would vote for the euro if business campaigned in favour. However, such a prediction founders on the deep-seated division in business opinion, a situation contrasted with its virtual unanimity in 1975.

Finally, the government may attempt to change the nature of the debate by declaring that the Treasury's five economic tests have been met. During the 1975 referendum, Harold Wilson recontextualised the debate by renegotiating the terms of EU membership. Wilson and James Callaghan then played the role of reluctant converts, helping to reverse public opinion on the issue. Many pro-euro campaigners believe that Brown could do the same: the government could declare that its five tests were satisfied, opening the way for Brown to argue, as the cautious realist, that it is in Britain's economic interests to join. There is evidence to support this tactic: an NOP poll in January 2002 found that if the government recommended that its five economic tests were met, 40 per cent would vote for the euro with 39 cent against. Similarly, a Barclays Eurotrack survey also found that 40 per cent would be persuaded to vote 'Yes' (with 39 per cent against) if the government stated that its conditions were fulfilled (28 per cent said they would be influenced by the Treasury's tests). The NOP survey concluded that '[w]ithout much effort at all, the government finds itself in a situation where it could obtain a majority in a referendum on the euro if it said the UK passed the five economic tests . . . This means the chance of a referendum being held during the current Parliament, and of it being won by the government, have increased substantially.'<sup>13</sup> These polls, however, were taken immediately after the technically successful launch of the euro; by March 2002, opinion favoured the 'No' campaigners again.

The government's euro referendum strategy, however, faces a number of possible problems. These include the 'Murdoch effect' and poll abstention. In March 1998, one commentator guessed at why the government had not attempted a referendum during Labour's first term: the Murdoch media empire would have campaigned against a 'Yes' vote, a situation the government could not risk. This was confirmed by Mandelson in the Channel 4 documentary *Blair's Year*:

Blair feels he has to convert Murdoch before he calls a referendum . . . [T]he Prime Minister ruled out attempting to take Britain into the single currency before the next election after being told it would turn Murdoch's newspapers, especially *The Sun*, against New Labour . . . the Cabinet was never consulted . . . the decision involved only [Robin Cook], Tony Blair, Gordon Brown and John Prescott.<sup>14</sup>

The need to neutralise, if not convert, the eurosceptic press is a key problem for pro-euro campaigners, particularly as it extends beyond the Murdoch empire to the Mail and Telegraph groups.

Another problem is that of voter abstention during a referendum. In June 2001, Blair expressed his caution about staging a referendum. Acknowledging the state of public opinion, Labour strategists were concerned 'that mass abstentions . . . would favour the anti-single currency camp, whose committed supporters are more likely to vote'.<sup>15</sup>

A series of additional problems were identified by Scholefield, who argued that the euro referendum would be an enabling type of referendum: '[t]his is where the executive proposes but has not yet implemented a policy, and where the general proposition is put to the people with the details to be filled in by the executive at a later date'.<sup>16</sup> Several pieces of legislation enacted by the government, however, effectively conspire against its victory in an enabling referendum. The Maastricht Treaty requires prospective euro members to join the exchange rate mechanism (ERM) for at least two years. It is still unclear whether the ECB and euro-12 would waive this obligation. The Bank of England Act 1998 set price stability as the principal objective of the Monetary Policy Committee. Any attempt to manipulate the euro–sterling exchange rate downwards before entry, as some advocate, might undermine price stability and precipitate the need to amend legislation. Furthermore, the Political Parties, Elections and Referendums Act 2000 established the Electoral Commission and charged it with ensuring the 'intelligibility' of any referendum question on the euro. Unless the electorate has information about the euro–sterling

exchange rate and ERM membership, however, it is difficult to see how any question could be intelligible. Furthermore, such a situation could leave the government vulnerable to challenge under the Human Rights Act 1998: 'The main challenge would be that freedom of expression under Article 10 must include the corollary requirement to have adequate and unbiased information to make a decision.'<sup>17</sup> Voting to join the euro without knowing the exchange rate is equivalent to selling a house without knowing the price.

