

WHY MR. BLAIR WILL NOT WIN A EURO-REFERENDUM



ANTHONY SCHOLEFIELD



FUTURUS

Unit 10, The Gateway, Wembley, HA9 0AP
Tel: 0181 904 782 Fax: 0181 904 785

THE AUTHOR

Anthony Scholefield won a scholarship to Christ Church, Oxford when he was 17. He has degrees in History from Oxford University and Economics and Statistics from London University. Subsequently he has been a teacher, chartered accountant and company executive. Since 1970 he has run his own business in Central London.

From 1997 to 2000 he was Secretary of the UK Independence Party.

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INTRODUCTION

"The finance of a country is ultimately associated with the liberties of the country...If the House of Commons by any possibility lose the power of the grants of public money, depend upon it, your very liberty will be worth very little by comparison"

William Gladstone (1891)

It is possible that the Labour government led by Tony Blair will call a referendum on the single currency sometime in the current Parliament.

The purpose of this study is to outline the constitutional, political and legal difficulties which remain as obstacles before a referendum can be set in motion and how the calling of and winning of a referendum is a much more complicated and difficult problem than is generally realised.

It shows that even if the government manages to get to and win a referendum on the euro, entry still remains dependent on the approval of other EU member states. They may bargain their consent to Britain's entry into the euro with some very hard terms. If there is one striking conclusion from this study it is that winning a referendum does not guarantee British entry into the euro. The referendum is not the end of the process.

Part One considers the run up to the referendum examining the basic questions as to what the referendum is really about and what sort of referendum will take place, whether the entry rate and conditions of entry will become factors and how these have not been fully considered by Britain's pro-EU politicians.

Part Two discusses what the question will actually be and all the ramifications of fairness and intelligibility connected with the question.

Part Three considers the 1975 referendum in some detail and the balance of political forces at that time and in particular the political factors and the arguments which decided the result.

Part Four considers the likely result of a euro referendum and analyses the current relevant political forces in 2002 and how these might change in the near future. These have changed radically since 1975, in the main to the detriment of a pro-euro vote.

Finally it considers the political tactics which may be adopted by the Keep the Pound supporters.

This study is not about the economic or political merits or demerits of the case for Britain joining the single currency which have been widely discussed. It is an attempt to throw light on the management of the basis for the referendum and the question itself as well as to investigate the political forces at work on either side.

I have, on occasion, pointed out the areas where the 1975 referendum and other EU or British referendums have been unfair and unintelligible. These areas have been so extensive—in particular, (1) the management of the referendums, (2) the biased financing, and (3) the political inference drawn by the EU and its British supporters claiming consent to fresh treaties by reference to previous referendum results—that it is almost impossible to cover all aspects of bias.

Nevertheless bias can be reduced. One can say that Ireland has gradually improved its referendum process in various ways. Unfair funding, intrusion and financial support by EU institutions, bias in the statutory media and biased free broadcast allowances, and lack of information for the voter, have all been gradually eliminated by the Irish Courts and by the Irish Referendum Commission. In Britain the establishment of an Electoral Commission is a first step into these murky waters but the areas of possible unfairness and unintelligibility are so large that the vigilance of all who want a free and fair referendum is required to monitor what is going on and to help the Electoral Commission in its work.

As a background, we must constantly remind ourselves that Gordon Brown's five tests, all the economic arguments and even the rate of entry of the pound into the euro, are not what the euro issue is about.

As put by Roger Bootle in the *Sunday Telegraph* on February 11th 2001:

"But we still have not reached the essence of the euro issue. It has an economic and a political component. Both can be simply put. Will joining the euro lead inexorably to the erosion of Britain's ability to follow an independent course with regard to other elements of economic policy, such as the level and structure of taxation?"

Would it lead to the establishment of a single European state which effectively extinguished the United Kingdom as an independent sovereign entity? By comparison with these momentous questions, Brown's five tests are an irrelevance."

Michel Rocard, former French Prime Minister, has put it succinctly:

"[the Euro] will lead inevitably to the formation of a single government to control the European Central Bank. Once we have a single currency we will immediately have a single foreign policy". (*Eurofacts* 27/9/96)

Further, if the British voter were to support entry, it would be interpreted by the EU and the British government as authority not only to share its currency with the existing EU members but with any country that joined in the future. This is indeed an enabling referendum of a most complete type. With the enlargement of the EU, Britain will lose control of its economy and eventually its taxation and gold reserves under Economic and Monetary Union as well as its foreign policy to a collection of states, many of which are not even in the EU at present and whose ultimate number is undefined. It is clear, however, that Britain's future will be increasingly determined by Eastern European countries and even Turkey.

(The relevant extracts from the main parties' manifestos in 2001 are set out in Appendix 1.)

PART ONE

"A European currency will lead to members transferring their sovereignty over financial and wage policies...it is an illusion to think that states can hold on to their autonomy over taxation policies"

Hans Tietmeyer, Bundesbank President (*Sunday Telegraph* 16/11/97)

WHAT THE REFERENDUM IS ABOUT

A SHORT HISTORY OF REFERENDUMS

Referendums began to be used in Europe at the time of the French Revolution and were later used by Napoleon.

In the twentieth century they have been widely used in certain American States and in some Canadian provinces. De Gaulle used them in the establishment and early years of the Fifth Republic in France.

More recently there have been referendums in several European countries on various EU treaties, both in those nations whose governments wished to join the EU or the EEA (like Norway and Switzerland) as well as in Ireland and Denmark when new EU treaties were put to popular endorsement.

In the UK there have been referendums in London, Scotland, Wales and Northern Ireland and, of course, the 1975 referendum on the Common Market throughout the whole of the United Kingdom.

TYPES OF REFERENDUMS

Referendums fall generally into three categories. First, there are those that ask for confirmation of decisions already taken and implemented by the Executive (confirmatory).

Among these would be classified the French referendums which confirmed the various governmental constitutions during the French Revolution—the changing regimes of the Directory, the Consulate and the Empire.

Hitler's referendums, which covered such matters as the merging of the

Offices of Reich President and Reich Chancellor after the death of Hindenburg, approval for the reoccupation of the Rhineland and leaving the League of Nations also fell into this category.

A second type of referendum is the enabling type. This is where the executive proposes but has not yet implemented a policy, and where the general proposition is put to the people with the details to be filled in by the executive at a later date. Classic cases of this type were the recent referendums in Scotland, Wales and London.

The third type is the seeking of popular consent ("consent") to a fully worked out law. A referendum of this type was conducted in Denmark in 1992, where the government sought approval of Denmark's consent to the Treaty of Maastricht after making available a million copies of the treaty. A similar referendum was held in Denmark in 2000 on whether or not Denmark should join the single currency. In this case most of the facts were in the public's hands. The treaty had been distributed, the rate at which Denmark would enter the euro and all the conditions were known and Denmark complied with the conditions for entry to the single currency, including being in the ERM for over two years. There were defects in the actual question, which will be discussed later, but the basis for the question was reasonable.

In Ireland, the three proposed amendments to the Constitution which were the subject of referendums in 2001 (one of which, on the Treaty of Nice, was lost), were contained in bills which were available to the electorate. Moreover, from 1998 a Referendum Commission had distributed balanced summaries of the bills to the electorate. This followed judicial criticism of the biases of funding and in the media in earlier Irish referendums.

The basis of the "consent" referendum is generally acceptable, provided the public receive balanced information and each 'side' has equal resources.

Some referendums have somewhat hybrid characteristics. The British referendum of 1975 fell partly into the "consent" category in that the Treaty of Rome was available to the electorate, though not distributed. Nevertheless the matter in question, membership of the Common Market, had already been decided by Parliament and enacted previously so that it also had many elements

of the "confirmatory" type. What has been objectionable is the pretence that the consent obtained in 1975 applied to all the various subsequent amending treaties that have turned the Common Market into the EC and now the EU with far greater powers than those given consent to by the British people in 1975.

CONSERVATIVE OUTCOME

It is a well-known fact that referendums generally have a conservative outcome, that is, the electors vote for no change.

The Nazi and French Revolutionary and Napoleonic referendums left the voters little alternative. The changes for which confirmation was sought had already taken place and there was no going back.

Of all the referendums ever held in the UK, only the second Scottish one, for the Scottish Parliament in 1997, could be said to have a decent majority for changing the status quo.

In the 1975 referendum it must be remembered that the central fact was that Britain was already in the Common Market. To pull out was to upset the status quo and precipitate a crisis.

According to the NRC polls at the time, 53% of respondents believed a NO vote would bring on a political and economic crisis. This recognition was part of the thrust of the Britain in Europe campaign.

A particularly striking referendum that demonstrated voters' attachment to the status quo and fear of change was the failure of the Australian republican referendum in 1999.

It is evident that this psychological attachment to the status quo will be a major asset on the side of those wishing to keep the pound and not enter the euro.

"So far most political attention has focused on winning the powerful position of defender of the status quo" says Mark Leonard of the pro-euro Foreign Policy Centre.

A POSSIBLE BRITISH REFERENDUM ON THE EURO

It is worth outlining what a British government has to do to get Britain into the euro. A close study of the Outline National Changeover Plan is required at this point.

Extract from The National Changeover Plan, by H.M. Treasury

THE TREATY PROCESS FOR JOINING THE SINGLE CURRENCY

The process that would need to be followed with our EU partners to join the single currency is set out in the Maastricht Treaty and the European Communities (Amendment) Act 1993. There are four key stages to this process:- notification, assessment, decision, and adoption of an entry rate for sterling.

Following a positive result in a referendum and Parliamentary endorsement of the terms of the notification, the Government would need to notify the Council of Ministers of the UK's decision to proceed to Stage Three of EMU. The European Commission and the European Central Bank would then report to the EU Council of Finance Ministers (ECOFIN) on whether the UK had achieved a high degree of sustainable convergence with the euro area by reference to the following criteria: price stability, sustainable public finances, convergence of long-term interest rates, and exchange rate stability against the euro. The reports would also examine the compatibility of UK legislation, including the legislation governing the Bank of England, with the requirements of the Maastricht Treaty.

A decision on whether the UK fulfilled the necessary conditions to join the single currency would be taken by the ECOFIN Council in the light of these reports and on the basis of a proposal from the European Commission. The final decision would require a qualified majority in the Council. The decision would be taken following discussion among Heads of State or Government and after consulting the European Parliament.

In the event of a positive decision, the ECOFIN Council, acting on a proposal from the European Commission and, after consulting the European Central Bank, would adopt the rate at which sterling would be fixed irrevocably against the euro. The rate would require the unanimous agreement of the participating Member States and the UK. The Council, acting under the same procedure, would also take the other measures necessary for the introduction of the euro in the UK.

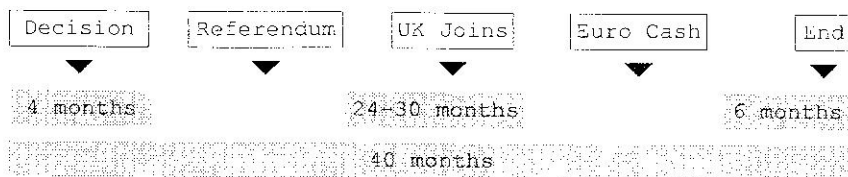
Extracts from The National Changeover Plan

A TIMETABLE FOR CHANGEOVER

6. The key stages in the changeover would be:

- (i) a Government decision to join the single currency;
- (ii) a referendum;
- (iii) joining (when sterling would be irrevocably fixed against the euro);
- (iv) the introduction of euro notes and coins
- (v) the end of the changeover when sterling would be withdrawn.

8. The Government believes that the entire changeover, from a Government decision to join right up to the withdrawal of sterling, could be achieved in 40 months or less.



9. The period of 4 months from a decision to a referendum would depend on how quickly the practical arrangements for a referendum could be put in place.

10. Before the UK could join, the European Commission and the European Central Bank would need to report to the Council on whether the UK economy had achieved a high degree of sustainable convergence with the euro area. These reports would form the basis of a Council decision whether or not the UK met the necessary conditions to join. The Council would also need to take other decisions necessary to enable the UK to join the single currency.

