Charles Moore

Margaret Thatcher Lecture 2012

The EU vs the Nation State: Who's Winning?

Tuesday October 23rd 2012

Mr Chairman, ladies and gentlemen,

A few years ago, you did me the honour of asking me to deliver your Keith Joseph Memorial Lecture. Please don't worry if you cannot remember what it was about: I can't either. But Keith was one of the very few politicians in whose name lectures should be given. Through his courage and honesty, he succeeded in harnessing the power of ideas for the public good. No one knows that better than you, at the Centre for Policy Studies, which Keith founded.

So this evening, you do me an even greater honour by asking me to deliver the Margaret Thatcher Lecture. I feel as if, having previously preached about John the Baptist, I am now being invited to write the Gospel.

Under Keith Joseph's leadership, Margaret Thatcher – who was then, in 1974, the Opposition spokesman on the Environment – helped found the CPS. Shattered by the failure of the Heath Government to deliver economic recovery and win the General Election of February 1974, she cast about, with characteristic energy and passion, to understand *why* it had failed. The answers which, with your help, she reached, changed Britain. It is not an exaggeration to say that they changed the world.

Those who worked at the CPS in 1974 remember Mrs Thatcher coming in to help get the office going. She sat on the floor and started to wire up the plugs which, in those days, due to some trade union rule, were never attached to electrical goods when you bought them in a shop. I love this typically practical image of her - literally earthing the work in hand, physically powering up the ideas which she cared about so much.

I shall not call Mrs Thatcher an intellectual. I do not want to damage the high reputation that she has with ordinary, decent British people. But she was excited by ideas and was

brilliant at propagating them. The late Alfred Sherman, also of this organisation, was right in saying that she was a person of beliefs, which is even better than a person of ideas. Those ideas and those beliefs gave her the spur for action. The rest is history – history which I am busy trying to write.

* * * * * * * *

As we are all sadly aware, Lady Thatcher can no longer take part in great public debates. I find this particularly poignant at this time, because the subject which, arguably, caused her fall from office is the great matter of the present hour. She tried to resist the process which eventually brought about European Economic and Monetary Union at the end of the 20th century. Now, in 2012, we see the crisis of the project she opposed. It would be fascinating to know her reactions. Possibly they would include those rarely popular words 'I told you so.'

We cannot, unfortunately, hear those thoughts, but tonight I should like to attempt three things. The first is to set out what Margaret Thatcher thought about Europe and the nation state, and why she thought it. The second is to ask why she did not, at the time, prevail. The third is to bring the issue forward to today. How can a modern British Government learn from what she got right and what she got wrong? It has often been stated that her famous 'No. No. No' in the House of Commons on her return from the Rome Summit in October 1990 spelt the end of her premiership. Might the repetition of that one little word be more efficacious for a Conservative leader today than it was 22 years ago?

Before I embark on this analysis, let me suggest that it might be helpful, in listening to what follows, to bear in mind the question over which the Tories rashly fought, and narrowly lost, that general election of February 1974.

'Who Governs Britain?' Ted Heath asked the British people. No clear answer came back. At the time it was asked, the question referred specifically to the power of the trade unions. In this sense, Mrs Thatcher, as Prime Minister, triumphantly answered it. But the same question, asked more widely, always preoccupied her. It was central to her approach to Europe. It explains why she resisted the move from an economic community to what we have now, the European Union.

The question remains: Who Governs Britain? I defy anyone to answer it with clarion confidence today. But it must, in the end, *be* answered.

* * * * * * * * * *

It has often been said that Margaret Thatcher began her political life strongly in favour of Europe, that she grew more and more irritated with the Community in the course of her time as Prime Minister, and that, after leaving office, she turned almost completely against it. In terms of her stated positions, this account is true. She voted for the legislation that secured British entry to the EEC in 1972. She campaigned for a 'Yes' vote in the referendum of 1975 (by which time she was party leader: some of you may have seen pictures of the striking jersey she wore for the occasion depicting the flags of all the member states). Even in her famous Bruges Speech in 1988, she said that 'Our destiny is in Europe, and as part of the Community'. It was only after leaving office that she expressed any public doubt about whether she should have signed the Single European Act. In the 1990s she became privately sympathetic to the view that Britain would be better off out of the whole thing.