#### The media in a euro referendum

Although there is no established cause-and-effect relationship between editorial line and readership opinion, as several studies demonstrate—the press are influential in helping to shape and shift public opinion over a long period. For this reason, the press and other media played a central role in previous pro-European propaganda campaigns.

Studies of the role of the media during the 1975 referendum found systematic bias in favour of pro-Europeans. In the 1980s, however, the situation began to change: '[b]etween 1948 and 1975, the British press moved from a vaguely "pro-Community" consensus to a pronounced and nearly unanimous Euro-enthusiasm. Gradually this gave way to widespread euroscepticism in large sections of the press in the 1990s.'<sup>18</sup> Although more recent research—the Minotaur Media Tracking studies of the BBC, for example—identified further examples of pro-European bias in the British media, the situation now is very different, in five respects.

First, in contrast with the 1975 referendum—when all of the national newspapers, with the exception of the Morning Star, campaigned for a 'Yes' vote—the press is now divided. The Express, Financial Times, Guardian, Independent, Mirror and Observer are likely to support a 'Yes' vote, while the Mail, Sun, Telegraph and Times are likely to campaign against. Crucially, the sales of anti-euro newspapers are substantially greater than those of titles supporting euro entry.

Second, while no government has been so concerned with, and adept at, 'soundbites' and 'spin' as New Labour, the public has become increasingly disillusioned with this type of news management. This carries important implications for the 'Yes' campaign. Euro supporters have already signalled that the 'Yes' campaign will employ 'spin' and negative campaigning. The public, however, may be 'turned off' by such activities, preferring a more honest and open debate.

Furthermore, supporters have already demonstrated that they are prepared to be 'economical with the truth'. Exposure of such incidents during a euro referendum campaign may damage the 'Yes' campaign, to the benefit of anti-euro campaigners.

Third, although the government can exploit new forms of media for propaganda purposes—the internet and cable and satellite television, for example—these outlets are also available to the 'No' campaign. Fourth, we now live in a 24-hour media and news culture which offers both the government and the 'No' campaign even more opportunities to manage the debate, and thus opinion. Controlling the media's agenda will be crucial to both campaigns. Fifth, the government has already signalled its intention to employ local and regional media outlets to circumvent the influence of the national eurosceptic press. How effective this circumvention would be is open to question.

In terms of the role of the media in a future euro referendum propaganda campaign, the government is likely to deploy many of the techniques employed in previous campaigns. These include the mass distribution of literature (specifically articles, reports and letters) to local, regional and national press and broadcast media; the sustained briefing of targeted editors and journalists; an intensive programme of speeches by some business and political leaders in an attempt to capture the agenda; the targeting of specialist media programmes; and the rebuttal of anti-euro material (perhaps using Eurogrid or Labour's own Rapid Rebuttal Unit).

#### The balance of forces

The present balance of forces on euro membership may be described in terms of two groups. The 'Yes' campaign favours immediate membership or membership in principle; the 'No' campaign opposes membership on principle or favours ruling it out for the foreseeable future.

The 'Yes' campaign is led by Britain in Europe and includes key elements of the British state such as the executive, the Civil Service, and government departments including the Cabinet Office, Foreign Office and sections of the Treasury. The 'Yes' campaign also includes the leadership of political parties such as Labour, the Liberal Democrats, Plaid Cymru and the Scottish National Party; party political pressure groups such as the Labour Movement for Europe; business organisations such as the British Chambers of Commerce, Confederation of British Industry (CBI)



and the Engineering Employers' Federation; trade unions such as the GMB (Britain's general union) and the Trades Union Congress; newspapers such as the Express, Financial Times, Guardian, Independent, Mirror and Observer; and a plethora of small campaigns and organisations within civil society such as Demos and the Institute for Public Policy Research. British membership is also supported by external actors such as the EU and the US (although the Bush administration's support has been low-key compared to that of previous administrations).