As Roger Bootle succinctly put it in the *Sunday Telegraph* of June 10th 2001:

"It is insufficiently appreciated just how difficult it is going to be to get the pound into the euro, and how these difficulties are going to interact with the ultimate difficulty of winning a referendum. Of course, Mr Brown's famous five tests have to be passed, but last week's market movements drew attention to an important issue which does not appear directly in the tests at all, namely the level at which sterling is to enter. I do not mean that the five tests do not mention the precise rate. I mean that they do not mention the idea of there being a correct or acceptable level at all governing when and whether we should join. Funny that."

At this point I would interpose that any assessment of the majority of Brown's tests can only be undertaken against a precise pound-euro exchange rate.

Bootle goes on: "Now consider what has to be done. First the British authorities have to decide what an acceptable rate is, and from the history showing the chart, you can see this is no easy task. Then they have to agree a rate within that range with our European partners. Then they have to get the pound to that level – and keep it there. And then they have to win a referendum. I have used a succession of 'thens' but in fact the precise sequencing of these things is shrouded in uncertainty."

An examination of the National Changeover Plan together with the 2001 Labour Party manifesto in fact shows that Labour has got a sequence worked out.

It is to make the assessment of the five tests, hope that these recontextualize the debate on the euro and then go for an enabling referendum leaving all the unpleasant details such as the entry rate, entry into the ERM, hard negotiations with the EU and the 14 other governments until the referendum is safely out of the way. It would also hope to present the decision on the euro as one on whether or not to leave the EU.

CAN THEY DO IT?

There have always been two possible approaches to the referendum. The first was to go for a pure enabling referendum without Gordon Brown's five tests being assessed and the best time for that was after the 1997 general election. In

this option the electorate would have been asked a 'simple expression of wish' question: 'Should Britain be in the single currency?' as suggested by Robin Cook on 28th May 2001.

The other equally possible alternative was to follow the Danish model. That was to re-enter the ERM and follow the 'Maastricht glide path'. This would have meant the pound being tied to the euro in the ERM and the rate being stable with the consent of the EU and the other EU governments. In this scenario the referendum as in Denmark would have come at the end of the process and the basis for the referendum would therefore have been acceptable.

For reasons that are outlined below the British government decided neither to go for a simple enabling referendum nor to rejoin the 'Maastricht glide path'.

Why did the government not go for an enabling referendum in 1997? The reasons for this may not be clear until Tony Blair's memoirs are published but it seems to have been because it feared it would lose and damage the newly elected Labour government.

Dealing with the second option, the political unattractiveness of a return to the 'Maastricht glide path' via the ERM was obvious. It would also, no doubt, have invoked an acrimonious debate with the rest of the EU over the rate of entry into the ERM. There was also a domestic reason – a high pound keeps inflation down. In any event the fall in the value of the euro made a return to the 'Maastricht glide path' impossible after the middle of 1999, as the euro sank so low that all British pro-EU politicians stated they would not support entry into the euro at the euro rate prevailing.

The official position of Britain in Europe is not to join now. It is to wait until sterling reaches a rate which reflects substantial convergence with the euro-zone. Britain in Europe's 'Council' will determine when this is said to have occurred.

But the National Changeover Plan makes it plain that the decision as to whether Britain has fulfilled the necessary conditions to join the euro and whether sterling has reached a rate which reflects substantial convergence with the euro-zone barely involves any British citizen. It is a matter for a proposal from the European Commission and that proposal will be endorsed by the ECOFIN Council by qualified majority. Indeed Britain could well be in an outvoted minority on this decision.

So the government appears to have chosen the route of attempting to recontextualize the debate by setting up a series of tests and then holding an enabling referendum, having stated that the economic conditions, which could not be met before, have now been met, with Gordon Brown possibly playing the role of Harold Wilson and James Callaghan as a reluctant convert to the euro.

The problem now for the government is that other events and the passing of time have gradually raised to the surface other matters which need to be taken into account.

GORDON BROWN'S FIVE TESTS

At this stage it is worth reminding ourselves what these are:

1. Are business cycles and economic structures compatible so that we and others could live comfortably with euro interest rates on a permanent basis?
2. If problems emerge is there sufficient flexibility to deal with them?
3. Would joining EMU create better conditions for firms making long-term decisions to invest in Britain?
4. What impact would entry into EMU have on the competitive position of the UK's financial services industry particularly the City's wholesale markets?
5. In summary, will joining EMU promote higher growth, stability and a lasting increase in jobs?

THREE OPTIONS

So now there are in fact three options on the table. First, the government is still being urged by some of its supporters to go for an enabling referendum. Robert Worcester of MORI has suggested the question be phrased so as to endorse a government decision on the principle of joining but leaving the actual decision to when the time is right! In his rather unattractive phrase this would remove *'the referendum promise millstone from around their neck'* (see Appendix 5). Robin Cook, in the *Daily Mail* of 28th May 2001, suggested the question should be a YES or NO to the question: *'Should Britain be in the single currency?'*

From the pro-euro side this desire even now for an absolutist enabling referendum, which is based on an expression of wish and no facts, is attractive. There is no need to worry about the entry rate of the £, the attitude of the other fourteen governments and the EU institutions to the British rate of entry and a re-entry into the ERM.

However, in my judgement, this confidence in an enabling referendum is misplaced. Paradoxically it may be much harder for the government to win an enabling referendum than a referendum when all the terms, conditions and the rate of entry have been agreed with the EU institutions and the other EU governments. The reason for this is because it would amount to a reversal of the status quo. A referendum where everything is packaged and endorsed is a (nearly) done deal and may convince the voters that to veto it would be to upset the status quo.

The second option to consider is a return to the 'Maastricht glide path'.

The joining provisions of the Maastricht Treaty were quite reasonable if a currency was going to join the euro. It seemed that if you were about to lock your currency to others 'for eternity' according to Wim Duisenburg, it would be a good idea to see if the currencies could work together for a trial period.

The Treaty of Maastricht envisaged that a currency joining the euro would enter 'a glide path' via the ERM so that the rate of the currency was tested over a period and the rate was known and held by the relevant currency.

As David Clark, special adviser to Robin Cook 1997-2001 put it in the *Daily Telegraph* after the 2001 election:

"But here we come to the structural flaw in the government's policy of 'prepare and decide'. Every country that has so far joined the euro-zone has decided first and then set about making the necessary preparation."

This preparation was in effect to follow the 'Maastricht glide path'.

This was Denmark's position in 2000. The currency was tied to the euro with the consent of the Danish government and all the EU countries and EU institutions. However, the legacy of the 1992 ERM failure for the pro-euro British political class is that a return to the ERM at present is unthinkable. They have abandoned the 'Maastricht glide path'.

For Britain, a re-entry into the ERM would be a very risky step, bearing in mind the actual entry date into the euro would be at least two years after a referendum according to the National Changeover Plan—and a very dangerous one for the government's referendum plans if the exchanges moved in the wrong direction. One of the most startling lacunae in the position of the pro-euro politicians is the assumption that the entry rate is solely a matter for Britain to decide. As the National Changeover Plan makes clear the entry rate will be proposed by the European Commission not by the British government, which only has the power of veto not that of proposal. The rate at which Greece joined the euro may not be important but Britain would be the second largest economy in the euro zone and clearly its entry rate for sterling would affect all the other members. Their idea of the correct entry rate may well be far different from those in Britain. It is the political job of the opponents of Britain's entry to point this out.

At this point it is worth considering the requirement to re-enter the ERM.

The relevant Article of the Maastricht Treaty is laid out below.

Article 109).1. (Maastricht Treaty)

The report (by the Commission and ECB) shall also examine the achievement of a high degree of sustainable convergence by reference to the fulfilment by each member state of the following criteria:

The observation of the normal fluctuation margins provided for by the Exchange Rate Mechanism of the European Monetary System, for at least two years, without devaluing against the currency of any other member state.

So it is one of the criteria which is specifically mentioned as being referred to when assessing a 'high degree of sustainable convergence' in a report to the Council of Ministers which will take the decision.

There is complete conflict at this point between the British government and the European Central Bank on whether Britain needs to rejoin the ERM. The European Central Bank has said it is necessary.

The British government's position is that it is not necessary to rejoin the ERM and they point to Greece which did not spend two years in the ERM before

joining the single currency. The Economic and Monetary Affairs Committee of the European Parliament has said Britain "would have to meet the legal requirement for a successful participation in the ERM, as laid down in the Treaty", and "no political concessions should be made".

So a major obstacle for the British government is the political and possibly legal consequences of trying to enter the euro without the requisite two-year period in the ERM.

The third option to consider is the government's own plan as outlined in Labour's manifesto and in the National Changeover Plan.

This is to assess the results of Gordon Brown's tests, attempt to recontextualize the debate around the passing of the five tests which have not been met before and then hold an enabling referendum.

While it would have been possible for the government to have got away with a purely enabling referendum in 1997, the more discussion on the euro there has been, the greater the importance of the rate of entry has grown. Politicians and commentators are becoming aware just how defective an enabling referendum would be without reference to the rate of entry. As mentioned above, the rate of entry is in any case material to the judgement of some of Gordon Brown's tests.

The Labour government has slowly but surely been pushed into a position where the rate of the pound and the euro at the time of calling a referendum is now central.

The recontextualizing of the debate is not taking place around Gordon Brown's assessment of his five tests but around explosive and dangerous territory for Labour. Will Labour devalue the pound? Will it re-enter the ERM? Exactly what will the voters be asked to endorse? Anyone who had contact with the Labour re-election campaign in 2001 would know that even to mention the rate of entry and a government inspired devaluation of the pound was touching Labour's rawest nerve!

THE PRIME MINISTER

On the 20th October 2000 the Prime Minister was reported in *The Times* as saying in Tokyo: 'If you came along to me with an opinion poll and said "Do you want to join the euro today?" I would say no.' This was in the context of the euro falling to its lowest level against the pound and the dollar.

In effect the Prime Minister has given the answer to the enabling question. He rejects it and admits the terms of entry are essential to make a judgement.

Kenneth Clarke has said in the *Sunday Telegraph* of July 1st 2001:

'Blair says he is in favour in principle and he'll hold a referendum when the time comes. I'm in favour of joining but not now, certainly not until the exchange rate is more favourable. But I don't think you can wait until the rates are settled and then say to the British public 'Now vote Yes'. So I'll go on saying to Blair, don't just say you're in favour in principle. You've got to explain why so that you've prepared the argument'.

'When do you think we'll join?' (interviewer)

'If the economic circumstances come right I think it will be a pity if we don't join but I can't forecast the economic circumstances. I think there are genuine economic problems at present'.

And, again, on *Question Time* on 5th July 2001 he said he was not in favour of entering the euro now specifically saying:

'Present exchange rate is killer argument', and again

'Could not join at present rate or anything like it'.

So both the Prime Minister and Kenneth Clarke have admitted that an enabling referendum is defective without reference to the rate of entry. Neither wishes to make a decision on entry until the rate is suitable.

That is a major change. The pro-euro politicians have been gradually pushed into the position where there has been a further test added before a government will take a decision and put it to a referendum. It is not clear whether they have

realised that this in itself involves a further problem. They don't only have to get the pound to the right rate, they have to *keep* it there.

Kenneth Clarke has summed up the gradual change in the basis of the government's position:

'The government has decided that it will only call a referendum when they have decided the exchange rate is sustainable and competitive. I would have preferred the referendum to be held on the issue of principle with the timing and details having been left to government and Parliament to decide. I think that Tony Blair has effectively sold the pass on that and that in practice any referendum will not be held until most of the details have been settled'.

Moreover in this scenario the pro-euro politicians cannot guarantee the rate of entry. They can only make suggestions as to the rate they wish to go in. As laid out in the National Changeover Plan, a decision on whether the UK had achieved a high degree of sustainable convergence (of which one of the tests is exchange rate stability) would be taken by the ECOFIN Council before deciding the rate at which it would be fixed irrevocably. This in itself would be contradictory if the two rates were different.

THE ENTRY RATE

When the euro was launched it was worth 71p. In June/July 2001 it was worth 60p (1.65 euro to the pound or about 3.25DM).

In short, a British government has to decide what rate it wishes to enter the euro. This in itself is a difficult task, with a wide range of figures quoted by pro-euro bodies and politicians. Some of the proposed rates are:

'The pound should be devalued from 3.10DM to 2.70/2.80DM. The pound should be devalued from 1.65 to 1.40/1.50 Euro'

Menzies Campbell, Liberal Democrat spokesman, *Newsnight* 23/05/01.

