

A 26:1 outsider? David Cameron, the UK, and the Eurozone Crisis

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Government is sometimes about giving people what they need rather than what they want. The British Prime Minister, David Cameron, probably understands this. However, because he leads what is now an overwhelmingly Eurosceptic party and runs a highly Eurosceptic country, he is nevertheless forced to calibrate and even trade off between those two imperatives.

It is clearly not in the UK's interests – and even most sceptics admit this – for there to be a disorderly collapse of the Eurozone in the face of the current banking and sovereign debt crisis. Whether they like it or not, the British cannot simply stand aside, say I told you so, and watch as the whole thing falls apart: calamity on this scale cannot be confined to 'the continent'. On the other hand, many Conservative MPs, even if they don't actually want to leave EU, are damned if they are going to see a Tory-led government help out countries which (in their view at least) were either knavish or foolish enough to sign up to a single currency that never stood a chance of working.

The only thing that might have changed their mind would have been if David Cameron had been able to extract a price for British assistance – some kind of opt-out or 'repatriation' of powers that could have been dressed up to look like a 'fundamental renegotiation' of the UK-EU relationship. Even then, that assistance would have had to have been more political than financial, while any treaty change that it permitted would have had to have been capable of being sold to Tory backbenchers and the country as a whole as a) minor and b) affecting only the Eurozone.

Exactly what David Cameron demanded in the wee-small-hours of 9 December before 'the twenty-six' and 'the one' went their separate ways, we will only discover over time. Leaked documents and 'sources close to' make it clear that protecting the City from additional regulation was central. Before the summit there was also talk of more opt-outs on employment regulation, not least on the Working Time Directive. But above and beyond that, who knows? Ultimately, what the Conservatives seem to want is to wrest from 'Europe' the ability to prevent a Tory government from doing its utmost to turn Britain into America: leaner, meaner, with a hire and fire, no-red-tape-capitalism a million miles away from the supposedly sclerotic corporatism and 'socialism by the back door' on offer from 'Brussels'.

At the moment the realisation of this vision is constrained both by the Liberal Democrats (or at least some of the Liberal Democrats) with whom the Conservatives currently share power and by the 'dead hand' of the EU. So strong is the belief in Conservative circles that the latter represents the biggest obstacle to Britain breaking through into a bright future of free trade with emerging powers like China and India, that the crisis confronting Europe is seen by many Tories as an opportunity rather than a threat. But this is premature, to say the least. In half-a-century's time, they may be right, but most economists would argue that it will take at least that long before such a tipping point has reached

Simply because Cameron buys into the idea that Britain's future lies in the East and that that he must protect the City at all costs does not, however, mean that it motivates everything he has said and done during this crisis. Even many who regard Euroscepticism as, at worst, a pathological obsession and, at best, a damaging distraction have some sympathy with the Prime Minister's desire

(one shared, after all, with many other member states) to persuade Germany into standing more squarely behind the 'weaker sisters' in the Eurozone. This would be done either by Germany agreeing to the issue of some sort of 'Eurobond' or (as many seem to think is ultimately inevitable) by Germany allowing the ECB to act as a 'lender of last resort' so loaded that it would calm the markets. What fans of such arguments find so frustrating is that the fact they are being put forward by a sceptical country like the UK means they are less influential and persuasive than, on their merits, they ought to be.

Whether Berlin really would listen more attentively if that were not the case is another matter: after all, it has its own national interests to protect and, at least for the moment, these seem to be better served by rejecting schemes which risk letting those countries which have already 'misbehaved' get away with it again. But the question of whether the UK's semi-detached position has made it harder for Cameron to persuade Merkel to do what some see as the right thing raises a much bigger 'what if' – namely, would the Eurozone be in quite as much trouble now had the UK, along with other 'sceptical' member-states like Sweden and Denmark, decided to adopt rather than opt out of the single currency?

Those countries, in contrast to many others (including, we should say not just Italy and Greece, but also France and Germany) tend not to sign up to EU rules and regulations unless they intend to follow them. One of the reasons that some (though not all) of the Eurozone members currently in trouble find themselves in such a mess is that they were allowed by other members to get away with bending the rules. Why? Because those that allowed them to get away with it were themselves bending the rules, ensuring, for instance, that no-one – apart from lowly Portugal – ever got into trouble over breaking the terms of the Stability and Growth Pact. Not everyone was happy with this: the Netherlands (another relatively sceptical country) registered its concerns. But those who were unhappy lacked the clout (and the independence from either France or Germany, or both) to mean that their concerns actually counted for something. Had they been joined by the UK (and by Sweden and Denmark), maybe things would have been different.

This is not just a thought-experiment, a mere 'what if'. It has clear relevance for the UK, both in the here and now and in the future – even more so after the bust-up in Brussels. Even some Conservative commentators – admittedly only the more thoughtful – were suggesting in the weeks leading up to it that Cameron could hardly complain at not being listened to if he carried on simply shouting from the stands rather than getting fully involved in the game. Now, if the Eurozone falls apart, what happened in Brussels in early December 2011 won't matter that much because there will have to be a replay. If, however, it survives, and the 26-1 split is institutionalised, then the UK won't even be shouting from the stands. It'll be at home, sitting in an armchair, throwing things at the telly.

Whether the Conservatives' coalition partner will be content for that to happen is another matter. So far Clegg and co. have swallowed just about everything Cameron and Osborne have served up. If they swallow this too, people are going to be asking what exactly are the Lib Dems for? Watch this space....