But this account of a great change in her attitude is nevertheless misleading. It is clear from Mrs Thatcher's public pronouncements on Europe throughout her career, and even clearer from her private remarks, notes and letters, that she never was a believer in the European project as conceived by its founders and expressed in the Treaty of Rome. She could, it is true, particularly in the 1960s and 1970s, be found arguing for the EEC in terms of freer trade and wider markets. In the context of the Cold War, she often called for the Community to speak up more unitedly in defence of the Western way of life. This led her, in the early days, to favour more foreign policy coordination. She endorsed the practical advantages and the spirit of cooperation. But she never endorsed the essential doctrine. She went to church, you might say, but never took communion. Thus, she never supported 'ever-closer union', except as a vague expression of common purpose. She always publicly opposed a United States of Europe. She never favoured Economic and Monetary Union, though she allowed herself to be persuaded to sign declarations which included EMU as an aspiration. She always, until to do so by treaty change, insisted on calling the European Parliament by its formal, legal name, the European Assembly, in order not to accord it full parliamentary status. She refused to refer to Jacques Delors as 'M. le President' in deference to his job as President of the Commission. She called him plain 'M. Delors' instead. He was not, after all, an elected head of government.

Her favourite technique, when asked to agree to forms of words which advanced a European federal state or super-state, was to ask what the phrases meant. Then she would argue for words that were less 'airy-fairy'. But in reality it was not so much the airy-fairyness which she disliked – though she certainly did detest waffle – but the kernel of real meaning they contained. Whenever she agreed to such things, as she did to mentioning EMU in the preamble of the Single European Act, it was because her officials and ministers represented to her that agreement to grand-sounding words was a price

worth paying for specific material advantages. So, for example, she signed up to the Stuttgart Solemn Declaration on European Union in 1983 because she was told it would help secure Helmut Kohl's backing for the budget deal which she sought, and largely won, at the Fontainebleau Summit the following year.

Only late in the day did Mrs Thatcher come to understand that these solemn declarations and communiqués, preambles and treaties, though undoubtedly windy, were even more undoubtedly real. They truthfully upheld the goal of superseding the nation state. From the very beginning in the 1950s, they had been designed to create a process which would make that goal *inevitable*. She never, at any point, agreed with that goal. She always believed in the nation state, particularly the British nation state. She equally disliked that rule of inevitability, because it conflicted with the British constitutional doctrine that no Parliament can bind its successors.

This helps explain why her Community partners were so angry with her in the protracted row about the British contribution to the EEC Budget, which ran from 1979 to 1984. Not only did they dislike the idea of the British rebate because it would lose them money; they were also furious at her use of the phrase 'I want our money back'. The money she was talking about was the sum paid over by each member state into what was called the Community's 'own resources'. In a deep theological sense, the other member states held that such resources belonged absolutely to the Community as a sovereign entity and therefore could not be returned. So when Mrs Thatcher demanded 'our money', she was speaking, to their minds, not only selfishly, but heretically. To her, *they* were the heretics: how could British parliaments, in perpetuity, be forced to go on paying out taxpayers' money and not be allowed to change their mind?

Since this disagreement about the goal is absolutely basic to Britain's entire problem with Europe, and since the goal of ever-closer union is central to the ideas of all Euro-integrationists, it might seem puzzling why it was so long suppressed. In 1986, for example, when I was editing The Spectator, we found ourselves the only national paper (and we, of course, were tiny) opposing the Single European Act on the grounds that it took away significant sovereign powers from the United Kingdom. Hardly any public debate took place. In the House of Commons, only a handful of Tory MPs rebelled. Everyone else accepted Mrs Thatcher's sincere but mistaken presentation of the act as a market measure rather than a constitutional one. It is a great irony that the only Prime Minister who could quell British euroscepticism was Margaret Thatcher herself. You can see the extent of the change since then when you reflect that today about 80 per cent of the national press is eurosceptic. The Conservative party is now dominated, though not yet led, by people who strongly hold such views.