'Would like to see sterling fall to around 2.50 to 2.70 (DM)'

Nick Scheele, Head of Ford Europe.

'The CBI said it thought about 2.85DM was an acceptable rate'

Digby Jones, the Director-General, said in June 2001: 'The exchange rate at which Britain enters the euro will be of absolute, paramount importance'.

William Keegan in the *Observer* of 17th June said it should be 2.17 DM adding 'and I was only half joking'.

Eddie George is reported as saying in the *Observer* on 17th June 2001: "Different people suggest different numbers. I saw 2.40 in old Deutschmarks suggested the other day. I've seen 2.90. I've seen 3.00. All these rates are significantly lower than the 3.15, 3.20 which we've been at just recently."

He also said at the Mansion House in June 2001 to those calling for entry now: 'I say this would require a big devaluation in sterling which would put strong upward pressure on our domestic rate of inflation and destabilize our domestic economy'.

Nick Reilly, managing director of Vauxhall, was reported in the *Financial Times* of 26 July 2001 as saying manufacturing industry could cope with an exchange rate as high as 3.10DM to the pound, although when pressed Vauxhall would not endorse his opinion.

Moreover the pound has varied between 1.20 and 1.70 euros to the pound between 1992 and 2001 (recalculating the 'legacy' currencies where necessary).

Yet what is surprising when considering the opinions given by Tony Blair, Kenneth Clarke or all the business and political leaders, or discussions on the subject in the media, is that these people *have no role at all* in proposing the rate of entry. Our close examination of the National Changeover Plan shows that this is purely a matter for the European Commission whose proposal will be after consulting the ECB and will be subject to unanimous agreement of all fifteen EU States. So the *only British citizen* who has any input at all in this momentous decision on the rate of entry is the Chancellor of the Exchequer, who has no role in initiation but only the power of veto along with all his EU colleagues.

A major problem for the referendum plans would arise if the pound/euro exchange rate diverged sharply from the rate the government said was acceptable during the referendum process.

Charles Kennedy has quite correctly stated that a sustainable rate of the pound/euro exchange is just as important as Gordon Brown's five tests and should be a sixth test. The importance of the 'competitive and sustainable rate' also features in the Liberal Democrat manifesto of 2001.

BANK OF ENGLAND ACT 1998

Getting the pound to the 'right' rate and then keeping it there will mean that the government will have to alter the Bank of England Act 1998 (see Appendix 2). At present Chapter 11 states that the objective of the Bank of England's monetary policy is to maintain price stability. Subject to that, it is to support the government's economic policy, but price stability is the prime objective. Targeting the exchange rate or possibly trying to target inflation and the exchange rate together is a recipe for disaster. The alteration of the Bank of England Act, which would need a new Act of Parliament to redefine its monetary policy objective, would be a retreat from what is generally considered Labour's most successful action in the economic field. In such conditions the euro's popularity could fall and the government's reputation for competence could disappear. Eddie George, Governor of the Bank of England, was reported in the *Observer* on 17th June 2001 replying to 'Whether he would have to put up interest rates which would take our interest rates further away from Europe', said: 'Absolutely! That would be an obstacle to early entry.'

Ed Balls, the Treasury's chief economic adviser, is reported in *The Times* on 13th June 2001 saying: "Any short-term attempt to manipulate the exchange rate overtly or covertly, would put the inflation target and wider stability at risk."

In the *Observer* on 2nd September 2001, Ed Balls further underlined this in precise, brutal language: "The clear lesson of the late-80's boom is that trying to deliver an exchange rate target can only be done at the expense of wider instability – in both manufacturing and services".

POLITICAL PARTIES ELECTIONS AND REFERENDUMS ACT 2000

Apart from the 'millstone' of the referendum, the government has however been busy manufacturing further difficulties for itself.

First, it has introduced an Electoral Commission in the Political Parties Elections and Referendums Act 2000 (see Appendix 3). The Commission has the statutory duty to pronounce on the intelligibility of a referendum question. The Chairman, Sam Younger, said in the BBC Breakfast with Frost programme that: *'I think we've got to comment on the fairness.'*

It is hard to see how an enabling question of the type suggested by Robert Worcester and Robin Cook or any question which did not refer especially to the rate of entry could pass the intelligibility, let alone the fairness, test. While some voters will vote to join the euro at any rate and some would stay out at any rate, it is reasonable to expect a wide spectrum who will be influenced to vote YES or NO by the exact terms. A voter who held the view that he would be in favour of entering the euro at one rate and not another would not be able to find the question intelligible. So it is impossible to see how an intelligible question could be framed unless the government included in it, its precise proposed rate of entry.

Even if the government indicated the rate at which Britain should join there would be no certainty about it, since the locking together with the euro would happen some two years after the referendum. Nor would the government's indicated rate necessarily be accepted by the EU or the fourteen other governments. Also there might be conditions attached during the negotiations.

After all the government has repeatedly insisted on the importance of the terms of entry and it will make up its mind with full knowledge of these. Why should it expect the voter to do any less?

According to Goldman Sachs, reported in the *Daily Telegraph*: "The British people cannot be expected to vote to give up the pound when they have no idea how many euros they will get in return."

An analogy that would be well received by the voters would be to ask them if they would agree to sell their house without knowing the price.

As for business opinion, there will be those who will be unhappy with almost any conceivable entry rates for sterling and with the exchange rate applicable at the time the government called a referendum.

It will be a quick matter for economists to work out the negative effects on business and employment of the rate pertaining in the run up to the referendum and to suggest to business interests they would be better off waiting for a more competitive rate. Would a businessman take a decision to sell his company or share portfolio without knowing the price? To pose the question is to demonstrate the underlying hollowness of an enabling referendum.

As emphasized above, the government will not only have to indicate its rate of entry and be able to keep the pound to it or near it, but will also have to convince the voters this rate of entry will be acceptable to the EU and the other 14 governments.

HUMAN RIGHTS ACT

To call an enabling referendum could even fall foul of the Human Rights Act 1998, which incorporates into UK law the provisions of the European Convention on Human Rights. The main challenge would be that freedom of expression under Article 10 must include the corollary requirement to have adequate and unbiased information to make a decision. This requirement of unbiased information has already surfaced in the various legal cases regarding the conduct of referendums in Ireland.

THE GOVERNMENT'S DILEMMA

By its own actions and by the necessity of passing the intelligibility test of the Electoral Commission and the Human Rights Act, the government seems to have ruled out a purely enabling referendum. Gordon Brown is reported in *The Times* during the 2001 election as saying that the referendum question would be considered only if there was a positive assessment on the terms of entry.

THE FIVE GOVERNMENT TESTS

Insofar as the government has a referendum plan, the assessment of the five tests would appear to present an opportunity to re-contextualise the debate and ask for an enabling referendum, having stated that the economic conditions which have not been met before have now been met. This appears to be the strategy outlined in the National Changeover Plan. However, as some of the points which will emerge during the referendum campaign are the requirement to join the ERM and the need to agree a rate of entry, there would be no point in having a referendum unless sustainable convergence and exchange rate stability had been achieved. To hold a referendum, win it and then not start negotiations would be an unbelievable policy for the government to put forward after waiting for several years in power to have a referendum and after passing Gordon Brown's tests.

How powerful an impact would be the government's announcement of a successful assessment of the five tests? The answer is not very much. Most commentators have written off the importance of the five tests on the grounds that they are entirely subjective. And they will be seen to be subjective because there will be no event-led re-contextualisation as happened when Harold Wilson flew back from Dublin with new financial terms extracted from the rest of the Common Market.

All that will happen is that the Prime Minister will stand up in the House of Commons and make a self-justificatory speech.

One should note that a survey of the Brown Five Tests by Barclays Capital in June 2001 showed that at best only one of Brown's five tests had been passed and 'just as important – perhaps more so – is the fact that our work also suggests that these tests will not be passed over the next five years'. Other commentators dispute that even this one test will be passed.

The authors of the Barclays Capital report also say that each test will have to be assessed rigorously. 'It would be much harder to convince the electorate of the benefit of EMU membership if, for example, the city and the eurosceptic press are 'up in arms' about an inappropriate assessment'.

Nor will the launch of a referendum from this basis be sufficient to make an impact since, as shown later, a government endorsement would only shift about 4% of the votes.

Similarly, a referendum launch in such circumstances will not overcome the central fact, the attachment of the electorate to the status quo. As pointed out there have been attempts to re-contextualise the euro decision into one involving EU membership. It is likely that a referendum launch in these circumstances will be accompanied by a barrage of cajolery and threats by other EU leaders and the EU institutions to the effect that no country can continue to be in the EU but not in the euro although the examples of Denmark and Sweden stand in the way of this line of attack.

Such a referendum launch will run straight into the problems of not knowing the rate of entry and the problem of rejoining of the ERM. A political opposition should be able to point out that such a referendum would not empower the electorate, since they would not have the facts to make a decision. It would simply remove the referendum promise 'millstone'.

Nor can the government guarantee that a YES vote will be translated into Britain actually joining the euro, since the rate of entry has to be proposed by the EU Commission and be endorsed by the ECB and the other fourteen governments. If they decide on a rate of entry that is unsuitable to the British government, Labour will be put on the horns of a very painful dilemma. Should it accept the wrong rate and conditions, for which it will be blamed almost indefinitely, or should it come back to the British electorate and tell them that the referendum vote was a waste of time?

It is held by some of both supporters and opponents that Britain's entry into the euro will be smoothly facilitated by the EU and the other fourteen governments. Indeed some opponents of entry believe the EU will do anything to get Britain to enter in order to facilitate the move towards a United States of Europe and to bring Britain's oil and pension assets into economic and monetary union. Even granted this may be the case, and that they give every help mainly by keeping quiet during the process of the referendum, it is likely their attitude will change if there is a YES vote.

A British government approaching the negotiating tables with a positive referendum result, and being dependent on the agreement of the EU and the member states, puts itself in an extremely weak position. They will be able to

harden their terms, especially on the entry rate, and the government, if it disagreed with the terms, would be faced with the politically damaging position of either agreeing or going back to the British people and saying the project was off and the referendum vote was worthless.

PART TWO

"We all know you can ask questions in certain ways to get the answers you want"

Sam Younger, Chairman of the Electoral Commission,
17th February 2001.

THE QUESTION

THE MEDIA

Up to now the treatment of the referendum question has been very superficial. Polls have been conducted on very simple bases such as the MORI ones quoted here that ask questions that are unanswerable, unless voters know the proposed terms and rate of entry. Similarly some politicians are said to be in favour of entering the euro and others against. In fact, not a single British politician wishes to enter the euro at the present exchange rate. Bizarrely Kenneth Clarke can say in a Britain in Europe publication 'Staying outside the euro is weakening our country' and then he states unequivocally 'I believe we should only enter the euro when the economic conditions are right. I do not believe they have been right so far and I would not join at the present time' – presumably allowing our country to go on being weakened!

Sam Younger, the Chairman of the Electoral Commission was interviewed in The *Daily Telegraph* on Saturday February 17th 2001. He said:

'We will be commenting on fairness as well as intelligibility. If someone came to us and said here is the question for the referendum – it says: "the euro is bad for Britain, do you agree?" – it would be absurd for us to go back and say that's intelligible. We all know you can ask questions in certain ways to get the answers you want.'

I now want to explore the ramifications of this excellent, robust and acceptable statement.

It is essential for the Electoral Commission and Parliament to take on board that their judgement on the question's intelligibility is in fact a very onerous responsibility and that the media are made aware how important is the wording of the question and the conduct of the referendum ballot.

INTELLIGIBILITY

As argued earlier it is my contention that any referendum on the euro of an enabling type would be unintelligible. No one would sell their house without knowing the full terms and conditions of sale, including the price. To ask the electorate to express a vague wish fulfilment is not to ask an intelligible question. To ask the British electorate to give up their currency without knowing the entry rate, whether the other governments and EU institutions are in agreement, and whether or not Britain has to rejoin the ERM, is to ask them an unintelligible question. It is not the question the Danish electorate were asked, which was precise. I have already shown that the Prime Minister has acknowledged that the rate of entry matters.

There are, however, certain other detailed areas where the question needs to be considered from a view of intelligibility and fairness.

THE WORDING OF THE QUESTION

The authors of the Barclays Capital report state 'the lesson of this analysis is that the government could significantly reduce opposition to EMU membership by wording the referendum question in a simple but pro-EMU way. Opposition could also be reduced by making the decision to join a 'Yes' decision and by saying in the question that this was what the government recommended'.

