

## Scotland, the British question and the European problem: A Churchillian solution

by Brendan Simms

*Continental Europe and the United Kingdom face a series of interlocking constitutional, economic and strategic challenges today, ranging from the Scottish Question, through the English Problem, the relationship between London and Brussels, the threat of Russian territorial revisionism in the east, to the future of the common currency and thus of the Union itself. This article shows that all these problems not merely interact with and aggravate each other, but that they all have their origin in one great European question, which is how to order the continent and relations within the British Isles in such a way as to ensure the survival of parliamentary government against external attack. After looking back at the historically successful Anglo-American models of political union, both of which were primarily devised in order to repel potential aggressors, the article finishes with a recommendation for a full federal union of the Eurozone, in confederation with the United Kingdom to manage the single market. It would solve all these problems by creating a state robust enough to solve the euro crisis and to deter Mr Putin, and thereby Europe so strong as to render it unappealing for Scots wishing to break away from the United Kingdom, who would then have no other home except full independence outside of both Unions, which is improbable.*

*Heute stehen sich Kontinental-Europa und das Vereinigte Königreich einer Reihe von miteinander verketteten Problemen gegenüber, nämlich der Schottischen Frage, der daraus entstehenden Englischen Frage, dem Verhältnis zwischen London und Brüssel, der Gefahr des russischen territorialen Revisionismus im Osten sowie der Zukunft des Euros und damit auch der ganzen Europäischen Union. Dieser Aufsatz zeigt, dass sich diese Probleme nicht nur potenzieren, sondern auch ihren Ursprung in der Europäischen Frage haben, nämlich der Frage, wie man den Kontinent und die Britischen Inseln ordnen soll, um die parlamentarische Regierungsform gegen einen Angriff von außen zu schützen. Nachdem er die Anglo-Amerikanischen Unionen als im Ursprung Unionen für die Abwehr potentieller Gegner charakterisiert hat, empfiehlt dieser Aufsatz die Etablierung einer Politischen Union der Eurozone in Konföderation mit dem Vereinigten Königreich, um den gemeinsamen Markt zu organisieren. Ein solches Gebilde würde die aufgezeigten Probleme lösen, indem ein Staat errichtet wird, welcher robust genug wäre, um die Eurokrise zu überwinden und Herrn Putin abzuschrecken, und damit so stark, dass es für Schotten, die dem Vereinigten Königreich entkommen wollten, unattraktiv würde, da sie keine andere Heimat hätten als die völlige Unabhängigkeit von Britannien und Europa, was höchst unwahrscheinlich wäre.*

*[B]ut for the fact that the great Republic across the Atlantic Ocean has at length realised that the ruin or enslavement of Europe would involve their own fate as well, and has stretched out hands of succour and guidance, the Dark Ages would have returned in all their cruelty and squalor.*

*They may still return.*

*Yet all the while there is a remedy ...*

*We must build a kind of United States of Europe ...*

*In order that this should be accomplished, there must be an act of faith in which millions of families speaking many languages must consciously take part ...*

*If Europe is to be saved from infinite misery, and indeed from final doom, there must be an act of faith in the European family and an act of oblivion against all the crimes and follies of the past.*

*The structure of the United States of Europe, if well and truly built, will be such as to make the material strength of a single state less important. Small nations will count as much as large ones and gain their honour by their contribution to the common cause.*

*But I must give you warning. Time may be short ...*

*If we are to form the United States of Europe or whatever name or form it may take, we must begin now.*

Winston Churchill, speaking at Zurich, 19 September 1946

Today, Europe faces a series of interlocking challenges which are individually and cumulatively bringing the continent to its knees. It has experienced the unchecked resurgence of an authoritarian Russia since 2007, a financial and economic crisis since 2008, the return of the ‘German problem’ with the imposition of EU-wide austerity policies at Berlin’s behest from 2010 or so, the prospect of secessionist movements in Scotland, Catalonia and else since about 2012, the rise of Eurosceptic feeling across the Union in places as diverse as the United Kingdom, Germany, France, Hungary and Greece, and the uncertainty produced by the announcement of a possible ‘in/out’ referendum in the United Kingdom in 2017. This essay will show that these are not only interlocking questions, but essentially one great problem, which requires one big solution, the key to which lies not in the future but in the past.

There have, of course, been numerous recent analyses of these questions, both

scholarly and journalistic, many of them profound. My intention here is not to rehash the various debates on the European crisis, Britain's role in Europe, and the Scottish Referendum – though I will perforce have to revisit some well-worn themes – but to explain their inter-connection and to place them, as an historian should, in their 'deep' historical context.<sup>1</sup> As the relationship between Britain and Europe approaches the potential watershed of 2017, it badly needs to be seen within the framework of more than 300 years of shared history. This will show that the United Kingdom itself is a direct product of the European system, and that the European Union as we know it today is very much the result of past British policies. My argument, in a nutshell, will be that people on both side of the Channel must stop thinking of Britain as the question and Europe as the answer, and start seeing Europe as the problem and the British model, properly understood, as the solution.

## I.

The global economic downturn and the consequential Euro sovereign debt crisis has hit the continent and particularly 'peripheral' Europe very hard. Like *Tolstoy's* unhappy families, the causes of the misere vary across the Union, be they structural or behavioural; every country suffers in its own individual way. In Ireland and Spain, a decade of easy money produced by the introduction of the Euro, and the resulting drop in interest rates, created a speculative boom which burst. In Greece, the government misled the EU about its finances in order to join the Euro. The subsequent surge in state spending driven by the lowering of interest rates through currency union then created a mountain of debt on which the country partially defaulted. Whatever the proximate reasons, the deeper roots went back ultimately to the design of the Euro and the results were broadly similar. The threat of contagion was ever present, with the prospect of sovereign default leading to bank collapses in such 'core' countries as France and Italy, whose financial sectors were the most strongly exposed. For a while, it seemed as if the crises were getting more frequent and more violent, with an escalating drum beat of troikas, bailouts and other rescue packages for Ireland, Greece, Portugal and Cyprus, until the head of the European Central Bank (ECB), *Mario Draghi*, promised in July 2012 to do 'what it takes'. For now, the contractions are less frequent and less intense, but with the paradoxical result that Europe is

1 The overall historical framework see Simms, B.: *Europe. The struggle for supremacy, 1453 to the present*, London, 2013.

less likely to give birth to a new and more stable order.

Most of the continent remains in the grip of an austerity programme, insisted on by the German government and its dwindling band of allies, as the only way of rescuing the Euro without an inflationary spiral, or breaking the treaties restricting the role of the ECB. One can dispute the economic wisdom and the morality of this approach, which has been eschewed by Great Britain and the United States in favour of 'quantitative easing', that is printing money through their central banks in order to stimulate the economy. What cannot be denied, however, are the political consequences, namely recession or depression across the southern and western flank of the Union, with massive youth unemployment. This is reflected in the meteoric growth of left- and right-wing protest parties such as Syriza and "Golden Dawn" in Greece and Podemos in Spain. Even 'core' Eurozone countries have been affected, with the rise of the anti-Euro "Alternative für Deutschland" in Germany, the various fringe parties in Italy and especially the Front National in France. All this has accentuated the 'democratic deficit' at the heart of the Union. Europeans have long bewailed the lack of a direct link between the continent's electorate and its governance. Now, as Brussels and Berlin impose austerity some Europeans, and the costs of bailouts on others, Germans feel fleeced, while Greeks, Spaniards and Irish feel disenfranchised. This sentiment runs deeper than the current Euro crisis, but the question of the common currency has brought it to the boil.