But perhaps this reluctance to open up the real debate in the 1980s is not so hard to understand. Last week, I heard the Booker Prize winner, Hilary Mantel, speaking about the Tudor period in which her novels are set. She said that her task was to convey what she called the 'atmospheric pressure' of the time - something which is not always clear from the history books. The atmospheric pressure which bore down on Mrs Thatcher at the beginning of the 1980s was that 'Europe' was settled. Only five years earlier, the British people had confirmed our membership in a referendum by two to one. Most politicians were quite relieved to have this argument out of the way, because of its unique ability to split their parties. In private communications, Mrs Thatcher was constantly emphasising, usually to pro-European ministers who wanted to race far ahead of their backbenchers, that she had to try to hold her party together on this subject. With the help of Bernard Ingham's simultaneously blunt and cunning presentations of her negotiations at European Councils, she liked to be seen to win victories against various annoying foreigners without, at the same time, upsetting the applecart.

As for the Foreign Office, its officials mistrusted Mrs Thatcher's European instincts and laughed at her ignorance of foreign ways, but they also respected her skill and prestige as a tough negotiator. (She, by the way, reciprocated this respect: she disliked the Foreign Office in theory, but often got on well with its most able officials.) They liked her energetic combat, but they also liked neutralising what they saw as her extremes. It was in their interest to play down any profound differences about the purpose of the whole enterprise. To some extent, it was in her interest too: any other thoughts seemed just too difficult to contemplate.

Look at the arguments which developed about whether or not Britain should enter the Exchange Rate Mechanism of the European Monetary System. In 1985, when Nigel Lawson succeeded in lining up almost the entire government in favour of ERM entry, and Mrs Thatcher held out against it virtually alone, the discussions had no *stated* European political or constitutional dimension whatever. It was all to do with what was best for the exchange rate, interest rates and the control of inflation. The Treasury, genuinely preoccupied with these problems, took the lead, and the Foreign Office quietly backed it up. The whole issue of whether the ERM would lead to a single European currency was, of course, at the back of many minds, but it was almost literally not mentioned. Call it statecraft or call it double-think, this way of proceeding seemed to work for a remarkably long time. It reached its apogee with the Single European Act.

For their part, the main Continental partners were also apprehensive of direct dissension. Most, though not all, had welcomed British membership of the EEC. Significant numbers of them could see some sense in Mrs Thatcher's criticism of the way EEC spending - on

agriculture, for instance - actually operated. As the decade wore on, more were forced to recognise that her arguments for economic reform, visibly successful in Britain, should be applied to the Community too. So talk of an improved Single Market was persuasive. Where they never agreed with her was in questioning the ideal of Europe itself. But for a long time, they were able to push all that to one side.

* * * * * * * * *

This only really changed with two factors – first, the approaching end of the Cold War, second, the rise of Jacques Delors. Mrs Thatcher was by far the most prescient of European leaders about the former, but was rather naïve about the latter.

It was she, just before Christmas in 1984, who had entertained Mikhail Gorbachev at Chequers. She had spotted his potential even though he was not yet the Soviet leader. The two argued with astonishing frankness about the respective merits of their two systems. They established a basis of trust. From the position of military and economic strength which, thanks to Ronald Reagan and herself, the West had recently acquired, she saw that the NATO allies could encourage real change in the Soviet bloc. On the great question of overcoming the artificial division of Europe since 1945, the Iron Lady was far more flexible than her less strongly anti-Communist European allies. She quickly saw Gorbachev's potential for assisting change in the right direction.

She was slower, however, to see Delors' potential for change in the wrong one. She had supported his candidacy for the Commission Presidency in 1985 on the grounds – true – that he had been an able controller of the previously unruly French government finances. By 1988, however, he had asserted himself. He became chairman of the committee in charge of bringing EMU into being. When that committee reported in the following year, he made it perfectly explicit that ERM membership was indeed a mere prelude to EMU. In 1988, he told the European Parliament that, in ten years' time, 80 per cent of financial and economic legislation would emanate from Brussels. To the wholly anti-Thatcher TUC in September 1988, he advanced his gospel of Europe's social dimension. At last, Mrs Thatcher had the enemy in plain view.