The 'No' campaign is dominated by Business for Sterling and New Europe, and is supported by the leadership of the Conservatives and the Green Party; party political pressure groups including the Labour Euro-Safeguards Committee and Labour Against the Euro; business organisations such as the Federation of Small Businesses and the Institute of Directors (IoD); trade unions such as the Transport and General Workers Union and Unison; newspapers such as the Mail, Sun, Telegraph and Times, and magazines like The Economist; and civil society organisations such as the Campaign for Democracy, the Campaign for an Independent Britain, the Democracy Movement, Global Britain, the Institute of Economic Affairs, the Social Market Foundation and Tribune.

There are divisions, however, both within these campaigns (over leadership, strategy, tactics, etc.) and within institutions and their membership. For example, in a survey of Labour Party members, Whiteley and Seyd found that 16 per cent supported the statement that 'Labour should resist further moves to integrate the EU,' 71 per cent disagreed, and 13 per cent neither agreed nor disagreed. In a survey of Liberal Democrat Party members, Seyd and Whiteley found that 20 per cent favoured a 'single European government' whereas 37 per cent wanted 'the power of the EU reduced'. Given these figures, it seems reasonable to suggest that division will also exist within these parties on the issue of euro membership. In a survey of Conservative Party members, Whiteley and colleagues found that 57 per cent agreed that 'a Conservative government should not agree to a single European currency,' 31 per cent disagreed, and 12 per cent neither agreed nor disagreed.<sup>19</sup> Furthermore, parliamentary parties are split on the euro issue. A 2002 survey by ITV's Jonathan Dimpleby programme and the Social Market Foundation found that 16 per cent of Conservative MPs supported euro membership, as did 73 per cent of Labour MPs and 86 per cent of Liberal Democrat MPs; 81 per cent of Conservative MPs opposed membership, as did 27 per cent of Labour MPs and 9 per cent of Liberal Democrat MPs.

Therefore, contrary to popular perception, Conservative MPs are more united on the euro issue than Labour MPs. Overall the survey found that 59 per cent supported membership but that 46–48 per cent would vote 'No' if a referendum were held now.

Crucially, division exists within business organisations. An internal survey of CBI members in 1997 found that 97 per cent were in favour of euro membership. A 1999 ICM poll of CBI members found that 27 per cent supported membership against 64 per cent who opposed it; a 1999 Mori poll found that 52 per cent supported immediate entry, 32 per cent supported the 'wait and see' policy, and 15 per cent favoured ruling out membership until 2007. An internal survey of IoD members in 1999 found that 13 per cent supported immediate entry, 20 per cent favoured ruling out membership for the foreseeable future, and 30 per cent were opposed to membership at any time. Among a wider body of firms, business opinion is also split. A 1999 ICM poll of businesses found that 63 per cent favoured keeping the pound and only 32 per cent supported euro membership. A 2000 NOP poll for the IoD found that 67 per cent of businesses supported membership in principle. A 2001 Reuters survey of opinion in the City of London found that 63 per cent of large companies favoured membership of the euro, as did 68 per cent of fund managers. A 2002 HSBC survey of small companies found that 61 per cent believed euro membership would benefit their company, an increase from the 23 per cent recorded in 1999.

Division also occurs within trade union membership. A 1999 Mori poll found that 61 per cent opposed the euro and only 23 per cent supported membership. And whatever the newspaper's editorial line, readers are also divided on the euro issue. Paul Whiteley reported a Gallup poll which found that 10 per cent of Daily Mail readers supported membership, 45 per cent favoured the government's policy of 'wait and see', and 44 per cent opposed membership; 51 per cent of Guardian readers supported membership, 38 per cent favoured 'wait and see', and 10 per cent opposed membership; 16 per cent of Sun readers supported membership, 27 per cent favoured 'wait and see', and 53 per cent opposed membership; 29 per cent of Times readers supported membership, 48 per cent favoured 'wait and see', and 23 per cent opposed membership.<sup>20</sup>

It is clear that the present balance of forces is not equal, although it is substantially less unequal than in 1975. Furthermore, there are important divisions within these opposing forces. For these

reasons, New Labour's preparations, and the government's emerging euro referendum strategy, are by no means assured of success.