European integration has often been likened to a bicycle, which needs to remain in motion to prevent its riders from falling off. At the moment, however, the Union is more likely to experience either a catastrophic tyre blowout through a sovereign debt default and banking collapse, or a slow puncture, in which the economy of the Eurozone slowly deflates into irreversible depression, not merely blighting the lives of millions, but killing the European ideal.

All this makes Europe a much weaker actor in the world than its economic, social, cultural, demographic and military potential would warrant. Globally, the Union is confronted by the 'rising powers' of China, India and Brazil. They are both economic partners and competitors, whose alternative 'model' of development is understood as a challenge to the occident. In the case of China, the challenge is also a military and political one, in that Beijing is already confronting the west and its allies in the Pacific and over human rights. Future resource conflicts with Beijing over the Middle East and further afield seem likely. Furthermore, the Union has reacted sluggishly to threats on its southern flank, with no common or effective front on Libya, the Arab Spring, ISIS or the Iranian nuclear programme.

The greatest international danger, though, is surely the resurgence of an authoritarian and territorially revisionist Russia under *Vladimir Putin*. His overt opposition to western democracy and human rights poses an ideological threat to the Union, and has won him friends on the far left and far right in Europe. *Putin* has also bought his way into the European political system, for example through the recent Russian loan to the French Front National. His plan for a ‘Eurasian Union’ is conceived as a direct response to the European Union, whose language and structures he explicitly mimics, as well as to China and the United States. Most worrying of all, however, are Mr *Putin’s* strategic ambitions, which have gone almost entirely unchecked. When Russia launched a cyber attack on Estonia in 2007 there was no adequate response, emboldening her to invade Georgia a year later. Europe’s reluctance to act in the Caucasus encouraged *Putin* to annex the Crimea in March 2014, and our pusillanimous reaction then persuaded him that he could enter eastern Ukraine shortly after. Since then, Europe has imposed a severe but far from brutal sanctions regime on Moscow and while the frontline member states are in a state of permanent terror about Russian intentions, there is no sense of urgency within the Union as a whole. Here Germany in particular, which has extensive business and energy interests in Russia, is shielded from *Putin* by a cordon sanitaire of friendly countries and is culturally averse to effective military deterrence, has acted as a brake on decisive action.

## II.

As if all this were not bad enough, the long-running British Question has re-emerged with a vengeance.<sup>2</sup> This goes back to the original ambivalence at the time of the United Kingdom’s accession in 1973, as to whether it was merely joining a free-trading association or signing up to a programme of ever closer political and economic union. The then Prime Minister *Edward Heath* promised that there would be no implications for British sovereignty, but events soon proved otherwise. *Margaret Thatcher* confronted Brussels over Britain’s contribution to the EU budget, eventually securing a ‘rebate’ in 1984. Thereafter she continued to clash with the President of the Commission *Jacques Delors*. In 1992, *John Major* secured important ‘opt-outs’ at the Maastricht treaty, especially from the common currency, which eventually went into circulation in

2 The essential background is provided by *Young, H.*: This blessed plot. Britain and Europe from Churchill to Blair, London, 1998. For a recent assessment see *Geddes, A.*: Britain and the European Union, Basingstoke, 2013.

2002. The election of *Tony Blair* brought a long period of relative peace, but he proved unable to persuade his chancellor *Gordon Brown*, let alone the electorate, that Britain should join the Euro.

When the Currency Crisis prompted a fresh surge of fiscal and political integration, the British Question was posed anew.<sup>3</sup> What implications would the new measures have for the sovereignty of the United Kingdom and by what right did she participate in decisions designed to rescue the Eurozone of which she was not a member? Alternatively, why should she pay for mistakes made in Brussels? Matters came to a head at the 2011 summit, when Prime Minister *David Cameron* vetoed the EU treaty designed to save the Euro, in order to protect the interests of the City of London, and immediately found himself not merely isolated but circumvented by the rest of Europe.<sup>4</sup> Since then the EU's principle of free movement has re-ignited the immigration issue in the UK, as the relative dynamism of her economy there sucks in labour from across the Union. The European Arrest Warrant, which the senior Conservative MP and former shadow Home Secretary *David Davis* condemned as "leaving Britain in handcuffs", provokes resistance.<sup>5</sup> Old grievances about Brussels 'red-tape' continue to fester, as exemplified by a letter to the conservative "Sunday Telegraph" signed by more than 500 Business leaders.<sup>6</sup> Most recently, the relationship has been soured by an argument over the size of the increase of Britain's contribution to the budget in order to reflect her greater economic weight since the last calculation was made in 1995.<sup>7</sup>

Above all, the Prime Minister is facing a serious electoral challenge over Europe. The Conservative right, after a long period of relative quiescence, has been cranking up the pressure for a withdrawal or at least a referendum on membership of the union. To make matters much worse the formerly fringe United Kingdom Independence party (UKIP) appears to be making a breakthrough in

3 See the debate between *Will Hutton* and *Ruth Lea*: Does Britain's destiny lie in the heart of Europe?, in: *The Observer*, 27.01.2013. There is an excellent cross-section of the various positions in the proceedings of a Conference held at the British Academy on 09.10.2014: *Britain and the EU. New perspectives*, Oxford, 2014.

4 *Traynor, I.* et al.: *David Cameron blocks EU treaty with veto, casting Britain adrift in Europe*, in: *The Guardian*, 09.12.2011.

5 *Davis, D.*: *The European arrest warrant leaves Britain in handcuffs*, in: *The Sunday Times*, 09.11.2014.

6 *Hope, C.*: *EU red tape is damaging Britain's economy*, in: *Sunday Telegraph*, 09.11.2014.

7 *Fisher, L./Bremner, C.*: *Cameron puts his foot down over move to raise EU budget*, in: *The Times*, 23.10.2014. For an analysis see *Begg, I.*: *£1.7bn EU bill puts UK one step closer to "Brexit"*, in: *Chatham House Expert Comment*, 29.10.2014.

the polls. In the autumn two Conservative MPs resigned their seats and won them again as UKIP candidates in the resulting by-elections. The first of these contests, when the Tories lost against the defector *Douglas Carswell* in the long-Euroceptic Clacton on Sea was no surprise, but the recent victory of *Mark Reckless* in the demographically more diverse constituency of Rochester and Strood, was ominous for Mr *Cameron*.

These developments have injected new urgency into the Prime Minister's pledge to stage a referendum on EU membership in 2017, if he prevails in the general election scheduled for next May. His stated hope is that he will be able to renegotiate Britain's position in the EU, or even 'reform' the EU as a whole, in such a way that he can recommend a yes vote. In order to make this strategy work, the Prime Minister needs the prospect of withdrawal to be credible, and judging by his rhetoric, the mood of his party,<sup>8</sup> and the general drift of British public opinion, he is not bluffing.<sup>9</sup> Mr *Cameron*, as we shall see below, is the man who was prepared to put the Union to a vote; he will hardly hesitate to do the same for Europe if he thinks it right or opportune. A "Brexit" in 2017, or even before, is now as likely as not.