It is in this double context that the Bruges Speech, delivered later that September, should be seen. She felt simultaneously excited by the changes going on in the East and maddened by those taking place in the West.

British officials who were terribly agitated about her Bruges drafts late that summer have honestly admitted to me that they did not understand the full dimensions of the speech. They were so concerned how her words would be received in the chancelleries of the EC that they thought the passages about Eastern Europe were the boring bits. But in fact her definition of Europe as stretching far beyond anything defined in the Treaty of Rome reads extremely well in 2012: ' We must never forget,' she said, ' that East of the Iron Curtain people…have been cut off from their roots. We shall always look on Warsaw, Prague and Budapest as great European cities.' It is partly thanks to her that they are so again today.

She also used the progress of the Cold War and of Western economic success to adopt a forward position. 'The fact is that things are going our way…freedom is on the offensive…for the first time in my lifetime'. The way to take advantage of this was first to strengthen defence and second to recognise that the future of Europe lay with what she called 'willing and active cooperation between individual sovereign states'. Specifically comparing the USSR with the European Community, she said how odd it was that just as the Soviets were beginning dimly to perceive that they could not succeed unless they started to disperse power, so the EEC was becoming an 'appointed bureaucracy'. '…power centralised in Brussels is not the answer', she said. A European currency was dangerous because 'You can't build on unsound foundations'. Contrasting her own success at home with what was happening at the heart of the EEC, she delivered her most famous line 'We have not successfully rolled back the frontiers of the state in Britain, only to see them reimposed at a European level, with a European superstate exercising a new dominance.' Those words still echo today – David Cameron used them yesterday to talk about opposing a rise in the EU budget.

The Bruges Speech was bold and visionary, not in *any* sense isolationist or Little Englander, and, in its essentials, right. But it did something which until then, even Mrs Thatcher had not directly done. It challenged the validity of the EC institutions, and thereby questioned the great goal of the Treaty of Rome itself. By taking on the Brussels bureaucracy just as it was coming into its own, she took a stand against the whole trend of the Community. Having annoyed so many European leaders for years over the budget rebate, she was not likely to persuade them when she argued that the entire project should be cut down to size. They – particularly Helmut Kohl and Francois Mitterrand, and, of course, Jacques Delors himself – were not disposed to take any lectures from her. They had heard plenty of them already, and they did not enjoy them.

The collapse of the Soviet Empire, which began in 1989, was the fulfilment of Mrs Thatcher's dream. But its effect on the attitudes of the European Community was almost

exactly the opposite of what she wanted. The first breach in the Berlin Wall occurred on 9 November 1989. From that day forward, the facts on the ground started reuniting Germany before the formal political deed was done. This momentous change was, in different ways, terrifying for all concerned, not least, for Germany itself. It was also, in some sense at least, *welcome* to all, except to the Soviet Union. But that did not make it much less frightening. The main fears were chaos in the East with a possible Soviet crackdown, and the rise of a mighty German nation with all that this had previously, disastrously meant for the peace of Europe.

Unfortunately for Mrs Thatcher, however, all the main leaders of the West disagree with her on the best way forward. They wanted a grand bargain by which Germany, in return for reunification, would become even more European. It would promise to subsume its greatest specific post-war achievement - its currency - in a single European one. Political union would follow. At the end of that November, Helmut Kohl told President George Bush on the telephone that 'I will see to it that we make progress with European Economic and Monetary Union. I think it is a great mistake on Maggie's part to think this is a time for caution. It is an iron law that there will be no going alone in German policy. It is our responsibility that we are anchored in a general whole.' It was on this basis that the United States and, while saying something different to Mrs Thatcher, Francois Mitterrand, supported German reunification. Self-determination was permitted 'within the perspective of European integration'.