At present the ability to manipulate the question, which is the subject of considerable analysis in this section, is well known to pollsters but has yet to surface in the wider media.

In Denmark there was a great controversy over the wording of the question (see Appendix 7). Opponents of the euro wanted the referendum to refer to 'the single currency' while the government insisted on the less threatening 'common currency'.

Appearing on BBC1's Question Time, 30th May 2001, Tony Blair's contribution to the question was:

"I think the simple question is something along the lines of—but this is not saying what the question is going to be because we don't know that we're going to be recommending it and then Parliament has got to decide—but surely there cannot be that many complicated ways of putting to people: 'Do you want to join the euro or not?'"

As suggested in this book, this is certainly an unintelligible question. It is also loaded. Mr. Maude, then Shadow Foreign-Secretary, proposed on 28th May 2001 his own version:

"The government proposes that the pound should be replaced as Britain's national currency by the euro"

On the face of it this seems more balanced. It informs the voter that the pound will go and will be replaced by the euro. The Conservatives have realised that a great number of the electorate do not realise that joining the euro means abolishing the pound sterling.

However, it is open to objection on the following grounds. First, by telling the voter *"the government proposes"*, this gives one side of the question a spurious authority. Why should this feature at all if the voter is being genuinely asked to decide on his own authority?

Second, it misses out the word 'irrevocable' that occurs in the Treaty three times on the single currency. It would seem to be fair and intelligible for the question to include this vital word, or a variation of it, such as 'for ever'.

Third, on its own it does not give the voter enough information. It is worth looking further at the reaction of the voters to polls that go into more or less detail on the euro question.

In MORI's polls in April/May 1997 there were 3 relevant questions and I tabulate the answers below:

Q. If there were a referendum now on whether Britain should be part of a single European currency, how would you vote?

In favour	27%
Against	54%
Don't know	19%

Q. If you were aware that Britain joining a single currency could no longer determine interest rates in Britain or the exchange rate at which we trade outside Europe—these being decided instead by a European Central Bank—how would you vote in a referendum on a single currency?

In favour	19%
Against	69%
Don't know	12%

Q. And if it became clear that Britain's gold reserves and rates of taxation would be controlled by a European Central Bank, how would you vote in a referendum on a single currency?

In favour	16%
Against	70%
Don't know	14%

When Parliament and the Electoral Commission examine the proposed question for fairness and intelligibility it is clear that the more information the voter is given, the more voters wish to keep the pound. It is also a statement of the obvious that the question is more intelligible if relevant supporting information is available to the voter. To ensure the voter is properly informed, for example, there could be put forward a statement before the question about the implications of replacing the pound by the euro. Alternatively, in the Irish referendum on the Treaty of Nice, and the other referendums held in Ireland at the same time, the Referendum Commission distributed a booklet to the electorate doing precisely this. The British Electoral Commission should regard it as part of its duty to do the same and it is empowered under the Act (Section 13) to promote public awareness of the institutions of the European Union as well as current electoral systems.

The Electoral Reform Society has said in its own recommendations 'it is vital to give the voters adequate information and sufficient time for public discussion' and the 'question should be phrased in such a way that the average voter would understand the full implications of what he is voting on'.

Following such recommendations would eliminate such bizarre suggestions as having a referendum the same day as a general election, an idea apparently being considered by Downing Street.

It should be noted that this idea puts off joining the euro until at least 2008. It also presupposes that there is convergence and a sustainable entry rate at the time of a general election – objectives which the government has not achieved since 1997. To achieve these objectives at the precise time of the next general election would need a miracle.

YEA SAYING

The fourth objection to Francis Maude's proposed question is that it does not take account of the phenomenon of 'yea saying'. In his book 'How to win the Euro Referendum'; Robert Worcester of MORI states plainly the following in relation to the 1975 referendum.

"In the run up to the decision, knowing that in opinion polls question wording is vital and that the British public from 5% to 10% more likely to agree with a 'yes' positive answer than to disagree with a 'no' negative answer; I advised the Prime Minister (Harold Wilson) to ask "Should Britain remain in the Common Market or should it get out?""

This revealing remark by the government's chief adviser in public opinion manipulation shows how important the actual wording of the question is.

What Robert Worcester is saying is that more voters would say yes to the question "Should Britain join the euro and not keep the pound sterling?" than would say no to the question "Should Britain keep the pound sterling and not join the euro?" (see Appendix 4)

He is undoubtedly correct in his assessment of 'yea-saying' and for those interested in further details of this phenomenon, I enclose in Appendix 6 some extracts from the seminal paper, 'Yea-saying: myth or reality in attitude

response' which showed that this phenomenon could vary the margin of agreement by between 3% and 19%.

A fair question must avoid the 'yea-saying' phenomenon and that rules out the questions suggested by Robin Cook or Francis Maude.

Indeed in my research on referendums, the proponents of a referendum always seek a positive response – preferably a simple 'YES'. However any allocation of that affirmative response to one side or the other is biased as will be shown below and as mentioned above by Robert Worcester and Barclays Capital.

The Danish government in their referendum on the euro in 2000 sought a 'yes' vote and the supporters of the krone had to overcome the inbuilt bias of the YES on the side of the euro. The Danish question was not acceptable as a fair question.

There is further confirmation of this phenomenon in the MORI/News of the World poll carried out on 25th June 2000.

Question 8 asked: In a referendum, would you vote for or against Britain replacing the pound sterling with the single European currency?

The answers were:	For	24%
	Against	64%
	Don't know	12%

In the same poll, Question 23 asked, after a number of questions discussing various aspects of the euro,

On balance, do you think that Britain should keep the pound or not?

The answers now were:	Should keep	72%
	Should not keep	20%
	Don't know	8%

In other words with the burden of yea saying reversed the pro-pound percentage had increased from 64% to 72% and the pro-euro had gone down from 24% to 20% – a swing of 12% (excluding don't knows).

The importance of the exact wording of the question was revealed in an analysis by NOP in March 1975. The NOP constructed a list of questions which showed the majority in favour of staying in the Common Market increased from 0.2% to 16.2% as the bias of the question increased.

However the most revealing part of this analysis is question 2 where the decision to leave the Common Market was made into a Yes decision. The majority in favour of staying in the Common Market fell from a 13.2% majority to 4.6% simply by converting the decision to leave into a Yes decision.

Impact of the wording of the 1975 EEC referendum question on the majority in favour of staying in

Bias	Question	Majority, %
-2	Do you accept the Government's recommendation that the United Kingdom should come out of the Common Market? Yes/No	0.2
-1	Should the United Kingdom come out of the Common Market? Yes/No	4.6
0	In/Out	10.9
+1	Should the United Kingdom stay in the Common Market? Yes/No	13.2
+2	Do you accept the Government's recommendations that the United Kingdom should stay in the Common Market? Yes/No	18.2
+3	The Government recommends the acceptance of the renegotiated terms of British membership of the Common Market. Should the United Kingdom stay in the Common Market? Yes/No	11.2
+4	Her Majesty's Government believes that the nation's best interests would be served by accepting the favourably renegotiated terms of our continued membership of the Common Market. Should the United Kingdom stay in the Common Market? Yes/No	16.2

Source: NOP and Barclays Capital. N.B. The bias score indicates the degree to which a question is biased in favour of continued membership (a plus score) or against continued membership (a negative score)

So a fair referendum must mean stopping one side appropriating the word 'yes' and also the positive affirmatory response. How this could be done is shown below.

THE LAYOUT OF THE BALLOT PAPER

Both the British 1975 referendum and the Danish euro referendum had unfair ballot papers that went beyond postulating a YES or NO vote.

In each case the YES vote came first on the ballot and the NO vote second. This would be equally biased if the YES vote were on the left and the NO on the right.

Those who think this is nit-picking should watch the reaction of pro-euro

politicians if it were suggested that the ballot paper was designed so that those voting NO were at the top or on the left-hand side of the ballot paper. It is once against a built-in advantage.

After all Goebbels once wrote a memorandum that in all German newsreels, German troops must be seen marching from left to right. Only enemy troops could march from right to left. Goebbels knew exactly what he was doing because the eye naturally moves from left to right.

A FAIR QUESTION AND A FAIR BALLOT PAPER

To avoid the bias of yea-saying, both sides must be given a positive outcome by stating two propositions.

A possible question layout would be:

*Britain should keep the pound as its national currency and
not enter the single European currency irrevocably at the
rate of.....* ☐

*Britain should enter the single European currency irrevocably
at the rate of.....and not keep the pound as its national
currency.* ☐

Mark one of the above with a cross.

As one of the statements must precede the other or be laid out to the left of the other, the way around this is to print 50% of the national ballot papers at random with one statement preceding and the other 50% with the second statement preceding.

To sum up, every effort should be made to get politicians and the media to consider the fairness of the referendum and not to concentrate only on the result. They should be aware of the complexities involved and the way the question can be biased.

BONA FIDES

Many supporters of the pound consider that pro-EU ministers and their supporters will use every opportunity to slant the basis for the referendum and the referendum question as much as possible.

They point to the leaks reported in August 2001 that the government might try to hold a euro referendum on the same day as a general election. They also point out that the Electoral Commission is staffed by people who may be persuaded to do the government's bidding.

As is shown in this study the government has missed the opportunity to hold a purely enabling referendum which would have been the easiest type to manipulate. Both Blair and Clarke now accept the importance of the rate of entry as does Charles Kennedy. It is impossible for the government to hold a referendum now until the pound-euro rate is at approximately the right level for entry, whatever that is, is sticking there and which shows some reflection of sustainable convergence. Unless this minimum background is achieved, there would be no chance of convincing the media, economist opinion, the City and business leaders.

What about Brown's five tests? Can they be fudged? The short answer is yes—but, as the Barclays Report points out, there must be some rigour in the assessment or the government would start the election campaign with a barrage of criticism from economists, the City and business. For example, could the government start a euro campaign without endorsement from the CBI?—it is unrealistic.

It may be that as more analysis is done, the media may concentrate on the reaction of our European partners to the proposed rate at which Britain goes into the euro and ask searching questions as to whether this is acceptable to all of them. One slip up or negative response here could be disastrous for the government's campaign.

Certainly the question of a return to the ERM and the insistence of the ECB and the European Parliament on this will need to be taken into account by the government before it makes its move.

What about the Electoral Commission? Will it be Blair's stooge? No-one likes to be considered a stooge and the Electoral Commission will have its self respect to consider when it examines the intelligibility and fairness of the question. But, also, it will have to satisfy Parliament, media, and possibly the Courts, that it has considered:

- Whether a referendum is intelligible without a rate of entry being proposed.
- How a voter who would join at one rate and not another could express his opinions.
- Whether it has supplied adequate information or the government will supply adequate information during the referendum process.
- Whether the question is worded intelligibly to emphasize that the pound will disappear and be replaced by the euro.
- How it has addressed the yea-saying phenomenon.
- Whether the question is comprehensive.
- Whether the proposed ballot paper contains any inbuilt bias.
- Whether the question makes clear to the voter that joining the euro is a irrevocable decision – does the question contain the 'irrevocable' word.

A simple Electoral Commission approval of any vague pro-euro question which required a YES answer and which carried a government endorsement would be, of course, ideal for the government.

The answer to whether the Electoral Commission can stand up for itself cannot be known. The facts on which it should stand up for itself are provided in this study and should be used by Parliament, the media and all voters to require the Electoral Commission to insist on a fair and intelligible question which will be accepted as such by Parliament and the media and the electorate.

One final point to consider is how long the voters' consent would be valid if the referendum was won. Negotiations may well breakdown. What would be unacceptable would be the use of consent in a referendum in repeated negotiations on a shifting basis. The consent given in a referendum should be for one set of negotiations only.

An inadequate question with fudging and bias could well itself become the issue of the referendum which would destroy the government's authority and hopes of victory.

PART THREE

"There was a threat to employment in Britain from the movement in the Common Market towards an Economic and Monetary Union. This could have forced us to accept fixed exchange rates for the pound, restricting industrial growth and so putting jobs at risk. This threat has been removed"
Harold Wilson (Government leaflet to the electorate 1975 referendum)

THE 1975 REFERENDUM

The 1975 vote remains the only Britain-wide referendum and the only British referendum on the subject of Europe.