At the same time, the British Question is being posed in a different way by the campaign for Scottish independence.<sup>10</sup> The long period of Tory rule under *Margaret Thatcher* during the 1980s opened a divide between the more Conservative English and the more Socialist Scots (much magnified by the first past the post electoral system). It was papered over but never closed by the *Blair* government's devolution of powers to the Scottish assembly in the late 1990s. In October 2012 the ruling Scottish National Party in Edinburgh under *Alex Salmond* secured a highly advantageous deal for a referendum on independence two years later. Under its terms, Scots living south of the border were permitted no vote, including those serving in the army, a remarkable disenfranchisement. No effort was made to set out what the modalities of separation would have been. This would have exposed the Bank of England, rather than Edinburgh to the moral hazard of bailing out the Scottish banks if they folded between a "yes" vote and actual independence. There might well have had to have been another

8 *Pitel, L.*: We must threaten to leave the Europe says Boris, in: *The Times*, 13.10.2014.

9 *Coates, S.*: We will not stick with Europe if it doesn't work for us, says Cameron, in: *The Times*, 11.11.2014.

10 For the broader historical context see *Colley, L.*: *Acts of Union and disunion. What has held the UK together – and what is dividing it?*, London, 2014, qualified my reflections later on in this piece.

vote on both sides of the border to elect new governments in London and Edinburgh to agree the terms of separation. The short term result of independence would thus have been an almighty political and constitutional shambles.

Scottish independence would also have encouraged separatism in Wales and Northern Ireland. It would certainly have damaged the Good Friday Agreement of 1998 in Ulster and the institutions deriving from it, which have placed relations between nations on both sides of the Irish Sea on a more amicable footing. It would have weakened the United Kingdom on the world stage, by reducing its economic, demographic and military weight. It would have exposed a coastline which had been secure for hundreds of years, and generally constituted a serious psychological blow to ‘brand Britain’, right down to the issue of whether it was still entitled to fly the Union flag with the Cross of St. Andrew in it.

Scottish independence would also have created a major headache for the European Union. It was far from clear whether an independent Scotland would automatically become a member of the European Union. This raised the bizarre prospect of a largely pro-EU Scotland being extruded, while the much more sceptical English remained. Even if London made no difficulties, furious Spanish objections, fearing the precedent for Catalonia, seemed likely. If Scotland was (re-) admitted to the EU it was not obvious whether it would be required, like other new members, to adopt the Euro. The departure of Scotland would also have increased ‘Little Englanderism’ south of the border and greatly reduced the already dwindling chances that the United Kingdom will remain within the EU. Above all, the dissolution of the Anglo-Scottish Union would have been a terrible blow to the whole concept of supra-national political integration upon which the concept of ever-closer union in Europe rests. I shall return to this theme later.

Even though Scotland eventually voted “no” by a clear margin, Mr *Cameron* is by no means out of the constitutional woods.<sup>11</sup> All else being equal the SNP cannot bring forward another referendum for the next twenty years or so. That said, if the next general election produces a fresh Tory government without significant or even any Conservative representation in Scotland, then the legitimacy of the Union will suffer. Moreover, the Edinburgh authorities are holding Mr *Cameron*’s feet to the fire over a last-minute promise of far-reaching additional powers for Scotland – “devo[lution] max”. They have recently criticised a far-

11 See the short but penetrating analysis in *Runciman, D.*: Reflections on the independence referendum, in: London Review of Books, 36/17 (2014), and: After the Referendum, in: London Review of Books, 36/19 (2014).



reaching package as insufficient, signalling that they will continue partisan warfare until they can re-open conventional hostilities through a fresh referendum. Here the fact that *Alex Salmond* has resigned his leadership of the SNP and announced his intention to run for a Westminster seat may signal a plan to exploit any hung parliament after the general election in May 2015.

Worse still, immediately after the vote Mr *Cameron* promised a balancing arrangement for England, the nature of which is fiercely contested. Granting a similar self-government to England on Scottish lines would unbalance the entire union, as the English Chief Minister would be more powerful than the Prime Minister of the United Kingdom. There is no popular demand at all for the tidiest solution, which would be to divide England into German-style “Länder”; a proposal to grant greater powers to the North-East was roundly defeated in a referendum ten years ago. Breaking up England would literally turn the clock back to the Dark Ages, before the kingdoms of Northumbria, Mercia, Wessex, Kent and the East Angles were united. The suggestion that English MPs meet at Westminster on separate days to decide purely ‘English’ issues – “English votes for English laws” (EVEL) – would create a two-tier parliament, and completely negate the principle of collective responsibility. Besides, a Conservative majority in England could then vote down the (non-Scottish) budget devised by a UK government whose own majority rested on Scottish votes.<sup>12</sup> The profound partisan political implications of any arrangement greatly complicates matters,<sup>13</sup> because while the Conservatives want to reduce the power of Scottish MPs, most of whom are Labour, it is in the current opposition’s interest to prevent that from happening.

All this discussion could be overtaken, in any case, by events if Mr *Cameron* wins the 2015 election and presses ahead with a referendum on membership of the European Union two years later. It will give the SNP an opportunity to re-open the issue of independence much earlier than otherwise, as it will argue plausibly that the terms of the union with England were in danger of changing. It seems likely that as matters stand, England will vote to exit the European Union, whereas Scotland would vote to remain. If Britain were to leave the EU on the basis of English votes alone, then Scotland would certainly demand a fresh ballot on independence. Wales and Northern Ireland would probably not follow suit, for various reasons, but there would be considerable unhappiness, not least

12 *Bogdanor, V.* (ed.): *The future of the Union*, Legatum Institute, 2014.

13 E.g. *Hutton, W.*: *Cameron’s attempt to manipulate the constitution is crudely cynical*, in: *The Observer*, 21.09.2014.

among Ulster Catholics who felt themselves being driven further apart from their brethren in the Irish Republic. Conversely, if Britain voted to remain with Scottish votes making the difference, then that could boost English nationalism and UKIP, and even demands to dump Scotland so as to preserve the sovereignty of the United Kingdom. In these circumstances, a ‘central secession’ through a Unilateral English declaration of Independence from Europe and the UK, would become a real possibility.

Even if the ‘English Question’ could be solved through a symmetrical arrangement, it would risk provoking an English backlash against the dilution of their identity. England has been a remarkably cohesive and centralised state for about 1.000 years.<sup>14</sup> This is not her weakness, but her strength, the basis – through a remarkable synthesis between taxation, representation and mobilisation – of her unique standing in Europe. England’s bitter late medieval and early modern quarrels were not really regional in origin, but contests for control of the metropolis. From the European perspective, if we cannot have a strong United Kingdom, we should settle for a strong England as second-best. A loose association of weakened English, Scots, Welsh and Irish is neither in the interests of those peoples themselves, nor of the democratic world. It would make much more sense, as the former Chief economist of Goldman Sachs, *Jim O’Neill*, has argued, to revive the civil pride and dynamism of the old industrial midlands and north, which had been such a feature of late nineteenth and early twentieth century England.<sup>15</sup> This thinking has struck home in Whitehall, as the Chancellor of the Exchequer’s plans for ‘northern powerhouses’ demonstrate.

Beyond its implications for the Anglo-Scottish relationship, a hostile and uncoordinated exit from the European Union would have profound consequences for Great Britain. It is true that Britain would regain control over its borders. It would be in a better position to ensure that tax credits for the lower-paid benefit native British workers rather than incomers from the EU. The ‘national compact’, which has become frayed through globalisation and immigration, could be renewed. Finally, the sovereignty of the Westminster parliament would be established or re-established beyond all doubt. This last may seem a decisive argument, but I hope to show below that the same result can be achieved through a more consensual and constructive separation.