Mrs Thatcher saw things differently. In his memoirs, Kohl records that he can never forget her furious remarks at the Strasbourg European Council of December 1989: 'Twice we've beaten the Germans,' she exclaimed, 'and now they're here again!' She warned against the dangers of a united Germany, not only in relation to stability in the Soviet Union, but as a problem for Europe in general. Early in 1990, she counselled Bush that Germany would prove to be 'the Japan of Europe, but worse than Japan...Germany is in the heart of a continent of countries, most of which she has attacked and occupied. Germany has colossal wealth and trade surpluses.' Its economic power would be too dominant. There should be a counterbalance to Germany, she argued, provided by strong, independent nation states, not by a European super-state.

Her view, and even more her tone, drove her to the margins of the debate. So obdurate did she appear, and so personally hostile to Germany - almost as if the Second World War was still being fought - that she lost friends. She appeared to be pointlessly resisting the inevitable, and doing so with an ill grace. As Britain lost ground to Germany in the counsels of the United States, she became angrier still. Despite her closeness to Republican presidents, she never succeeded in alerting them to the supranational aim of

the EEC. They thought, vaguely and benignly, that maximum Western European unity was desirable, and gave little thought to the terms on which that unity was bought. Indeed, it is only in the last two years, when European integration has threatened world slump, that American policy-makers have finally noticed something amiss.

Perhaps Kohl himself was right to detect in Mrs Thatcher a sort of jealousy of his country's success. In any event, her stance made it much easier for her European partners on the Continent and her Europhile opponents within the Conservative Party to make her life ever more difficult, sometimes in concert. Although her unpopularity at home related to the poll tax, not to her widely shared attitudes to Europe, it was Europe that made her the victim of the elites. Because of her way of referring everything to the war, she gave Geoffrey Howe the opportunity of accusing her, in his famous resignation statement of November 1990, of living 'in a ghetto of sentimentality about our past'. She seemed like a great leader whose time had gone.

And perhaps, in a way, she was. She had certainly been in office far longer than any other British Prime Minister in the era of universal suffrage. Her intense suspicion of German intentions was unworthy. Anyone like she, who believed in well-functioning nation-states, should surely have welcomed the emergence of a single democratic German nation, for all the perils attendant on its creation.

Yet, as more than 20 years have passed, it turns out that Mrs Thatcher was, despite her retrograde rhetoric, thinking ahead. She did correctly identify the error of the argument, promoted by Kohl and accepted by Mitterrand, that 'a European Germany' should be brought into being in order to insure against 'a German Europe'. As the European leaders gathered in Rome in October 1990 for the summit which was to be the prelude to her downfall, she had lunch with President Mitterrand at the British Embassy. She told the President of France that the idea that a federal Europe would tie Germany down was wrong. If Europe went forward with plans to surrender national sovereignty, particularly over currency, Germany would become dominant. She predicted that the move towards a federal European super-state would be a blind alley in history, just as the creation of the Soviet Union had been. (President Mitterrand, by the way, affected to agree with most of what she said, but went ahead and did the opposite.)

On other occasions, she developed this point in relation to the single currency. Germany would dominate the single currency, as it already dominated the ERM, and was bound to try to do so in ways which reflected Germany's own needs. Once-independent states, unable to set their own interest rates to reflect their own economic and financial conditions, would become satellites. With the single European currency constructed round German financial power, it scarcely mattered how European in spirit Germany

might be: European countries would be forced to become German in their policies if they wanted to prosper. If they found this uncongenial or impossible, they would be subjected to a merciless squeeze. In 2012, it is surely extremely hard to deny that this is exactly what is happening. This policy, intended as a way of supplanting nation states, has made one big, powerful nation – Germany - bigger and more powerful, and has subordinated the rest. Unlike Mrs Thatcher, I do not believe that Germany tried to bring this about because of a lust for power. Indeed, I believe it regrets its dominance. But it is nevertheless what has happened. If we look at Europe today, we see Germany disliked and feared as it has not been before in my lifetime.