Certainly Britain has changed a good deal since 1975 with a continued rise in the number of middle class voters. Trade union membership has fallen. Share ownership and pension assets have greatly increased.

Many of the wartime generation have passed on so the themes that resonated in 1975 will be different from those in the public consciousness in a euro-referendum.

However, many of the arguments and factors that will influence the vote are still relevant. The 1975 referendum is the first reference point in considering a euro-referendum.

The main conclusion from 1975 is that the detailed arguments will not be as important as leadership, image and public regard for the leaders of each side of the case together with its perception of the EU in general and the euro in particular. The other main consideration is how the referendum can be biased by the government determining what the referendum is really about, a much more complicated issue than is generally realised, together with issues of funding and the actual wording of the question which again can be biased by the government.

The 1975 Referendum

The result:	Turnout	64.5%
	Yes	67.2%
	No	32.8%

It has been noted many times that there was a massive swing-round in the opinion polls during February and March 1975. For example, in August 1974 a Gallop Poll found that 47% would vote in a referendum to get out of the Common Market but 32% would vote to stay in.

In January 1975 the Gallop Poll asked the question:

If you could vote tomorrow on whether we should stay in the Common Market, how would you vote or wouldn't you vote at all?

The answer was 33% indicated they would vote to stay in and 41% to get out. A second question asked:

If the government negotiated new terms for Britain's membership of the Common Market and they thought it was in Britain's interest to remain a member, how would you vote then, to stay in or leave it?

Of the decided voters, 71% said they would stay in and 29% said they would get out.

It is conventional wisdom that endorsement by the government in a euro-referendum will be enough to swing political opinion around behind the euro. This study will later show that on the euro this is far from being the case.

Yet in three successive polls on February 27th 1975, March 3rd and March 20th, the yes vote had a lead of 8%, then 16% and then 29%.

The point here is that these later polls were taken about the time the government was in the middle of its re-negotiations on Britain's financial contributions to the Common Market and these were soon expected to reach their conclusion. The key Dublin summit meeting was on March 10th 1975, after which Harold Wilson announced his recommendation to stay in the Common Market. The YES vote in the polls soared in the few weeks running up to Dublin and just after.

It is clear that the electorate thought that there had been a successful re-negotiation. Most importantly of all, the Prime Minister and the Chancellor, who had portrayed themselves as above partisanship and were taking a neutral statesmanlike decision which was not committed to either side but acting in Britain's interests, now got off the fence and made their recommendations.

The effect of Wilson and Callaghan's recommendation was particularly

marked because they were highly regarded by the anti-Common Market Labour voter who was likely to be influenced by them.

This was a new factor. Here were the two leading politicians in Britain saying that they had considered all the evidence, had carried out a successful re-negotiation and had achieved results. From then onward the polls changed radically.

It was undoubtedly the key factor in turning public opinion around.

Moreover, in 1975, once the initial surge on the YES vote had taken place under the influence of the Wilson recommendation, all the polls agreed that there was no further gain by the YES vote in the campaign and, if anything, a slight drop.

The main advantages of the pro-Common Market campaign in 1975 can be outlined below.

UNFAIRNESS OF THE REFERENDUM

There were both inequalities and unfairness in the actual holding of the referendum.

There was the extraordinary imbalance of funding whereby the pro-Common Market forces outspent the NO side by at least 20 to one.

The fact that there were two pro-Common Market leaflets distributed to each household and only one anti-Common Market leaflet and that the majority of the electorate said they were the most useful information they had received.

Also the actual question on the ballot paper was worded as follows:

The government have announced the results of the re-negotiation of the United Kingdom's terms of membership of the European Community.

DO YOU THINK THAT THE UNITED KINGDOM SHOULD STAY IN THE EUROPEAN COMMUNITY (THE COMMON MARKET)?

YES

NO

This was virtually a government recommendation.

THE ECONOMIC CRISIS OF 1975

The run-up to the 1975 campaign took place against the background of the first oil crisis and the end of the post-war boom. Inflation was running at over 30%. Indeed the government's own leaflet very clearly stated:

'Let us be clear about one thing: In or out of the Common Market, it will be tough-going for Britain over the next few years. In or out, we would still have been hit by the oil crisis, by rocketing world prices for food and raw materials.'

Many people and politicians regarded the referendum as a distraction, a device to cover up the splits in the Labour Party and Europe as not a particularly important matter when inflation was spinning out of control.

THE POLITICAL FAULT LINE OF THE 1975 REFERENDUM

What is striking was that the YES side had most of the respected political leaders and that there was a determined and on the whole successful attempt to portray the opposition as fundamentally extreme Left-wing together with a few other extreme politicians like Enoch Powell. The main anti-Common Market leaders: Tony Benn, Enoch Powell and Michael Foot, were robust personalities but all had negative connotations.

Tony Benn became or was portrayed as the leader of the NO campaign. Attacks on him and his differences with the Prime Minister were already news and his support for the NO cause was both a significant news item and counter-productive in itself. John Akass' column in the Sun on June 4th 1975 actually was headlined: 'Wedgie has decided me – I'm going to vote Yes.' This was one of many similar.

Butler and Kitzinger's book 'The 1975 Referendum' summed up the campaign very well:

'What was notable was the extent to which the Referendum campaign certainly in its later stage, was not really about Europe at all. It became a straight right versus left battle with the normal dividing line shifting further over than in general elections—hence the Labour Party split and their discomfiture.'

The line up of the then leading politicians was that the pro-Common Market vote was supported by the entire Conservative and Liberal leaderships and by the main leaders of the Labour Party, Harold Wilson and James Callaghan and its moderate wing represented by Roy Jenkins and Shirley Williams.

The main NO supporters, apart from Enoch Powell, were the trade unions and the left of the Labour Party. Both were already unpopular and sliding towards the depths of popular disapproval they reached at the end of the 1970's.

THE INFLUENCE OF NON-POLITICAL ORGANIZATIONS

What was also striking about the 1975 Referendum was the support and very active role taken by all sorts of establishment organizations on the YES side. The only exceptions were the trade unions.

The centrepiece was taken by the CBI and big business generally which was totally and vociferously pro-Common Market. The CBI ran its own high profile campaign:

A CBI survey of company chairmen showed 415 out of 419 company chairmen in favour.

But nearly all other organizations as diverse as the National Farmers Union and the Consumers Association supported a YES vote.

According to Butler & Kitzinger: *'A particularly notable effort to appeal through the churches was managed by John Selwyn Gummer, a young ex-MP, who claimed to have the explicit support of over one-quarter of all the clergy of denominations – including almost every single Anglican bishop. There seems to have been no significant protest against this involvement of religion in politics.'*

And also:

'There was a pro-Market vote by the General Assembly of the Church of Scotland and official statements by the Methodist church, the British Council of Churches and the Roman Catholic Institute of International Relations.'

THE MEDIA

It is hard to realise that the 1975 campaign was conducted with every single national newspaper being pro-Common Market except the *Morning Star*. Both *The Times* and *The Daily Telegraph* produced what are now seen as very embarrassing leader articles. The *Daily Telegraph* saw 'an intellectual, moral and spiritual value' in the Common Market. Almost more important than the actual political line taken by newspaper editorials was that the newspapers did not consider the issue as a matter of supreme importance. They had been publishing pro-Common Market editorials for some fifteen years. Most of the establishment (then a vogue phrase) was for Europe. The referendum did not seem that important in view of the other crises taking place.

Not only were the editorials pro-Common Market but many of the main anti-Common Market points, such as the move to political and economic union and loss of sovereignty, were hardly discussed. Much was made of the referendum as a device to cover over divisions in the Labour Party and generally that the Common Market issue was a side show in the context of the economic crisis and fear of left wing socialism. The implication was that joining the Common Market would put the left wing bogey to rest as well as participating in what appeared to be the Common Market's higher economic growth.

THE PSYCHOLOGY OF THE 1975 REFERENDUM

The 1975 Referendum took place at what was the lowest point in political confidence in Britain's post-war history. The post-war boom had ended and the oil crisis was producing inflation and a strike-torn economy. Since the 1960's the electorate had been subject to a battery of league tables, a favourite of Harold Wilson, which showed the Common Market countries apparently bounding ahead and Britain lagging behind.

Some of the pro-Common Market politicians' comments almost wallowed in national denigration, especially those of Roy Jenkins:

'To leave the Common Market would be to go into an old people's home for fading nations. I do not think it would be a very comfortable old people's

home'—an ironic statement when considering the demographic crisis in the continental EU in the coming century.

Or Lord Carrington:

'Britain's economic ills would not be solved by locking ourselves away in this small island, unsure of ourselves, increasingly poor, fiercely nationalistic.'

The leading politicians, certainly in the YES leaflet, gave the impression that they had no answer to Britain's future and that Britain's only hope was to get into Europe.

'It would be a catastrophe. It would leave us weak and unregarded, both economically and politically.'

Roy Jenkins, 20th March 1975, quoted in the YES leaflet.

THE ARGUMENTS

High prices especially of food and the wastage taking place in the Common Market was easily the biggest scoring point of the NO campaign.

A MORI Poll on 5th May 1975 showed that fear of economic trouble and Britain's isolation and loss of influence were the main factors influencing a YES vote and were heavily played on by the leading politicians.

PART FOUR

"For that, and reasons of government impropriety, the focus should be on getting the concept of an agreed future, rather than its precise details. The central message will be: "Its Your Choice". Initially that choice will be posed as being between the failure of the past and the future towards which we are making progress. Once an agreement is in place, the message will change to encouraging people to vote for the future"

Tom Kelly*, Director of Communications, Northern Ireland, 4/3/98,
in a confidential memo to Northern Ireland Ministers on the
Northern Ireland referendum.

A NEW REFERENDUM— THE BALANCE OF FORCES

It is worth stressing the obvious, that a referendum is a count of all those voting on a national basis. This makes it quite different from a general election where a relatively small lead by one party can be converted into a large plurality of seats.

One of the decisive factors will be turnout. The 1975 referendum had a turnout of 64.5%, while the previous October 1974 general election had produced a turnout of 74.5%. That might suggest that a referendum may have a lower turnout than a general election. The 1997 general election had a turnout of 71.4%. The 2001 general election had a turnout of 59%. It seems unlikely that the turnout in a euro referendum would be less than this.

It is worth noting that there was a poor turnout in the 1975 referendum in certain Labour areas, especially in London, now the most pro-EU part of the UK except Scotland. The influence of the pro-euro Evening Standard may be important here.

* Tom Kelly now works at 10 Downing Street as Mr Blair's media advisor.

CAN THE OPPOSITION SHOWN IN THE POLLS BE OVERCOME?

A June 30, 2000 MORI opinion poll showed 29% wish to enter the euro and 71% were against. The question asked was:

"If there was a referendum now on whether Britain should be part of a Single European Currency, how would you vote?"

The same poll also carried another important question:

"If the government were to strongly urge that Britain should be part of a Single European Currency, how would you vote?"

This showed 67% against and 33% in favour.

The difference is not great and contrasts with the situation in 1975 where a poll with government endorsement showed very different results to an opinion poll without government endorsement.

The two questions to ask are: can the government turn opinion around?—and what would be its strategy to do so? The Blair government is known to be already committed to the euro so the pro-euro side is not going to benefit from the sudden adding to the scales which occurred when Wilson and Callaghan renegotiated Britain's financial contribution and added their weight to the YES side. Nor is there any obvious renegotiation or re-contextualization of the euro debate unless the government tries to turn the debate into membership of the EU instead of the euro. But the leading NO campaigners, the Conservative Party and Business for Sterling, are themselves in favour of staying in the EU. After all, the terms of entering the euro were laid down in Maastricht and cannot be renegotiated. The government appears to expect its announcement that the five economic tests have been passed will enable it to re-contextualize the debate but the effect of this will be quite limited since the examining of the detail will be much more likely to lead to embarrassing questions on the rate of entry and the return of the ERM.

There is also a less deferential electorate than 1975, and the continued stream of bad news from the EU, especially the Danish and Irish referendum results, are making the government's turn round prospects look bleak.

As pointed out by Barclays Capital in their report entitled Euro Test Special of 8th June 2001 the government has a much greater task than in 1975.

'The public's dislike of EMU is however far more entrenched than its dislike of the Common Market membership was in the first half of the 1970's. At the very worst point, there was a balance of 17% against continued membership of the EEC in the run-up to the referendum. Most recent polls in euro membership show balances of between thirty and fifty percent against membership'.