14 *Tombs, R.*: *The English and their history*, London, 2014. For the early modern roots of Anglo-British power see *Scott, D.*: *Leviathan. The rise of Britain and as a world power*, London, 2013, especially 7–203.

15 See *O’Neill, J.*: *Keep the kingdom united, a superpower of city states*, in: *The Sunday Times*, 28.09.2014.

There would also be considerable costs to bailing precipitately out of the current European Union, which have been documented by numerous studies.<sup>16</sup> Britain would lose access to the European Court of Justice to protect its position in the Single Market. It could continue to trade with Europe as before, but it would be compelled, like Norway and Switzerland, to abide by rules which it no longer participated in setting. This would have particularly serious consequences for the City of London, which would be exposed to French or German attempts to shift the financial capital of Europe to Paris or Frankfurt, or to deny London the right to trade in Euro-dominated instruments. If Britain exercised its right to restrict immigration, it would be in danger of depriving her economy of much-needed skilled and willing labour which is why most business opinion opposes withdrawal from the European Union. There is also the danger of retaliation against British citizens living in southern Europe, who cost the countries there more than they bring in. London should therefore beware of yanking at these particular threads for fear of unravelling the whole European fabric.

Britain, of course, would survive. It is still one of the world's most important powers, probably in third place after the United States and China and certainly among the top five or six actors in the global system. Britain has a permanent seat on the United Nations Security Council and a formidable diplomatic service. Her armed services are highly respected, if seriously underfunded, and her military potential is huge. Unlike the labile Eurozone, Britain has a stable currency, the pound sterling, whose strength varies but whose existence is not in doubt. While debt to GDP ratio is high, all these factors have historically guaranteed that the creditworthiness of the state is good. Above all, the resilience of British society is high, and the capacity to wage conflicts of varying intensity for longer periods, once fully mobilised, is second only to that of the United States.

The real damage to British interests through a shambolic “Brexit”, would be its impact on the rest of the continent. A legislative Dunkirk, in which Britain repatriated her sovereignty as the Eurozone slipped further and further into crisis would have a shattering psychological impact on her European partners. It might well accentuate the breakup of the currency union, as the Germans too wished to regain their national freedom of action. If Germany stayed, it would dominate the rump even more than it already does, without wishing to.<sup>17</sup> The result would

16 On the benefits of staying and the costs of leaving see *Whyte, P.*: Do Britain's European ties damage its prosperity?, Centre for European Reform, 2013.

17 *Parris, M.*: We can't let Germany be uber alles in Europe, in: *The Times*, 15.11.2014.

most likely be a fragmented, fearful and vulnerable Europe, less likely to be sure to caucus against Britain but also much less capable of delivering the economic and political stability of the continent on which not only Britain's prosperity but also her security has always depended. Even more benign scenarios stress the negative impact that a British withdrawal would have on the rest of the Union. It would weaken the free market constituency in the union and while it would not precipitate a scramble for the door, it would certainly unsettle the other member states. At the very least, "Brexit" as matters stand, will deprive Europe of its most effective armed forces and render the common foreign and security policy largely toothless. It will be, as *Almut Moeller* and *Tim Oliver* have recently written, "an unprecedented event, with unclear and potentially transformative implications for the whole of Europe".<sup>18</sup>

Incredibly, the United Kingdom is proposing to take this fundamental decision, not only before she needs to, but before she really can. No referendum on Britain's role in Europe makes sense until it is clear where the European Union is actually heading. The Prime Minister's plan recognises this in principle, but ignores it in practice by applying the wrong optic. He should not be asking how the European Union can be redesigned to accommodate continued British membership, but what needs to be done to settle the continent once and for all, and how Britain can help to bring this about. Everything else about the relationship between London and the Eurozone will follow once this is clear.

### III.

At this point we must take a step back and remind ourselves how both the United Kingdom and the European Union came to exist in the first place, because therein will lie the key to solving their present predicament. For hundreds of years, England and Scotland were rivals. From 1603, they were linked through a 'Union of Crowns', but this was a temporary dynastic, not a permanent political arrangement, similar to the later 'Personal Union' between Britain and Hanover, which was broken after more than one hundred and twenty years of a shared ruling house.<sup>19</sup> The Anglo-Scottish union of 1707, which ended hundreds of years of open or latent warfare between the two neighbours, was primarily driven

18 *Moeller, A./Oliver, T.*: *The United Kingdom and the European Union: What would a "Brexit" mean for the EU and other states around the world?*, Berlin, 2014, 108.

19 See *Simms, B./Riotte, T.* (ed.): *The Hanoverian dimension in British history. 1714–1837*, Cambridge, 2007.

by the demands of the European state system.<sup>20</sup> Elites on both sides of the border contemplated the strategic and ideological threat of *Louis XIV's* Catholic, absolutist and territorially expansionist France with dread. Scotland had bankrupted itself in an attempt to pursue a separate imperial policy in Central America (the infamous Darien project). England sought to deny France the opportunity to pressurize her northern flank, encircling her through the 'Auld Alliance' with Scotland. To this end, England and Scotland embarked on a parliamentary, debt and foreign policy merger which enabled both countries not only to end their long hostility but to 'punch above their weight' on the European stage. This was an event, not a process. The United Kingdom, which was later enlarged by the Union with Ireland, created a new common British identity, but no new nation. It was and remained a union of four nations, the English, the Scots, the Irish and the Welsh, whose creation cannot be understood outside of the European balance which gave birth to it.

The Anglo-Scottish union was so successful that it served as the model for the American patriots after the thirteen colonies broke away from Britain in the late eighteenth century.<sup>21</sup> They were acutely conscious that the existing loose 'Articles of Confederation' under which they had conducted their struggle with *George III* were not fit for purpose. Contemplating their precarious geopolitical situation with predatory great powers on all sides, conscious of the danger of falling out among themselves, and concerned to settle the divisive question of how the debts incurred during the revolutionary war were to be repaid, the Americans studied the various European historical precedents carefully. They explicitly rejected the divided Italy of *Machiavelli*, the chaos of the Polish-Lithuanian Commonwealth, and the sclerotic Holy Roman Empire of the German Nation as polities unable to keep external predators at bay. The solution agreed at the Philadelphia Constitutional Convention in 1787–1788 bore some distinctive features, including a directly elected presidency and a Senate to represent state interests, but it was in its essence, and was understood by contemporaries to be, an improved variant of the Anglo-Scottish Union. Americans soon pooled their debts, created a treasury bond, a national bank and, in due course, a

20 Thus *Macinnes, A.I.*: Anglo-Scottish Union and the War of the Spanish Succession, in Mulligan, W./Simms, B. (ed.): The primacy of foreign policy in British history 1660–2000. How strategic concerns shaped modern Britain, Basingstoke, 2010, 49–64. For the broader context see *Simms, B.*: Three victories and a defeat. The rise and fall of the first British Empire, 1714–1783, London, 2007.

21 See *Pole, J.*(ed.): The Federalist. Alexander Hamilton, James Madison, John Jay, Indianapolis/Cambridge, 2005, 17f.

strong military. Once again, union was an event, not a process. The rest is well-known: the United States eventually became the most powerful actor in the world system. Its creation, however, cannot be understood outside of the international balance of power from which it emerged.