* * * * * * * * *

When she talked about all of this, Mrs Thatcher was always clear that she was not, in essence, discussing technical monetary or economic questions, though she could hold her own far better than most politicians on such subjects. She was profoundly conscious that she was talking about that great question - in any nation, in any political order - of who rules whom, and by what means. Who Governs Britain? was the question – and, indeed, who governs anywhere else. Please look again at the famous House of Commons statement on the Rome Summit.

PLAY CLIP

You will see from this that her greatest concern is who answers to whom. Just as she rejects the Delors model of European government on that basis, so she rejects the idea that the British Parliament should surrender the national currency. She was not shouting 'No! No! No!' against the emerging post-Cold War reality. She was defying the notion that a central European bureaucracy (even when aided by an enhanced central parliament) could sensibly control the affairs of a whole Continent and represent the interests of hundreds of millions of people. Is there anything which has happened since to suggest that she was wrong?

One must ask the same question about the single currency. Today, to greater or lesser degrees, Greece, Italy, Spain, Portugal, Ireland and Cyprus are all acting under orders dictated by the above bureaucracy, underpinned by a German-dominated monetary policy set by central bankers not elected politicians. Some of them find that a quarter of their population is now unemployed. None of them is allowed to work out a sovereign, democratic remedy for these ills. In the eurozone, the EU has defeated the nation state, except, one might say, the German nation state. It is an understatement to say that this is an enormous disaster.

* * * * * * * * * * *

So the question now, for any British government, is to work out what to do about it.

As this is discussed, I notice appearing once again the fatal conceit which so often creeps into this argument. There is a whole train of eurosceptic thought which concludes that because an idea won't ultimately work, it won't happen. You may remember John Major saying, when Prime Minister, that calls for a single currency had 'all the potency of a rain dance'. He was right that the single currency was flawed, but wrong that those who believed in it lacked the power to make the European weather. It happened. There is a single currency. *And* it doesn't work.

Now that the euro is *patently* not working, the same complacency comes into play in a different form. 'Look,' says a certain type of eurosceptic, 'it's a disaster; so that's all right then, it will collapse. All we have to do is to stay out of it.' Again, not so! Of course we should stay out. But the inevitable eurozone reaction to the failure of the single currency is to try to reinforce it. The Europhile answer to any European failure is always 'more Europe', and Europhiles are much better-placed institutionally than eurosceptics to bring what they want about. Hence the idea of a banking union, and all the other reforms set in train by the European Council in June and elaborated last week. Last month, the Future of Europe Group, which is composed of most of the foreign ministers of most of the eurozone, issued a report. It called for the following - the European governance of national budgets, the coordination of economic policy, the end of the national veto in future European treaties, the direct election of the President of the European Commission who would then appoint the members of a 'European Government', and (though this demand was not unanimous) a European Army. Last week, the German finance minister, Wolfgang Schauble, demanded the appointment of a European 'currency commissioner' who could strike down national budgets that he did not like. On past form, it is reasonable to conclude that most of these proposals will be implemented in the next few years. 'More Europe' is coming. Now it is encroaching on the real decisions that countries make about taxing and spending. It will go to the heart of national independence and national democracy.

In the face of all this, the classic British official reaction, even stronger than the complacent 'It won't work' attitude just described, is to resort to what might be called blind pragmatism. We British, the line goes, are suspicious of grand schemes. We are concerned to make the European Union work better. We are not dogmatic about structures: we care only about results. We shall look at all new proposals 'on their merits'.

This approach is wholly inadequate. It fails to recognise the true nature of the EU, which is a highly ideological, almost religious organisation. The EU *is* dogmatic, especially about structures, and so anyone who pays no attention to the dogma puts himself in a weak position. The dogma is, to use a current cliché, the elephant in the room, and if we are unaware of this, the elephant will trample us into the ground. Even when it acts disastrously, the EU is usually capable of defeating the nation state. That, after all, is what it is organised to do. The nation state is not organised to fight back. That, in essence, is why British policy in Europe has generally failed over the past 40 years.