Finally, the success of the government's own economic policy is making it difficult for the Labour government to simultaneously argue that it is the bringer of economic success and yet at the same time needs to go into the euro.

HOW UNFAIR WILL A EURO REFERENDUM BE

The passing into law of the Political Parties, Elections and Referendums Act 2000 has at least laid down some guidelines for a referendum. That is certainly better than the ad hoc setting up of a referendum process in a few weeks which occurred in 1975.

The Electoral Commission has the duty to comment on the 'intelligibility' of the question, which is discussed elsewhere, and Sam Younger, the Chairman of the Commission, has said: "I think we have got to comment on the fairness. Many, many other people are going to be looking at the wording of the referendum question. I think it would be very difficult in the end to get a question that was genuinely loaded."

As forecast, for example, in the Barclays Capital Report, it is in fact highly likely efforts will be made to see that the question will be "loaded" in all sorts of ways. However, the existence of the Commission as a filter, with a judicial backstop, will counteract some of the most obvious unfairness that the government may attempt.

Many people have pointed out the inadequacies of any effective control on the funding of the referendum. It appears that the YES campaign may benefit from artificial donations to the Liberal Democrats as well as intervention by EU companies and indeed EU institutions. As this is continually being aired in the newspapers and is likely to feature in Parliamentary debates, I have not gone into detail.

What one can say is that there will not be the 20 to 1 funding imbalance there was in 1975. Nor will there be a situation where two YES leaflets are sent to every household and only one NO leaflet.

THE POLITICAL FAULT LINES OF A EURO REFERENDUM

The obvious difference between 1975 and a new referendum are the reversal of the roles of the Conservative and the Labour parties.

In 1975, the Conservative Party although in opposition was a strong supporter of a YES vote. It was estimated by the Economist at the time that voters who supported the main parties split their votes as follows:

	YES	NO
Conservative	85%	15%
Liberals	70%	30%
Labour	52%	48%
SNP	40%	60%

The picture is of course complicated by the fact that Labour was split in 1975 and that while the Labour Party Conference and a substantial number of Ministers and MPs were for a NO vote, the Prime Minister, Harold Wilson, the Chancellor, James Callaghan and leading Cabinet Ministers were for a YES vote.

Except for the Liberal Democrats, the other parties have now changed their positions. The most obvious change is the attitude of the Conservative Party. On any conceivable referendum question, it is likely the Conservative leadership will urge a NO vote. There will, of course, be a residual pro-Euro vote centred on some retired politicians and big business leaders but it is unlikely on the evidence of the performance of the pro-Europe Conservative Party in the 1999 Euro elections to achieve a large share of the Conservative vote. It is worth pointing out that much of the organization and financing of the 1975 YES vote campaign came from the Conservatives. The highest YES votes were all cast in the solid Conservative heartlands with the highest YES vote in Buckinghamshire.

An analysis of the polls by Gallop and the BBC showed that in 1975 support for the Common Market was much higher in the more affluent class. Conservatives in the AB classes were 83% YES while Conservatives in Class D were only 53% YES. While this tilt in class attitudes still remains and is explicitly endorsed by the Britain in Europe campaign, the influence of the Conservative Party and others will weaken pro-euro feeling among AB's. A substantial number of Class D Conservative voters crossed to Labour in 1997 and 2001 but are unlikely to have changed their anti-EU attitudes.

The policy of the UK Independence Party and the Green Party is, of course, against the single currency.

At the other end of the spectrum, the Scottish Nationalist Party and the Welsh Nationalist Party will now be pro-euro, a change from their 1975 position.

The Labour Party in Parliament and its party organizations will rally behind the Prime Minister. Many of the old Labour Party anti-EU MPs have retired and although there could be opposition from some like Frank Field, Austin Mitchell and Denzil Davies, as well as retired politicians like Denis Healey and Tony Benn, this will only peel off part of the Labour vote. There will also be some trade unions recommending a NO vote although in general it would be fair to estimate that the majority of the trade union leaders will be behind the euro. The threat to the Labour pro-euro vote lies in other areas, particularly the dislike of the patriotic working class voter for all things European and the influence of the media.

THE LEADERS

The pro-Common Market side in 1975 undoubtedly had nearly all respected national leaders. Apart from the entire Conservative and Liberal parties, it had Harold Wilson, James Callaghan, Roy Jenkins, Shirley Williams, as well as support from such diverse bodies as the CBI and the Church of England.

In fact the main anti-Common Market leaders were Tony Benn, Enoch Powell and Michael Foot who were robust personalities and who all had considerable negative connotations.

The position now is that almost the entire leadership of one major party, the Conservatives, will be put on the NO side as well as such respected figures as Lord Owen, Frank Field, Business for Sterling, the Institute of Directors, and The Federation of Small Businesses, together with a number of leading economists. However, on balance, it would be reasonable to say that the pro-euro side will have a better and bigger slate of respected politicians and the pro-euro side will be bolstered by retired Conservative politicians.

THE INFLUENCE OF NON-POLITICAL ORGANIZATIONS

In modern mediaspeak, these people and organizations are known as 'champions'. The role of 'champions' in moulding public opinion was laid out in what was a confidential memorandum by Tom Kelly (Head of Information in Northern Ireland) of 4th March 1998 on how the government was to manipulate public opinion in Northern Ireland during the Northern Ireland referendum on the 'Good Friday agreement' of 1998.

In Northern Ireland the 'champions', that is to say people who various groups would look to as responsible and representative figures, were moderate Churchmen and business leaders. Other reassuring figures for Northern Ireland were brought on board such as Tory Leader, William Hague, and former Tory Prime Minister, John Major.

Ironically other aspects of the government manipulation of the electorate in Northern Ireland would have been illegal under the Irish Republic's referendum legislation and would be illegal under the Political Parties and Referendum Act now passed in the United Kingdom.

The effect of the misrepresentation by the government in Northern Ireland is that the British government is now scared of any further democratic elections to the Northern Ireland Assembly because of the anger of the electorate at the way they were misled in 1998.

Who are to be the 'champions' for the government in the euro referendum?

Many of the prospective 'champions' were tarnished by their enthusiasm for the ERM in 1990.

Non-government organizations are likely to play a much smaller role than in 1975. It is hard to see the churches or the Consumer Association getting involved. Nor will the trade unions play a major role as they did on the NO side in 1975. They are, in fact, likely to support by a majority entry into the euro since their conversion to the benefits of Labour laws being framed in Brussels, but the TGWU, UNISON, UCATT, RMT, Bakers Union and Fire Brigades Union will probably come out against.

The one type of non-political organization whose role is likely to be very powerful is that of business organizations, the City, big business 'leaders', and

economists generally. After all, more than in 1975, euro entry is a currency and economic matter. Business is supposed to be particularly knowledgeable on these, despite its mistaken support for entry into the ERM in 1990.

Unlike in 1975, both sides claim to have business on their side. Business for Sterling is well financed and supported. The Federation of Small Businesses, which did not exist in 1975, is resolutely opposed to the euro and so is the Institute of Directors. The CBI is much more divided than in 1975 when it was entirely unanimous. City opinion is also divided and many well-regarded economists will support a NO vote.

In considering the balance of 'champions' it is necessary to sift through the clutter and see which, if any, 'champions' would really have a pro-euro effect on public opinion.

In my judgement there are two groups, but they will be insufficient. I do not think the government can contemplate a euro referendum without a positive endorsement by the CBI and the Bank of England. Pro-euro politicians and media must have an independent 'champion' to back up the government and then they can minimize the importance of the Institute of Directors and the Federation of Small Business.

The other 'champions' who could carry weight with the British people are the governments of the United States, Canada, Australia and New Zealand. Pro-Common Market recommendations by Commonwealth governments took up large amounts of the government leaflet in 1975. I have no doubt that a well timed announcement of support for the euro by the US government would also be effective. That is why the opposition of the Conservative Party is so important as it will make the US and Commonwealth governments unwilling to interfere in British politics.

Similarly the 'champions' the pro-pound supporters would wish to have are all business organizations, leading economists, banks, etc. They should be considering ensuring that the governments of the USA and the Commonwealth are supportive of the pound or at least neutral. Unlike the pro-euro supporters, the pro-pound supporters may count on some anti-'champions'. As indicated, pro-EU, pro-United States of Europe speeches by high profile EU leaders, which

may be uncontroversial in their own countries, could be devastating for the British government if they come out at the wrong time in the campaign. Similarly pressure on the other EU governments to discuss the exact rate of British entry could lead to a slip up here.

THE MEDIA

One of the biggest turn rounds since 1975 is in the media.

The electronic media has, if anything, become more uncritical of the EU. The bias in many BBC programmes was revealed in two independent research studies in 1999 and 2000 by Minotaur Media. But things are very different in the newspaper world.

As things stand in 2001, most of the national dailies and much of the regional press will urge a NO vote. *The Mirror* and possibly the Express of the national dailies may be the only big circulations urging a YES vote. *The Guardian*, the *Financial Times* and the *Independent* are also likely to go for a YES vote.

But all national newspapers do realise now that the issue is important in itself and not to be mixed up with other issues such as the fate of the government.

THE POLITICAL & ECONOMIC SITUATION SURROUNDING THE REFERENDUM

As things stand today, a referendum on the euro will not be taking place in an atmosphere of crisis as in 1975. On the contrary, Britain has enjoyed nine years of increasing prosperity and confidence. At the same time most of the other EU countries, especially in the euro-zone, have got higher unemployment than in the UK, are seen to be increasingly bureaucratic and pushing forward to political union based on a closed economy with high taxes and facing a perilous demographic future.

There is no doubt that Britain is in a much more confident state of mind than it was in 1975. There is awareness that small countries like Norway and Switzerland are doing quite well without the EU, that economic growth in the future is likely to take place outside the EU and that Britain's markets of the future lie in the Commonwealth, the East and the USA. The influence of the Danish and Irish referendums is going to be an important factor.

There is less fear of isolation and economic collapse outside the euro. Indeed, the Labour government will be hard pressed to simultaneously argue that it is the harbinger of economic success and yet, at the same time, needs to go into the euro.

THE ARGUMENTS

Considering the MORI/News of the World poll of June 2000 and its sampling of pro and anti-euro arguments, it is striking that the anti-euro arguments which have most resonance are those which centre around the sovereignty issue and not high prices which was the most powerful anti-Common Market theme in 1975.

The three main reasons cited in the MORI poll for voting against the euro were:

Loss of national identity	29%
Loss of decision making/sovereignty	17%
Don't want to lose the £	13%

Indeed in 1975 the big issues such as:

- Defence
- Britain's voice in international affairs
- Britain's position in the world
- The future for British children

were all cited as pro-Common Market themes.

If there is one wild card in this it is that young people – 18-24 year olds, are now the most sceptical. According to an ICM poll on 4th September 2000, only 19% would support the euro, with 80% against.

As put by Dick Leonard of the pro-EU Foreign Policy Centre: *'the view from the year 2000 is undoubtedly bleaker than it was in 1975.'*

To sum up, the main advantages of the YES campaign in 1975 may be summarised as follows:-

1. The Unfairness of the Referendum

- a. The wording of the question and the virtual government endorsement on the ballot paper.
- b. The unequal funding.
- c. The 3 leaflets – 2 of which were pro-Common Market.

2. The 1975 Referendum took place in an economic crisis. The issue of Europe was seen by many as a distraction.

3. The YES side had most of the respected political leaders and were backed up by a lot of respected non-politicians.

4. The Press was unanimously pro-Common Market (only the Morning Star against).

5. The NO campaign was trying to overturn the status quo.

6. At that time the Common Market looked like the future and all British politicians had become defeatist about Britain's independence.

7. The Benn factor: he became the demonised face of the NO campaign.

With the exception of item 3) and possibly item 1) the above factors no longer apply.

PART FIVE

TACTICS OF PRO-POUND SUPPORTERS

Delaying a referendum again until the next Parliament could make it impossible for us to have the new currency until at least 2010.

Kenneth Clarke, Britain in Europe Newsletter, Summer 2001.

In a euro referendum, the pro-pound side has to make up for its smaller proportion of nationally known politicians and a somewhat uncritical view of the euro by the main television and radio channels.

Against this it has the support of a majority of the print media and the backing of one of the main national political parties, the Conservatives.