Likewise, the project of European integration is a product of the strategic rivalries which culminated in the Second World War. Its sponsors, which included the United States of America, sought to make war between western and central European countries impossible, and in particular to solve the German problem, by embedding her in broader European institutions. They also sought to mobilise the energies of democratic Europe, especially the Federal Republic of Germany, against the threat of Soviet Communism. This endeavour, which culminated in the European Defence and (putative) parliamentary Community of the early 1950s, had the potential to develop into something akin to the United Kingdom or the United States. Instead, the EDC project was defeated by the French National Assembly, so that economic and cultural integration was pursued by the European Economic Community, later EU, which eventually established the Euro in order to decommission the mighty German Deutschmark. The idea of relatively rapid political union, completed against the background of a traumatic war, was superseded by the notion of gradual unity through many small steps. Rather than presenting an open plan for political integration in tandem with an underpinning economic unity, elites hoped that it would result from pressures and loyalties generated by the common currency. Defence integration, and German re-armament, by contrast, was devolved to the North Atlantic Treaty Organisation (NATO). As a result, 'Europe', unlike the UK or the USA, never became a matter of life or death, fatally reducing the external pressure without which no polity will take the final steps towards full political union. What should have been an event, became an interminable process.

Thus, the future of the European project, and Britain's role in it, cannot be addressed in isolation from the continental and global balance of power, or in defiance of the lessons of history. At the moment, the Eurozone is a currency without a state and a joint political project without joint military instruments or a common sense of its mission on its own continent, let alone in the world. Due to the lack of a common parliamentary representation transcending the sovereignty of the national assemblies, Europe is unable to issue the Eurobonds which would stabilise the markets and the currency. The vow of the head of the ECB, *Mario Draghi*, to "do what it takes" has not yet been put to serious test politically or financially, and may turn out to be a promise on which he cannot deliver. It is

completely dependent on German approval: of the Chancellor, the German Constitutional Court and ultimately the German electorate. Due to the absence of a common army and a truly common foreign and security policy, Europe can only mount a feeble response to the massive ideological and military challenge of *Vladimir Putin's* Russia on her eastern borders, or to any of the other threats such as Islamist terrorism or state failure on its southern periphery. Southern Europe, such as Italy and Spain, does not feel the pain of Russian ambitions in the same way as Poland, Finland and the Baltic States, as their oppositions to sanctions has shown. The states of northern and eastern Europe, for their part, are unworried about the Mediterranean, as Poland hostility to the Libyan intervention demonstrated. Germany, nestling snugly in a ring of friendly democracies, is largely disengaged from both threats. It has effectively uploaded the legacy of the old Holy Roman Empire. All this results from mounting a confederal response to a European problem which requires a federal solution.

Try to imagine running the United States, and its foreign policy, as a confederation of its state governors, without the House of Representatives and the mediating role of the Senate. The larger and richer states would dominate. Transfers would quickly become fraught. Freedom of movement would soon be in question, as indeed it was during the Great Depression of the 1930s. States on the border with Canada would have no interest in the problem of Mexican immigration, those on the west coast would be largely indifferent towards Cuba and the Caribbean, while those in the interior would very likely see no need to have a foreign policy at all. Picture an American Confederation with a large, economically powerful but militarily underdeveloped state like Germany at its geographical heart, say California and New York rolled into one but located around Kansas and Missouri, insulated from dangerous neighbours by weaker states in between. Alaska, where Governor *Palin* could (figuratively) see Russia from her back garden, would face Mr *Putin* alone. Trying to concert a common position in the world would be a nightmare, let alone agreeing a central response to economic downturn. Visualize all this, which is our European reality, and one realises not only how far we have to go, but where we should be heading.

#### IV.

Against this background, both the proposed German and the British government solutions to the European problem make no sense. Berlin and Brussels believe that 'Europe' will cohere through a series of fiscal and economic measures. They have pushed through European rescue funds for the common currency, and they

want a European commissioner with the power to veto member state budgets which violate the commonly agreed guidelines;<sup>22</sup> they privilege rules rather than democratic participation. Political union, they say, will not accompany currency and fiscal union, but complete it. It is to be the crowning moment, not the point of departure, the process seemingly a goal in itself rather than a means to an end. In other words, European federal union is to be a process crowned by an event, rather than – like the Anglo-American cases – an event followed by a process. There has been some progress with this vision, for example the establishment of a ‘banking union’, but it is doomed to failure. The resulting austerity policies will have crushed the periphery before it sees real economic benefits, or the return of their suspended participatory rights through the establishment of full political union. Moreover, the confederal nature of Europe’s democratic legitimation and the federal nature of its fiscal-economic governance means that control of the whole has devolved largely its largest and most powerful part, namely Germany. This is the very outcome that the European project – admittedly under rather different circumstances – was originally designed to prevent.

Above all, the current strategy rests on the ‘gradualist’ fallacy on which European integration has long been based, which is that a European political union will be built *peu a peu* in a series of small steps. Eurozone leaders do not seem to have grasped that, contrary to EU lore and culture, successful unions have resulted not from gradual processes of convergence in relatively benign circumstances, but through sharp ruptures in periods of extreme crisis. As we have seen from the Anglo-American examples, they come about, not through evolution but with a ‘big bang’. They are events rather than processes. Even in Germany, the customs union (“Zollverein”) of 1833/34 did not lead automatically to unity over the next sixty years or so: that was forged by *Bismarck* in a series of intense wars with neighbouring powers. The current political integration strategy, therefore, is a long-term, permanent engagement which will end not in marriage but in tears.

Mr *Cameron*’s two-part solution is equally unviable. The idea of growing out of the crisis through structural reform is attractive but insufficient. Mr *Cameron*’s appeal for the completion of the single market, particularly in services, is perfectly legitimate and resonates among many. His plan to keep out ‘benefit cheats’ who come to the UK to abuse its generous welfare provision, can be

22 *Hulverscheidt, C.*: Was Mister Europa rät, in: *Süddeutsche Zeitung*, 28.11.2014.



achieved without new legislation and certainly without treaty change;<sup>23</sup> this is, in fact, a common concern among the wealthier member states. The rest of his demands, however, are more problematic. The justice opt out has proven fraught in practice, so that Britain has recently had to opt back in. Blocking benefits for migrants in employment, or who have lost work, cannot be done without discrimination and thus violates existing legislation and treaties. Indeed, some of what the Prime Minister requests, such as jettisoning the Human Rights Charter,<sup>24</sup> actually requires Britain to leave the Union altogether. One way or the other, the issue is not one of economics but of politics.

Nor is Mr *Cameron's* constitutional vision for a looser Union much help. In his much-discussed Bloomberg speech of January 2013, the Prime Minister set out a more “British” and “flexible” Europe, which would restore its global competitiveness by allowing powers to “flow back” from the centre.<sup>25</sup> He called for “a structure that can accommodate the diversity of its members”, some of whom “including Britain” who could “never embrace closer economic and political integration”. This would require “a new Treaty [...] for the entire EU, not just for Britain”. The Prime Minister’s presuppositions have already been invalidated by events, however. He was assuming that the “twin marauders of war and tyranny have almost entirely been banished from our continent”. As the recent Russian annexation of Crimea, its state of undeclared war with Ukraine in Donetsk and Luzhansk, and Mr *Putin's* steady reduction in domestic liberties suggest, however, the ‘twin marauders’ have returned. No design for a future Europe can ignore this fact. The ‘looser’ the bonds, the weaker its response to outside threats will be.