### Conclusions

The evidence presented in this article suggests that public opinion is currently an obstacle to the government's policy of staging and winning a referendum. Furthermore, its official 'wait and see' policy is being actively undermined by its actual policy of 'prepare and persuade'. Without a mandate to do so, the government is systematically preparing for euro membership, as evidenced by its institutional and legislative actions, the two 'low-intensity' pro-euro propaganda campaigns, and its acquiescence during interventions by external actors (which had the effect of augmenting those campaigns). The emerging components of the government's euro strategy are further evidence of its intention. Despite division in the press on the issue, it is likely that the media will play an important role in what will be Britain's fourth propaganda campaign. Crucially, evidence suggests that an imbalance of forces exists between the 'Yes' and 'No' campaigns, in favour of the former. This is less pronounced, however, than during the 1975 referendum.

Given these factors, what is the likely outcome of a referendum on euro membership? To frame an answer, it is useful to consider the work of the Swedish political scientist Walter Korpi. Korpi critiqued the two main models ('pluralist industrial' and 'neo-corporatism') that have been developed by social scientists to understand and explain the postwar development of Western societies. In their place, he proposed an alternative, based on the concept of power resources. Korpi's conception is crucial in that it helps us understand how the changing distribution of power in society influences political decision-making. Power resources are

characteristics which provide actors—individuals or collectivities—with the ability to punish or reward other actors . . . It is important to realise that power resources need not be used or activated in order to have consequences . . . An actor with the ability to reward or punish need not always do so to influence others. Since every activation of power resources entails costs, it actually lies in the interests of power holders to increase efficiency in the deployment of power resources. Thus, power resources can be invested through the creation of structures for decision-making and conflict regulation . . . [and] in institutions for conflict resolution such as laws, ordinances and bureaucracies, in technologies, in community and national planning, and in the dissemination of ideologies.<sup>21</sup>

The 'Yes' and 'No' campaigns both have power resources at their disposal. The crucial difference between them, however, is that the government, with access to all the power resources of the state, gives the 'Yes' campaign substantial, but not necessarily decisive, advantage over its opponents. The abilities to introduce legislation, draw on substantial financial resources, develop an integrated media network and organise the mass distribution of propaganda represent just some of the power resources that are available to the government, and therefore the 'Yes' campaign. Many of these power resources, however, are either unavailable to the 'No' campaign, or are not available on the same scale.

Together, the power resources of the government combined with those of the wider 'Yes' campaign (including sections of business, political parties and trade unions, plus external actors like the EU) constitute a formidable force. Although the 'No' campaign is better financed and organised than previous anti-EU campaigns, its power resources do not match those of the 'Yes' campaign, except in the potentially crucial area of the national press. Furthermore, when the euro referendum propaganda campaign begins, it is likely that this imbalance will become even more pronounced.

Differential power resources were successfully deployed by British governments in the past to the benefit of pro-Europeans. The present government is likely to attempt a similar strategy on the issue of euro membership. Despite the long-term trend of public opinion polls, the possibility that the 'Yes' campaign, with the support of the government, will win a future referendum cannot be lightly dismissed. Whatever the precise balance of power resources, Tony Blair appears confident of success. In January 2000, European Commissioner Lord Brittan revealed that Blair had privately given an assurance to other European leaders that Britain would join the euro after the next general election. New Labour's euro strategy, however, is a high-risk one. Whether or not Tony Blair believes he can win a referendum is, in effect, the sixth test: the Blair test. A 'No' vote would be seen as a personal repudiation of Tony Blair and could spell disaster for the government, and for the New Labour project as a whole. Furthermore, unlike the 1975 referendum, the 'No' campaign has the backing of a major political party. A 'No' vote could also electorally benefit the only party that will campaign to keep the pound: the Conservatives. The stakes are high.