As mentioned by John Stevens, leader of the Pro-Europe Conservative Party, in the *Independent* on 18th April 2001: "There is not a single example in Western Europe since the war of a referendum that has been won when the principal opposition party was against the proposition voted upon."

The pro-euro forces know they have a much harder task than in 1975. Not only is there a solid and permanent majority against them in the polls but, as Dick Leonard puts it: "The extraordinary near-unanimity of 'establishment' opinion is unlikely to be repeated."

As shown in Ireland, support for the pound can be mined across the political spectrum and both the left wing of the Labour Party and the Green Party are fruitful sources of support. Similar voters helped form a substantial part of the NO vote in the Irish referendum on the Nice Treaty.

If there are two absolute essentials for the supporters of the pound, they are these:

First, it is essential to support Business for Sterling, the Institute of Directors, the Federation of Small Businesses and sympathetic parts of the CBI as well as individual City and business figures who wish to keep the pound.

At all times the electorate must be convinced that there is a large section, preferably a majority, of business and financial opinion which wants to keep the pound. The polls show that the opinions of business together with leading

economists will be those the public listens to most. The flaking away of business support for the euro is a feature of 1999 and 2000 with support for the euro now being largely confined to foreign owned multi nationals based in the euro-zone.

The second essential area for the pro-pound forces to concentrate on is to project a nationwide all-inclusive positive message.

Tim Bell's speech to the Bruges Group on May 15th stressed the campaign had to be warm, positive and emotional, suggesting a slogan of 'We Love the Pound' with happy smiling faces, according to Bruges Group Director, Robert Oulds.

Tim Bell said: "The issue we need to win the argument on is the single currency. The single currency is a watershed. We cannot win the argument about pulling out of the EU."

The supporters of the pound must at all cost maintain the popular rainbow coalition, keep friends with the euro-sceptics in Denmark, Ireland, Sweden and elsewhere and show that there is disconnection between the politicians and the people all over the EU.

For this reason it will greatly help if leadership can be found from among pro-pound figures in the Labour Party and other moderate business opinion. In 1975 Ted Heath, despite being a former Prime Minister, allowed Roy Jenkins to be President of the Britain in Europe campaign. The pro-Common Marketeers correctly identified the moderate wing of the Labour Party being the 'swing vote'. The swing vote now is the Liberal Democrat and Labour voter who has supported their parties but does not support them in ditching the pound. Every effort must be made to make them feel comfortable and any idea that the pro-pound vote can be manipulated as a branch of the Conservative Party or associated with strident Conservatism would be potentially disastrous.

It is no accident that the European Movement has selected Ian Taylor, a Conservative MP, as its Chairman. This gives it all-party 'cover'.

A further area of where much impact can be made is by concentrating on the costs of converting to the euro. Chantrey Vellecote DFK, the accountants, prepared figures which showed this could cost business and the taxpayer some £36.2 billion (36.2). The government said the figures were not accurate but

could not produce their own estimates. A continuing failure to do this is a substantial weakness in the pro-euro case, which will come into the limelight once a referendum is imminent.

Fear of higher taxes and unemployment has replaced fear of higher prices.

A further tactic is to expose the politically weak position of the government. Pro-pound supporters will need to highlight how the people's referendum vote will be subject to approval in possibly unacceptable terms by non-elected EU bodies and foreign governments who may have their own reasons for exacting hard terms, for the UK to join the euro (including the rate of exchange on entry).

There will be great efforts to portray supporters of the pound as narrow nationalists, xenophobes, backward-looking, etc. The Commonwealth link is also a neglected area where there is a good deal of support to be obtained. Quotations from Commonwealth leaders featured heavily in the pro-Common Market leaflets in 1975.

The media and the Electoral Commission should be constantly reminded of the complexities of the referendum. Some of the points to make are:

- a. Entry into the euro will eventually mean Britain will share its currency with undefined Eastern European and Mediterranean states and a largely Asian state, Turkey.
- b. Britain will lose control of its interest rates and the exchange rate it trades with outside the EU.
- c. Britain will lose control of its gold reserves.
- d. To have a referendum without knowing the rate at which Britain will enter the euro is to ask an unintelligible referendum question.
- e. What happens if the market rate of sterling deviates from the rate at which the government wishes to enter the euro during the referendum period?
- f. Will Britain be forced back into the ERM by the European Central Bank and the European Parliament as they have insisted?

- g. Will all 14 EU governments, the EU Commission, the European Central Bank and the EU Parliament agree to the rate proposed by the British government in a referendum?
- h. What happens if the market rate of sterling changes after a referendum?
- i. Will the voter be provided by the Electoral Commission with 'adequate information' as defined by the Electoral Reform Society?
- j. Will the question make it clear that the pound sterling will be abolished?
- k. Will it include the word 'irrevocable'?
- l. Will the referendum question be phrased to avoid 'yea saying'?
- m. As it will be impossible to get euro notes in circulation by the next election, and that therefore by 2005/6 the most that could be done is to lock the currencies together, will the Conservative Party re-establish the pound if they win the next election?
- n. Will the government alter the Bank of England Act 1998?
- o. Will the government cancel its decision to join the euro if the EU and the other governments do not agree to the proposed British entry rate or impose other conditions? (Assuming a yes vote in a referendum).
- p. The rate of entry of the pound into the euro will be proposed by the European Commission. A British minister only has the power of veto not proposal on this vital point.

ASSESSMENTS OF THE RESULTS OF A NEW POLL

Assuming a turnout of 64.5%, the same as in 1975, compared with the 1997 general election turnout of 71.5%, the result might shape up as follows (in thousands).

Possible total 'YES' and 'NO' votes in the coming Euro Referendum

a. Using the 1997 election results (all in 000's)

Turnout	1997 election	Reduced to 1975 turnout		NO		YES	
	71.5%	64.5%		Total	%	Total	
Conservative	9,590	8,651	80	6,920	20	1,731	
Labour	13,551	12,224	50	6,112	50	6,112	
Liberal Democrat	5,243	4,729	30	1,418	70	3,311	
SNP/PC	782	705	30	211	70	494	
UKIP/Referendum	917	827	100	827	—	—	
UU/DUP	367	331	80	264	20	67	
SDLP	190	171	50	85	50	86	
SF	126	113	80	102	20	11	
Total	30,766	27,751		15,939 (57%)		11,812 (43%)	

b. Using the 2001 election results (all in 000's)

Turnout	59.3%	%	NO	YES	
			Total	%	Total
Conservative	8,353	80	6,683	20	1,670
Labour	10,740	50	5,370	50	5,370
Liberal Democrat	4,815	30	1,445	70	3,370
SNP/PC	659	30	198	70	461
UKIP/Referendum	390	100	390	—	—
UU/DUP	331	80	264	20	67
SDLP	171	50	85	50	86
SF	113	80	102	20	11
Total	25,772		14,537	11,035	
			(57%)	(43%)	

Notes to the estimates

a. Minor parties ignored

b. It is doubtful that the Liberal Democrats would generate as high as a 70% vote in favour of the euro.

c. There is no account of possible differential abstention with Labour voters especially in London not turning out.

The figures postulate 50% of Labour voters voting against their own leader. The reason why this may happen is that working class people are more patriotic and more anti-euro. On both the analyses above, there is an easy win for the NO side by a majority of between 3.5 million and 4 million voters. To turn this round, the government would have to turn around some 2 million voters plus a cushion, say, 3 million voters. It is quite impossible to see how this can be done.

The skill and dexterity of Harold Wilson in handling the 1975 referendum must be admired. One of his most adroit tactics was to make it clear in the government leaflet that the decision was one for the voters. 'For it is your vote

that will now decide. The government will accept your verdict'. 'The government will accept your decision whichever way it goes'. Under no circumstances would a NO decision threaten the then Labour government.

Tony Blair faces a far more awkward problem. To have any hope of winning, the government would have to throw all its weight behind a pro-euro vote but there is no guarantee that this would achieve the right result. As the recent referendums in Ireland and Denmark show, the entire political establishment and the media were all on the pro-euro and pro-EU side and therefore on the losing side. The result will be far more catastrophic for Mr. Blair than for the consensus coalition type of governments in Ireland and Denmark. A rejection of the euro would shake Mr. Blair's government to its foundation. The very core of his 'project' of Britain being a 'Leader in Europe' would lie in the dust.

CONCLUSION

The European Union and the United States – the world's two largest economic blocks, often in competition with each other, are projected to follow starkly contrasting demographic patterns in the coming decades. While the population of the USA would increase by 82 million between 1995 and 2050, that of the European Union would decline by 41 million. The same trends will characterise their working age populations. While the number of people aged 16–65 will decline by 61 million in the European Union, in the United States it will increase by 40 million

United Nations Population Report 4/5/00.

The supporters and opponents of Britain's entry into the euro are in a race. It is a race in which the supporters of the euro have to win and win quickly. If Britain's referendum is put off until 2003 or later, the timetable of joining the euro even at the Central Bank level will take at least two years from a government decision with another one and a half years for the actual demise of the pound. The Bank of England's quarterly report in June 2001 said it would take three years to convert the banks to euros after a positive referendum result. This means that Britain would still be out of the euro-zone for the 2004 inter-governmental conference with the results of this, and a decision on the euro, dominating the following general election.

The Conservative Party would then also have to show its colours and say if it would withdraw from the euro entry process if it won the election. It would not be too late to do so, even as late as 2006.

It is Britain in Europe's current view that if a decision is not made by June 2003 to have a referendum, it will be put off until the next Parliament. In fact the timetable is tighter. Assuming (1) the current Parliament runs for 4.5 years until October 2005, (2) that it takes 4/6 months from a government decision to get consent from Parliament and to hold a referendum, and (3) two years to convert the wholesale financial markets, the timetable looks as follows, working backwards:–

January 2007	End of pound
June 2005	Locking in of pound to the euro
June 2003	Announcement of result of Referendum
January 2003	Last date for Government decision to enter euro and to announce the holding of a referendum

It is unlikely that a referendum could be called in the first half of 2002 because of disruption in the EU by the introduction of euro notes and coins. Indeed the disruption may last longer. The timing of the Queen's Golden Jubilee may further narrow the potential 'window' and may also bolster the ideas of national identity and sovereignty which MORI has identified as the strongest motivations for pro-pound supporters.

In the end, the government has to convince the voters that it will be necessary for Britain to join the euro despite the huge costs of entry and the costs of transition.

Convincing the voters of the need to be in the euro is going to be an uphill task. Will the government be able to convince the voters when German unemployment is rising again? More jobs have been created in Britain since 1992 than the rest of the euro-zone put together. The bait of lower mortgage rates has lost its attraction as British interest rates are now at least comparable to the euro-zone. Foreign investment has not been put off by Britain keeping the pound and the City has strengthened. Further, British inflation is about half that of the euro-zone and taxes are still much lower. All the arguments in favour of British entry appear much weaker since Labour came to power.

Over the horizon is the looming demographic decline in most of the euro-zone which will shrink its importance as a market and on present trends lead to massive problems in pensions, healthcare and public finance in the worst affected countries. If Britain joined the euro-zone the effects of these would be transmitted to the British elector.

A pro-pound policy enabling Britain to trade worldwide may make better sense to the voter.

One final point – the ‘don’t knows’. There are ‘don’t knows’ in all opinion polls but there can’t be any in a referendum. Jack Straw commented on the power of one of the slogans used by the NO campaign in the Irish referendum in 2001. It was ‘If you don’t know, vote NO’. He said ‘very powerful indeed, and it seems to me that what that was appealing to was the sense that people aren’t quite sure what the European Union is, not quite sure where it is going and therefore think they should stand back from change’.

In referendums, the tendency is for the ‘don’t knows’ to shift to safety, to the *status quo* and thus to a NO vote in the polling booth. That is why, worldwide, referendums have a trend to a conservative outcome, to upholding the *status quo*.

APPENDIX 1

EXTRACTS FROM PARTY MANIFESTOES 2001

CONSERVATIVE

"The next Conservative government will keep the pound. We will maintain our national veto on European legislation."

"We will keep the pound. Labour's plan for early entry into the euro is the single biggest threat to our economic stability. By keeping the pound we will keep control of our economic policy, including the ability to set interest rates to suit British economic conditions."