Besides, the Prime Minister’s vista risks opening the clichéd ‘Pandora’s Box’ of demands for national exemptions among other members states. This would make the whole Union unworkable. There are therefore increasing signs within the ‘core’, especially in Berlin, of a resigned acceptance that Britain cannot be accommodated. Moreover, the story has moved on since the 1990s and early 2000s, when London posed as the champion of the ‘new’ European against the centralizing tendencies of Brussels. Berlin not London is now their primary focus

23 Thus *Mortera-Martinez, C.*: Free movement. Why Britain does not need to change the rules, Centre for European Reform, 2014.

24 *Leppard, D.*: UK must quit EU to dodge rights charter, in: The Sunday Times, 17.08.2014.

25 *Cameron, D.*: Bloomberg speech, 23.01.2013, <https://www.gov.uk/government/speeches/eu-speech-at-bloomberg>

as they try to ride out the currency and economic storms.<sup>26</sup> For the members of the Eurozone, and the aspirant states, Europe has become a community of fate they cannot, and do not want to escape. ‘New’ and old Europe would almost certainly accept some reforms to accommodate Britain, but they cannot countenance the large-scale changes that would be required to satisfy London.

With the best will in the world, and good will for Britain is running out, there is no chance of the rest of the European Union obliging the Prime Minister in time for 2017. Once negotiated, treaty changes will have to be laboriously ratified in national parliaments or through referenda. Even if European leaders reluctantly provide Mr *Cameron* with a ‘post-dated cheque’ promising changes after 2017, it is most unlikely that his Eurosceptic party colleagues – their eyes on UKIP – would agree to bank it. A Labour victory in 2015 might put off the moment, but it is unlikely that fundamental decision can be dodged for much longer. One way or the other, therefore, Britain is heading for the exit.<sup>27</sup>

The main problem with the ‘British’ solution for Europe, in any case, is that it is based on the exact opposite of the principles on which the United Kingdom was created. It was established as a strong state with clarity on the debt, parliamentary sovereignty and the common defence; this is why the Scottish demands for greater devolution have, rightly, produced such consternation. To insist that Europe retreat from closer union in order to solve the crisis, and make it possible for Britain to remain, is to fly in the face of Britain’s own historical experience, and that of her American cognate. Here the Prime Minister is not being hypocritical so much as uncomprehending. The loosening of federal bonds may be conceived by London as pores through which peoples can breathe, but they will in practice prove to be cuts out of which the life blood of the Union will flow.

## V.

The political unity which the Eurozone so desperately needs therefore requires a single collective act of will, by its governments and elites and ultimately by its citizens.<sup>28</sup> It demands a recognition that their predicaments – an interlocking

26 Thus *Valasek, T.*: What Central Europe thinks of Britain and why, Centre of European Reform, 2012.

27 Thus the persuasive analysis of *Munchau, W.*: On the way out? Britain’s relationship with the rest of Europe are unsustainable, in: *Prospect Magazine*, August 2014, 40–43.

28 As set out in *Simms, B.*: Towards a mighty union: How to create a democratic European superpower, in: *International Affairs*, 88/1 (2012), 49–62. The author is President of the Project for Democratic Union, a start-up think tank, which seeks to make this vision a reality: <http://www.democraticunion.eu>

series of political, fiscal and strategic challenges – closely resemble those that led the British and the Americans to take the plunge for union in 1707 and 1787–88. There is therefore no need for continental Europe to ‘re-invent the wheel’ when a tried and tested model is available to us across the Channel and the Atlantic. This United States of Europe would take from the Anglo-Scottish Union the principle that national identities and histories can be transcended through political union without loss of cultural heritage. It would take from the United States the model of how to reconcile the needs of the centre and the region in a union of numerous states of vastly differing size, economic strength and strategic interests. It would take from both the lesson that only a consolidated debt for which common parliamentary representation takes responsibility can put the state on a sound financial footing and ultimately enable it to defend its position in the world. All this requires Europeans to abandon the cherished nostrum that that the process will led to the event, and to embrace a strategy beginning with an event, with an open-ended process to follow.

The construction of a single Eurozone state on Anglo-American constitutional principles must begin with the simultaneous consolidation of debt into a ‘Union Bond’ for which the parliamentary representation of the entire union would be responsible. This must consist of a House of Citizens elected by head of population, and a Senate which represents the regions on an equal basis. The executive should be headed by an American-style President, elected by popular vote from across the Union (without an electoral college, however). Foreign policy and border security must be the exclusive preserve of the Union. There would be a single army within NATO. The language of government would be English.

These arrangements would give the continent the capacity to deal with its most pressing problems. They will mobilise the entire resources of the Eurozone, especially those of Germany, for common projects. The Union Bond will end the Euro crisis, by creating a sustainable aggregate debt backed by the productive power of the whole Union; the end of national sovereignty will remove, or at least seriously curtail the capacity of the individual member states to incur fresh obligations. A single foreign policy and military force will contain Russia. The end of the national state will solve problems like Catalonia and other places where there are demands to separate from the local metropolis but not for full independence outside the EU. By embedding Germany in a larger whole, and thus mobilising her more effectively for the common good, Eurozone political union on Anglo-American constitutional lines also provides the only answer to the prospect of German structural dominance, which Berlin wants as little as

anyone else. It goes without saying that any such new constitution for the Eurozone would need to be approved by a same-day referendum in all the participating countries. The union would come into being in those countries where it gained a simple majority; no existing EU member state would exercise a veto. Those voting against would be prefer to negotiate accession in due course if they wished, subject to the consent of the Union government, Senate and House of Citizens (but not the veto of any individual member state).

None of the conventional objections to such a federal union really stand up. Against those who invoke the national peculiarities of Europeans, there is the historical example of the United Kingdom, which joined two quite distinct, and in many ways hostile, nations into a political union. Most Eurozone nations actually have a higher opinion of each other than the Scots and the English. The alternative to supra-national union, and thus rescuing the Euro, is a return to the national state, which would make Germany by far the largest single actor on the mainland, whether it wanted to be or not. Full federal union would not increase the power of Germany – which is currently inflated by the confederal design of the EU – but rather embed its 80 million odd citizens within a Union which would probably include upward of 350 million people. As for language, English is already the *lingua franca* of the continent. Finally, those who object to the surrender of state sovereignty should know that pass was already sold with the introduction of the common currency. It is striking that none of the populations most affected by the austerity measures designed to save the Euro wish to return to their old national currencies, or their old style of national politics. The populations of the Eurozone have already given up their national sovereignty, the rich as much as the poor, and only a union parliament will give them democratic representation on an equal basis.

Nor let it be objected that ‘social Europe’ is incompatible with the ‘Anglo-Saxon’ model. The debate about the right design for Europe should not a beauty contest about the best form of domestic organisation per se, but about the right constitutional architecture for a continent with a history of tearing itself apart and failing to respond to external threats. This must be the Anglo-American Union model. It can co-exist with many different forms of domestic organisation. The United Kingdom, after all, produced both the welfare state and Thatcherism. The United States brought forth both the New Deal and *Ronald Reagan*. One should therefore make no general assumption about the domestic or ideological configuration of a single European state, save that it would be democratic, and that it will evolve and mutate, as democracies do and should. Its purpose would not be

to promote any particular form of western democracy, but rather to ensure that the Eurozone has the means to protect itself against undemocratic challenges from within and, particularly, without.