## Notes

1 For simplicity, the post-war project of European integration will be referred to as the European Union (EU) rather than European Economic Community (EEC), Common Market, or European Community (EC).

2 Michael White, 'Warning to Blair on Euro Vote Timing', *Guardian*, 23 January 2002.

3 Quoted in Andrew Osborn, 'EU Support Hits New Low', *Guardian*, 25 July 2000.

4 Quoted in Alan Travis, 'Labour Will Campaign for Euro, Says Straw', *Guardian*, 21 October 1998.

5 Lord Bassam, *House of Lords Debates*, 5th ser., vol. 619, cols 896–7, 22 November 2000.

6 Lord Bassam, *House of Lords Debates*, 5th ser., vol. 618, col. 196, 24 October 2000.

7 Quoted in Ahmed and Hinsliff, 'Blair appoints euro 'enforcer to crack whip'', *Guardian*, 4 June

8 *Business for Sterling/New Europe, Bulletin: The Pro-Euro Network*, London, Business for Sterling/New Europe, 2001, p. 3.

9 Kamal Ahmed, 'Blair to Spend Millions on Selling the Euro to Britons', *Observer*, 30 December 2001.

10 Michael White, 'Blair Begins Europe Battle', *Guardian*, 14 October 1999; Michael White, 'A Fight for "Britain's Soul"', *Guardian*, 15 October 1999.

11 Paul Whiteley, 'How to Win the Euro Vote', *Guardian*, 26 June 2001.

12 Mark Leonard and Tom Arbuthnott, eds., *Winning the Euro Referendum: A Guide to Public Opinion and the Issues that Affect It*, London, Foreign Policy Centre, 2001.

13 Robert Shrimpsley, 'Voters "Will Back Euro" if Economic Tests Passed', *Financial Times*, 24 January 2002.

14 Quoted in Andrew Rawnsley, 'Mandelson Admits: We Are Banking on Murdoch', *Guardian*, 19 April 1998.

15 Quoted in Larry Elliott, 'Early Euro Move Unlikely as PM Sticks to Cautious Line', *Guardian*, 9 June 2001.

16 Anthony Scholefield, *Why Mr Blair Will not Win a Euro-Referendum*, London, Futurus, 2001, p. 11.

17 *Ibid.*, p. 26.

18 George Wilkes and Dominic Wring, 'The British Press and European Integration: 1948 to 1996', in David Baker and David Seawright, eds., *Britain For and Against Europe: British Politics and the Question of European Integration*, Oxford, Clarendon Press, 1998, p. 185. For studies of

the role of the media during the 1975 referendum see *The Press and the Common Market*, Pudsey, *British Business for World Markets*, 1975; Roger Broad and Tony Geiger, 'The 1975 Referendum on Europe: A Witness Seminar', *Contemporary Record*, vol. 10, no. 3, 1996, pp. 82–105; David Butler and Uwe Kitzinger, *The 1975 Referendum*, 2nd edn, London, Macmillan, 1996.

19 Paul Whiteley and Patrick Seyd, 'New Labour: A New Grass Roots Party?' paper presented at annual meeting of Political Studies Association, University of Keele, April 1998; Patrick Seyd and Paul Whiteley, 'Middle Class Activists', *Guardian*, 20 September 1999; Paul Whiteley, Patrick Seyd and Jeremy Richardson, *True Blues: The Politics of Conservative Party Membership*, Oxford, Clarendon Press, 1994, p. 57.

20 Paul Whiteley, 'Euro Choice', *Guardian*, 29 August 2000.

21 Walter Korpi, *The Democratic Class Struggle*, London, Routledge & Kegan Paul, 1983, p. 15.

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