Since Mrs Thatcher's day, the only thing that has made any dent on the centralising life of the EU have been small attacks of democracy. Some of you will have seen the Daily Telegraph's obituary last week of Claude Cheysson, France's foreign minister under Mitterrand. It quoted him as boasting, in 1999, that the Europe of Maastricht only came about because of the absence of democracy: 'The construction of Europe has taken place because of inter-governmental cooperation. We worked outside the normal democratic structures and that is why we succeeded.' M.Cheysson was surely historically correct. By the same token, it matters whenever democracy interposes itself against the process. It made a difference when Holland and France voted against the European Constitution. It made a difference when Britain insisted, under the pressure of public opinion, on an opt-out (technically an opt-in) to the single currency. And it made even more difference when the threat of Jimmy Goldsmith's Referendum Party forced all the main parties at the 1997 British general election to promise a referendum on any plan to enter the euro. This, almost alone, has kept us out of what would probably have been the most disastrous economic decision our country would ever have made. Today, the principle of a referendum on Europe is enshrined in our law, under the European Union Act, which gives the British people a final say on any change designed to transfer any competence (how I love that word in this context!) from the UK to the EU. As we meet, the Conservatives seem to be edging towards some promise, to be contested at the next general election, of a referendum in the next Parliament over Britain's membership. You can see how far opinion has moved by the fact that government ministers – Michael Gove only last week - can now say that we should contemplate getting out of Europe without the heavens falling in on them. If Mrs Thatcher had said anything like Mr Gove did, she would have been ejected from office at once.

Now of course we should welcome all genuine attempts to give our own citizens a fuller say in their constitutional future. At some point, there will have to be a referendum. While I would caution that, from the eurosceptic point of view, it matters very much at *which* point, I regard a referendum as morally and politically essential.

But you will observe that the call for a referendum comes not because we all trust a Conservative Government - if there were one - or a Labour Government - if there were one - or the present Coalition. It is because we *don't*. The promise of a referendum from a mainstream political party is therefore not an emblem of its faith in the British people, but an effort to buy us off. It feels like an electoral gambit.

A referendum promise is being used by government as a substitute for something that is missing. What is missing is the same thing that was missing, oddly, in the Thatcher era too. What is missing is a new policy.

Even though, as Prime Minister, Mrs Thatcher dramatically changed the rhetoric and attitude towards Europe, she never felt politically strong enough to change the policy itself. This most powerful of British prime ministers did not command a majority in her own Cabinet on this subject. For example, from before she came into office in 1979 until Britain finally, fatally entered in October 1990, the policy towards British membership of the ERM was that we would join 'when the time is right'. So, throughout that time, Mrs Thatcher had to keep on pretending that the time might be right at some point, while in truth she fervently believed that it never could be. When she finally gave in, and agreed that we should join, it was not because she had changed her mind but because she had been defeated by her colleagues.

Even after the Bruges Speech, which proposed a new course for the whole of Europe and put the nation state at its centre, there was no alteration in British policy. In that sense, one must be sympathetic to the British officials whom eurosceptics - including, I must admit, myself - sometimes accuse of unpatriotic behaviour. The *policy* was always that Britain was a full-hearted member of the European Community, participating or trying to participate in everything that everyone else was participating in. In formal terms, the policy was the same as that of Ted Heath. You could argue that, in upholding it, officials were only doing their job. Even today, after more than a generation of rows, after the monstrous disaster of the euro, after the emergence, in fact though not in name, of a two-tier Europe, the policy has trimmed, but still has not fundamentally changed.

I checked this last week by ringing up the Foreign Office, and asking the bald question 'What is Britain's European policy?'. This was quite an amusing experience. The polite officials I dealt with were rather taken aback, and hesitant about exactly what I wanted. After a few days' consultation, however, and a call from me to remind them that I had not had an answer, they told me what the policy was.

You may be interested to know. 'The choice between the status quo and leaving the EU completely is the wrong question', says the policy, because 'Europe is changing and we

do not know how the EU will end up looking like at the end of this crisis.' This does not sound like a policy - more like one of those bits of Foreign Office travel guidance about whether it is safe to visit a particular country. But the Foreign Office does go on to state that 'membership of the EU is in the national interest of the UK…It is central to how we create jobs, expand trade and protect our interests round the world'. Referendums, by the way, are stated to be a matter for the two coalition parties in their manifestoes at the next election.