## VI.

A full federal union of the Eurozone would be very much in Britain's interest. It would solve the Euro crisis, rescuing the British from the danger of economic contagion after a blowout of the common currency, or interminable deflation through austerity. By stabilising the continent militarily and containing Mr *Putin*, the new state would reduce the strain on the two countries bearing the largest burden of deterrence in the Baltic and elsewhere, the United States and the United Kingdom. This benefit should outweigh and transcend the old British balance of power thinking, which might otherwise tempt London to oppose the creation of a single and potentially dominant European state. After all, the establishment of the United States of America may have begun as a British trauma, not only relieved Britain of responsibility for the western hemisphere, but also supplied a vital ally against the terrible challenges of the twentieth century. Likewise, the creation of a cognate Eurozone union within NATO would secure the UK's eastern flank for generations, and free up British capacity for involvement in other parts of the world.

*Winston Churchill* pointed the way to such a solution nearly seventy years ago, immediately after the Second World War.<sup>29</sup> In his famous and much misunderstood Zurich speech of September 1946 the former British Prime Minister urged the full political union of the continent in a "kind of United States of Europe" under the "principles embodied in the Atlantic Charter". He praised the work of *Count Coudenhove Kalergi's* "Pan-European Union", which had commanded widespread support in 1920s France, Germany and other parts of Europe. *Churchill* demanded an "act of faith", beginning with "a partnership between France and Germany", which offered to both chance for moral regeneration and assembling around them the states of Europe "who will and [...] can" join such a Union. Its purpose was clear, namely "to make the material strength of a single state less important. Small nations will count as much as large ones and gain their honour by their contribution to the common cause". Moreover, "the ancient states and principalities of Germany, freely joined together for mutual conven-

<sup>29</sup> *Churchill, W.*: Speech in Zurich, 19.09.1946, <http://www.churchill-society-london.org.uk/astonish.html>

ience in a federal system, might each take their individual place among the United States of Europe". In short, the new polity was designed to solve not merely the European question but the German problem, the two being one and the same. Strikingly, however, *Churchill* conceived of this United States of Europe alongside but not including the United Kingdom and the British "Commonwealth of Nations", that is, the Empire. The British Empire, he believed, should join "mighty America and I trust Soviet Russia – for then indeed all would be well" as the "sponsors of the new Europe".

There some signs that the need for Eurozone political union is being recognised, if not by the current Prime minister then at least by other senior figures in the Conservative Party. The Chancellor, *George Osborne*, has long called for greater Eurozone integration to save the common currency. The former Defence Secretary *Liam Fox* has recently suggested that European political union, without Britain, would be in the national interest. Both have realised that there is nothing incompatible between urging deeper Eurozone integration and remaining aloof from it themselves. In short, the creation of a single European state is no threat to British interests, at least not in the round, but rather the greatest possible compliment the continent can pay the United Kingdom, and the great service it can render it.

There would be clear political rewards for the Prime Minister. Britain's negotiated exit from the inner European Union would make UKIP largely redundant, though it might maintain a fringe presence by appealing across a range of social issues. An amicable "Brexit" would heal the rifts in the Tory party, since even most of the Europhiles do not wish to sacrifice British sovereignty by joining a single European state; indeed, their whole rhetoric over the past three decades has hinged on arguing that this prospect was a mere chimera. It would however pose considerable difficulties for large parts of the Liberal and Labour parties, whose enthusiasm for Europe is fuelled by a sense that there is something wrong with Britain.

Full federal union will also solve the Scottish problem, if it can be achieved before calls for a fresh referendum. As matters stand, Scots will almost certainly vote to stay in the EU in 2017, or in a subsequent referendum triggered by an English-led "Brexit". They will only do so, however, if Europe remains merely a loose confederation. Full federal union on the continent, by contrast, would present them with a much starker choice. They would have to choose between remaining in the United Kingdom, joining the new European state (replacing London with another even more remote capital), and full independence outside a

Eurozone Union and the UK. Previous role models, such as Ireland, would no longer be even notionally independent. There is no polling data on this scenario yet, but it seems likely that the status quo would prevail. If Scots liked the old United Kingdom, with its strong state and many wars, they will love the new United States of Europe. Indeed, Scots would probably prefer a return to the old union without “devo max” to either independence or joining a single European state. Even if Scotland decided to go for independence from both the UK and the Eurozone, it would be corseted by two strong unions to the south and north, which would reserve the right to intervene in the event of undue Russian or other hostile interference. London could view the (unlikely) prospect of Scotland joining the Eurozone state with equanimity, as it would secure England’s northern flank for the foreseeable future, mobilise Scots to defend the security of the continent far more comprehensively than they are at the moment and thus fulfil the aims of the 1707 Anglo-Scottish union by other means. The old United Kingdom could then be safely wound up: its work would have been done.

At first sight, this final British ‘opt-out’ will perplex and irritate other Europeans and British ‘Europhiles’. Won’t the United Kingdom be isolated in Europe and dwarfed by the united economic power of the new state. If Britain is not part of the re-launched European Union, why should it benefit from the common market? Would it not be absurd to create an English-speaking Eurozone union without Britain? Why not choose another language? Some of these objections are more cogent than others, but none of them amount to much.

There are of course many states outside the United Kingdom which speak English, including another member of the EU which would certainly join a full federal union, namely the Irish Republic. Most relevantly in this context, the United States use English without any sense of absurdity, despite having broken away from the British Empire. So there is no logical reason at all why a single European state without Britain should not use English as its language of government. A “Brexit” might even make it psychologically easier to accept such a solution, certainly for France. Moreover, the option for English is also a choice against another language, such as German, French or (if one is a pessimist) Russian. Several European political figures, including President *Joachim Gauck* of Germany, have already recommended the adoption of English as the language of the Union. Of course, there is no reason in principle why a new union should not choose any other language it wishes, perhaps Latin or Esperanto. English, however, does seem the most realistic option.

As for the City of London, Europeans will need to overcome their prejudices.

The currency crisis might have been aggravated by speculators, but it was largely the product of the much deeper seated failings in the design of the Euro discussed above. The City is a historically developed force multiplier not only for the United Kingdom, but for western democracies everywhere. It can be counted upon to trade the new Union Bond enthusiastically, and to support the United States of Europe in its struggles with 'rising' and undemocratic powers, just as it worked together with the United States of America. No doubt, as the example of New York shows, the Eurozone could develop its own financial centre, but simply reconstructing London in Paris or Frankfurt will probably not work, at least not in the vital short to medium term while the Euro is stabilised. And why bother? For now the Eurozone should embrace London as the financial capital of the free world on the near side of the Atlantic. If it did not already exist, Europe would have to invent the City.