LABOUR

"Labour's position on the single currency was set out by the Chancellor in October 1997 and reiterated by the Prime Minister in February 1999. We have made it clear that, provided economic conditions are met, membership of a successful Euro would bring benefits to Britain in terms of jobs, investment and trade. So in principle, we are in favour of joining a successful single currency. But, in practice, the five economic tests we have set out must be met before the government would recommend entry to the single currency. An assessment of the tests will be carried out early in the next Parliament. If the government and Parliament recommended entry, the British people will have the final say in a referendum.

So the choice is between a Conservative Party which will deny the people of Britain the chance to join even if it is in our national interest to do so—and the Labour Party which says that, if it is in our national economic interest, the decision should be made by the British people in a referendum."

LIBERAL DEMOCRATS

"Labour has been timid over the euro, leaving manufacturing, farming and tourism to suffer the effects of an uncompetitively high value of the pound.

We will create a competitive and sound economy, enabling British euro entry subject to the decision of the British people in a referendum. Membership of the euro at a competitive and sustainable rate would offer Britain considerable benefits. It would end the exchange rate instability which has destroyed many thousands of jobs, safeguard the investment of hundreds of thousands of further jobs by overseas firms and reduce the costs of trade with the rest of the EU. Unlike the Conservatives, we believe the British people deserve the opportunity to have their say in a referendum."

APPENDIX 2

EXTRACT FROM THE BANK OF ENGLAND ACT 1998

PART II MONETARY POLICY

ROLE OF THE BANK

10. In section 4(1) of the Bank of England Act 1946 (power of the Treasury to give directions to the Bank), at the end there is inserted "except in relation to monetary policy".
11. In relation to monetary policy, the objectives of the bank of England shall be—
 - (a) to maintain price stability, and
 - (b) subject to that, to support the economic policy of Her Majesty's Government, including its objectives for growth and employment.
- 12.— (1) The Treasury may by notice in writing to the Bank specify for the purposes of section 11—
 - (a) what price stability is to be taken to consist of, or
 - (b) what the economic policy of Her Majesty's Government is to be taken to be.
- (2) The Treasury shall specify under subsection (1) both of the matters mentioned there—
 - (a) before the end of the period of 7 days beginning with the day on which this Act comes into force, and
 - (b) at least once in every period of 12 months beginning on the anniversary of the day on which this Act comes into force.
- (3) Where the Treasury give notice under this section they shall—
 - (a) publish the notice in such manner as they think fit, and
 - (b) lay a copy of it before Parliament.

TREASURY'S RESERVE POWERS

- 19.— (1) The Treasury, after consultation with the Governor of the Bank, may by order give the Bank directions with respect to monetary policy if they are satisfied that the directions are required in the public interest and by extreme economic circumstances.
- (2) An order under this section may include such consequential modifications of the provisions of this Part relating to the Monetary Policy Committee as the Treasury think fit.
- (3) A statutory instrument containing an order under this section shall be laid before Parliament after being made.
- (4) Unless an order under this section is approved by resolution of each House of Parliament before the end of the period of 28 days beginning with the day on which it is made, it shall cease to have effect at the end of that period.
- (5) In reckoning the period of 28 days for the purposes of subsection 4 no account shall be taken of any time during which Parliament is dissolved or prorogued or during which either House is adjourned for more than 4 days.
- (6) An order under this section which does not cease to have effect before the end of 3 months beginning with the day on which it is made shall cease to have effect at the end of that period.
- (7) While an order under this section has effect, section 11 shall not have effect.

APPENDIX 3

POLITICAL PARTIES, ELECTIONS AND REFERENDUMS ACT 2000

SECTION 104

- 104.—(1) Subsection (2) applies where a Bill is introduced into Parliament which—
- (a) provides for the holding of a poll that would be a referendum to which this Part applies, and
 - (b) specifies the wording of the referendum question.
- (2) The Commission shall consider the wording of the referendum question, and shall publish a statement of any views of the Commission as to the intelligibility of that question—
- (a) as soon as reasonably practicable after the Bill is introduced, and
 - (b) in such manner as they may determine.
- (3) Subsections (4) and (5) apply where the wording of the referendum question in the case of any poll that would be a referendum to which this Part applies fails to be specified in subordinate legislation within the meaning of the Interpretation Act 1978.
- (4) If a draft of the instrument in question is to be laid before Parliament for approval by each House, the Secretary of State—
- (a) shall consult the Commission on the wording of the referendum question before any such draft is so laid, and
 - (b) shall, at the time when any such draft is so laid, lay before each House a report stating any views as to the intelligibility of that question which the Commission have expressed in response to that consultation.
- (5) If the instrument in question is to be subject to annulment in pursuance of a resolution of either House of Parliament, the Secretary of State—
- (a) shall consult the Commission on the wording of the referendum question before making the instrument; and

- (b) shall, at the time when the instrument is laid before Parliament, lay before each House a report stating any views as to the intelligibility of that question which the Commission have expressed in response to that consultation.
- (6) Where any Bill, draft instrument or instrument to which subsection (2), (4) or (5) applies specifies not only the referendum question but also any statement which is to precede that question on the ballot paper at the referendum, any reference in that subsection to the referendum question shall be read as a reference to that question and that statement taken together.
- (7) In this section "the referendum question" means the question or questions to be included in the ballot paper at the referendum.

APPENDIX 4

EXTRACTS FROM 'HOW TO WIN THE EURO REFERENDUM'

by Robert Worcester, published by The Foreign Policy Centre 2000.

Much sterile speculation and political infighting will be devoted to the procedure for determining the wording of the question to be put to the British people, and for the wording itself, and the fact is, it doesn't matter much. In 1975 there was a great hoo-ha about how the question was to be worded, and much made of an NOP experiment to determine the effect of alternative wordings which concluded that from a -0.2 to a +18.2 effect could be manipulated depending on how biased the referendum question was worded. In the run up to the decision, knowing that in opinion polls question wording is vital and that the British public are from 5% to 10% more likely to agree with a 'yes' positive answer than to disagree with a 'no' negative answer, I advised the Prime Minister to ask: 'Should Britain remain in the Common Market or should it get out?'. I thought I had won him over when he said in the House of Commons words to the effect: "The question will be a simple one: should or should not Britain stay in the Common Market." (but then he added) "Yes, or No." Although I never asked him afterwards, I've always thought that the way he presented it to the House was a bit pulling my leg."

APPENDIX 5

EXTRACTS FROM 'HOW TO WIN THE EURO REFERENDUM'

by Robert Worcester, published by The Foreign Policy Centre 2000.

I believe that the British referendum on the single European currency will be held in the late Autumn of 2001, not for Britain to go in immediately, but phrased in a way so as to meet the Labour manifesto pledge to give the British public a vote on the principle of joining or not, when the time is right. As there will be a post-election honeymoon following the next election (which is likely to be shorter and more normal than the one just ended—perhaps under a year), and as there may well be a less than smooth changeover from the Franc/Deutschmark/Lire/Guilder, etc to the new currency and coinage from January 2002 and as Parliament will be in its summer recess not long after the election, I would not be surprised if the Prime Minister called the referendum just after or even at the Labour Party conference at the beginning of October 2001, for early in November, perhaps even November 1st, asking the British voters to give the re-elected Labour Government the right, endorsed by the British people, to go in 'when the time is right', thus freeing their hand to delay if they wish, see how the Euro conversion is playing, and judge the currency markets, relieved of the promise of a referendum, and freedom to delay for so long as they are unsure that Britain's, and their own party's interests are best served by the joining in the Euro.

The core value voters are at the moment predominantly anti-Euro. However, more than half the public say now they can be persuaded one way or the other. They admit they don't know a great deal about Europe, still less about central European banks, exchange rates, balance of payments and currency fluctuations; many only are concerned with changing their pounds for pesetas or lire, and losing on the transaction. But they do know who they trust, and when they see Blair and Brown, Clarke and Heseltine, Kennedy and Ashdown, on the 'vote yes' side, and the 'men with staring eyes' on the other, they will know who they trust, and they will, I believe, vote to give 'permission' to their re-elected Government and Prime Minister to take the sterling into the single European

currency “when the time is right”, and the Government will have removed the referendum promise millstone from around their neck. The British public might not prefer to give up the pound in their pocket to funny money called the Euro but two-thirds of them do see it as inevitable.

APPENDIX 6

EXTRACTS FROM YEA-SAYING:

MYTH OR REALITY IN ATTITUDE RESPONSE?

By Roger J. Stubbs and Peter F. Hutton of MORI,
presented to ESCOMAR Congress, Venice, 1975

SUMMARY

This paper takes a careful look at the phenomenon of 'yea-saying', defined as "the tendency of respondents to express agreement with a statement irrespective of the attitude expressed by that statement". Most experienced researchers would probably admit to a belief in the existence of such a tendency, but the literature reveals little in the way of hard evidence.

Part of the reason for this is undoubtedly tied up with the fact that people's responses to attitude statements may be influenced by a large number of factors—whether the questionnaire is interviewer-administered or self-completion, whether a show card is used and if so how it is set out, the verbal tags used for the scale positions, whether the statement supports the status quo, and so on and so on. It then becomes something of a problem to estimate how much influence each factor has.

After reviewing the literature available on factors influencing attitude response, the authors describe an experiment designed to assess the effect of just two factors—including an explicit negative in the statement and personalisation ('I' or 'me') of the statement. Four versions (positive, negative, positive personalised, negative personalised) of each of three attitude statements were administered to matched samples of almost 1,000 adults in Great Britain in October 1975.

The results provide strong evidence for the existence of yea-saying. On all three statements, the percentage agreeing with a positive wording exceeded that disagreeing with the corresponding negative wording by at least six percent (and up to 19%). The negative wording is also generally more difficult for respondents to comprehend, as shown by the larger 'don't know' percentages.

Yea-saying seems to be more prevalent among older population sub-groups.

Personalising a statement, on the other hand, has no perceptible effect on the balance of opinion, but does seem to induce respondents to give an opinion of some sort, in that 'neutral' answers decline and more people select the 'extreme' scale positions. The two factors do not appear to interact in their influence.

Possible explanations for the findings are considered, but the message for researchers is the same, whatever the reason—be very careful how you phrase your attitude statements, you may not be measuring what you think you are.

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A number of other researchers have turned their attention to the problem of acquiescence, or "yea-saying", which will form the basis for our particular research, and this phenomenon we broadly define as "the tendency of respondents to express agreement with a statement irrespective of the attitude expressed by that statement".

THE PHENOMENON OF YEA-SAYING

All researchers at one time or another must have wondered whether the respondents who expressed agreement with their question really did agree with the view expressed, or whether they were just agreeing either to be kind to the interviewer, or for some other reason, without giving any thought to the question asked; yet a review of the literature reveals surprisingly little research into this area—either to assess just how widespread this phenomenon is, or to ascertain what factors influence its incidence or otherwise.

CONCLUSIONS

The results from our experiment have been examined for evidence of three different effects:

1. **POSITIVE VERSUS NEGATIVE WORDINGS**

- Like Falzthick and Jolson (but unlike Arndt and Crane) we found clear evidence of yea-saying. The percentage agreeing with any version

exceeded those disagreeing with its opposite (or more strictly its complement) by margins varying from 3% to 19%.

- These margins do not seem to be related to intensity of belief. Rather, we suspect that they depend on the precise wording used.
- Negative wordings are less readily understood by respondents, always eliciting more 'don't know' responses than their positive counterparts.
- It looks as if older people are in general more prone to yes-saying than average, but that the phenomenon decreases with education level.

2. PERSONALISED VERSUS IMPERSONALISED WORDINGS

- Inserting the words 'I think' or 'I don't think' before an attitude statement does not appear to alter the balance of opinion, but does cause more people to give an opinion.

3. INTERACTION EFFECT

- The positive/negative and personalised/impersonalised effects appear to act entirely independently. The influence of both factors together is no different to the sum of the influences acting independently.

APPENDIX 7

Guide in the polling booth

Guide at the Referendum on 28th September 2000

To be voted:

The law proposal adopted by the Folketing on Denmark's participation in the common currency

Those voting
IN FAVOUR
of the bill put a
X in the YES box

Those voting
AGAINST
of the bill put a
X in the NO box

Only one cross in the ballot paper

Ministry for Home Affairs sample ballot

Copenhagen 9th distrn.
28th September 2000

Put a X in one of the boxes

Yes

☐

No

☐

2017-11-17