So what we have is a holding operation - partly a weak rehash of the long-standing position and partly the cautious observations of someone watching the progress of a fire on the other side of the street. There is nothing in the policy about what Britain actually wants to happen or how the European Union should be reformed or restructured. Last week, the Home Secretary announced that Britain was, temporarily at least, opting out, under Lisbon treaty arrangements, of 130 Justice and Home Affairs regulations. That was good news. But we were not told whether the opt-out represents a reclaiming of our national rights, or merely a pause to reflect before we opt back in. So we have some action, but no clear direction of policy.

The only piece of the stated policy given me by the Foreign Office which has a potential to move somewhere is the statement that 'The Government recently launched a review of the balance of EU competence to better understand what the EU does and its implications for our country'. Such a review contains within it the chance for an enormous change in our approach. If that 'balance of competence' is wrong, what then? Can we alter it? The EU has its doctrine of the *acquis communautaire* – which, in Anglo-Saxon, means, what we have, we hold. We should develop a counter-doctrine of what one might call a *reacquis national*: what we have lost, we want back.

But you cannot form such a judgement about the balance of competence without a prior belief about what should belong to the nation state. And it is this which British governments have always refused to formulate. Mrs Thatcher did outline such a formulation at Bruges. It persuaded the elites of Europe to sign her political death warrant.

What British leaders do not understand, nearly a quarter of a century later, is that their position now is much stronger than hers then. Those European elites have lost legitimacy in the intervening years. No modern European leader has the prestige of a Helmut Kohl. No eurozone state has an enthusiastic democratic mandate for its current policy. No country can point to the EU leading it to salvation, and many in the eurozone can see it leading them to economic hell. Every projection of economic growth or technical innovation or demographic change shows the EU in relative decline. No exterior country,

looking in, now holds up the EU as its model. The EU has far greater *powers* than it had in the 1980s, but far less *prestige*. It is an ancien regime, in a pre-revolutionary situation.

It seems very strange, then, that Britain, spared the worst by not being in the euro, remains so in thrall to the status quo. Our Treasury even calls for greater eurozone economic integration while opposing treaty change. It does not make sense. In the old days, Irish nationalists used to love saying 'England's difficulty is Ireland's opportunity'. Surely, today, the EU's difficulty is Britain's opportunity. When our leaders see this at last, they, unlike Mrs Thatcher, will reap the political rewards.

The development of the EU, and in particular of EMU, has given us a chance to test the proposition, which one can read every day in the cleverer newspapers, that the day of the nation state is over. That proposition is failing the test. The fate of a country like Greece shows the trap. Membership of the eurozone persuaded Greece to throw all normal financial caution to the winds. When catastrophe ensued, membership of the eurozone prevented Greece from doing what was needed - mainly a devaluation - to put things right. Critics can fairly point out that Greece was the author of many of its own misfortunes. But the point about being a nation state is not that you do not make mistakes, nor that you can act without reference to exterior realities. It is that you contain within yourself the capacity and the authority to put right what you have got wrong. Almost the most frightening aspect of the whole eurozone saga is the lack of this capacity and authority. In a democratic nation state, the voters can throw out the people who have made the mess. In an entity like the EU, the central bureaucracy imposes upon supposed democracies the representatives of its own disastrous decisions. For all their defects, nation states can be so constituted that their governments reflect the broad wishes of their people. In other words, they can be functioning democracies. We have seen enough of the EU to learn that it cannot. Isn't that the most serious indictment that can be levelled against it?

The shape of the world today is actually being made less by blocs and more by nations than it was in the past. The United States and China, India and Brazil, are nation states. It is as such that they make their decisions and drive their economic advances. The same is true of less powerful but stable countries like Canada and Australia. The same could easily become true once more of Great Britain. But for this to happen, it has to be sought. Instead of being vaguely in favour of parliamentary democracy, how about devising an actual policy for re-creating one, in the country where it began?