Most importantly of all, Eurozoners need to understand that the United Kingdom is an exceptional power in Europe. The British people are not prepared to sacrifice their sovereignty through membership of a full federal Europe, and are willing to pay a high economic price for that stance. Virtually all other peoples in Europe, by contrast, are ultimately either willing to sacrifice that sovereignty or have already lost it, for one reason or another, most notably by surrendering national control over their currencies. Moreover, almost uniquely among European states, Britain is strong enough to survive on her own. This partly reflects a constitutional tradition unbroken by dictatorship or defeat in the twentieth century, and partly her enduring economic and military potential. Nearly all the other European states, by contrast, are too weak to prosper as independent actors – with survival being the limit of their ambitions – while Germany is too large to be permitted to do so. In other words, Europe was designed to fix something that was never broken in Britain. Plainly, if the rest of the Europe had been or is like Britain, capable of defending its own sovereignty and contributing to the common good, and thus entitled to the same special status, then there would have been no need for the European Union in the first place. But it was not and is not.

An agreed and benign "Brexit" in the context of full Eurozone political union would not damage Europe. It would have no implications for bond prices, nor for the management of the Euro. The United Kingdom has no seat at the ECB, limited engagement in EU economic governance, and there is no real threat of institutional or private defaults as a consequence. These points have already been made by senior figures. All this would change, of course, if Britain's departure were a disorderly one, in the context of a fragmenting or fragile Eurozone, which



might be followed by other major European players.

The central point is that if the Eurozone is not to collapse, 'Europe' will become something quite different to the Community which Britain joined forty years ago. It is therefore not a case of Britain leaving the EU, but of the Eurozone leaving the original European Union, a "Euroexit", so to speak. To talk about a "Brexit" without a "Euroexit" therefore makes no sense, for it is only the latter that really necessitates the former. What is needed therefore is a political unification of the Eurozone followed by a pan-EU referendum, in which the UK would be merely one of the participants, but most likely the most important, perhaps the only, state not to vote 'yes'. This would then necessitate a revised European Confederation between the UK and the new Eurozone state.

However, as *Clausewitz* says, while things may be simple, the simplest things are often very difficult. How can 'Europe' be given the constitutional structure it needs, without marginalising Britain, in the event of a Eurozone union? The conventional Europhile line here is that London can probably still remain part of the single market but that if she is 'outside' she will simply have to accept EU single market regulation without having had a say in drafting it; this is currently the case with Norway and Switzerland. There is a serious flaw in this argument. Britain simply cannot be compared to the other non-Euro members, or non-EU states. Her economic strength, her permanent seat in the Security Council, her credible currency, her independent nuclear deterrent, and what the PM calls her general 'military prowess' combine to make her one of the top three or four powers in the world. Indeed, recent events have tended to strengthen Britain's position in Europe, as the common currency wobbles and the *Obama* administration 'pivots' towards Asia. (It is striking that in military terms, Britain has remained the second port of call after the US for those states threatened by Mr *Putin's* ambitions.) All this not only makes Britain so resilient that she cannot simply be dictated to by the Eurozone, but also a massive net contributor to European security.

It therefore follows that a grand bargain between London and a putative Eurozone state is necessary and possible. No less a figure than *Jacques Delors* remarked in December 2012 that "the British are solely concerned about their economic interest, nothing else. They could be offered a different form of partnership [...] If the British cannot support the trend towards more integration in Europe, we can nevertheless remain friends, but on a different basis. I could

imagine a form such as a European economic area or a free-trade agreement".<sup>30</sup>

Here is what such an arrangement might look like. Britain would continue to contribute to Europe over the odds militarily (through NATO) and take out over the odds economically (through the Single Market). Immigration and travel could be resolved amicably on the basis of reciprocity, whether in a restrictive or permissive sense. Justice and the budget would be repatriated. Most importantly of all, there would have to be a confederal management of the Single Market and the City of London, giving Britain a much bigger role than Norway and Switzerland, and indeed than she has today, as is her due. There might well be restrictions on the City (though probably no more than a UK government would be inclined to impose anyway), but they would be legitimate so long as they were driven by a genuine desire to curb risky behaviour rather than a discriminatory political project to shift Europe's financial capital to Frankfurt or Paris. There would have to be an understanding that just as Britain would desist from obstructing closer Eurozone political links, indeed would promote them, Brussels would not attempt to lure Scotland back into its fold, to offer British Europhiles anything more than verbal sympathy or in any other way to subvert the integrity of its main European ally, the United Kingdom.

So: Once we have eliminated the impossible, namely the continuation of the status quo or the current gradualism of Brussels and Berlin, accepted the unlikelihood of British accession to a single European state, rejected the unpalatable, which is the breakup of the Eurozone and a return to national currencies dominated by the Deutschmark, then what remains, which is full political union on Anglo-American lines without Britain, must, however improbable, be the solution.

All this needs to be embedded in a fresh settlement for Europe, a new Westphalia, achieved in one fell swoop over a relatively short and intense period, rather than through current agony of perpetual referendum and re-negotiation. At the heart of it will lie a new agreed single Eurozone state which will be guaranteed by the principal external stakeholders; these do not include disruptive rent-seekers such as Mr *Putin's* Russia. The United States, the United Kingdom and Canada claim this role by virtue of the fact that they have three times been compelled to rescue Europe from itself, during the First World War, the Second World War and the Cold War. All three powers continue, to varying degrees, to make good Europe's military deficit. It is their interest and their right, as much as

30 Quoted in *Lemaire, A.*: Keep Britain within the EU, in: Hug, A. (ed.): Renegotiation, reform and referendum: Does Britain have an EU future, London, 2014, 57–59, here 59.

it is in the interest of the Eurozoners themselves, that they take on the task of supporting the construction of a new and mighty union on the mainland. When we take down the scaffolding, some of the interior decoration of this new continental home will remain a matter of negotiation and evolution. The foundations, wiring and illumination of the building should be firmly established, however. Its outer walls and its roof must be firmly in place, to protect us all against the rage of the elements to our east, south and in the world at large.

## VII.

In short, a single European federal state including Britain is not compatible with British sovereignty. A fragmenting Europe with an unstable currency, a Heath-Robinson constitutional structure, and without any serious capacity to deter threats, conventional or terrorist, is not in Britain's interests. A united Eurozone, constructed along Anglo-American constitutional lines, in confederation with Great Britain, and in security partnership with Canada and the United States through NATO, is not only compatible with British sovereignty but very much in Britain's interests. What is urgently needed on both sides of the channel, therefore, is not a European Britain, but a 'British Europe'.

There is therefore no point in the British thinking about or deciding upon Britain's place in Europe, without a clear sense of the kind of European Union they require. As matters stand, the very thing the Prime Minister, the Eurosceptics, and many soft Europhiles profess to most want the European Union to be – a more flexible 'British' arrangement reversing the trend towards 'ever closer union' – is least compatible with the outcomes Britain desires, which are the effective management of the common currency, and a concerted response to the enormous security challenges we face, especially in the east. Mr *Cameron's* vision for Europe is also – given the fact that the United Kingdom was created as a tight parliamentary union to defend Britain's corner in the world – very un-British. It is therefore in Britain's interests not to force other Europeans to try and adapt to a false halfway house that nobody wants, but to encourage the Eurozoners to go their separate way, confident in the belief that where it matters, Britain and Europe will retain a key relationship.

Let not be objected that a British Europe without Britain makes no sense. History suggests the opposite. The United States originated as a breakaway state from the United Kingdom, based on the principles of the Anglo-Scottish Union. By the same token, Europe can only become more British by separating from Britain. If

it does so, and thereby realises its potential, the resulting polity will eventually be more powerful than these two previous mighty unions put together. The Europeans would thus become more 'British' than the Americans, and indeed the British themselves.