ECONOMIC NOTEBOOK

One money for Europe?

WILL the European Union introduce a single currency in January 1999? Will the scheduled meeting of European Union governments in spring 1998 decide to make the German mark, the franc, and other national currencies just paper equivalents of fixed amounts in a euro-currency controlled from a European Central Bank, and then replace even the paper (and coins) by "euro" notes and coins in 2002?

The money-dealers think so. An estimate calculated by J P Morgan from the markets in which financiers gamble on future currency values and exchange rates tells us that those financiers assume *100 per cent* probability of at least Germany, France and Benelux going into EMU [European Monetary Union] in 1999.

Financiers are not infallible; nor is J P Morgan's methodology, which calculates a 40% probability of the UK being in EMU in 1999 — ordinary observation of British politics suggests a much lower figure.

The European Monetary Institute, the forerunner of the European Central Bank, has doubts too. A report from the Institute in November 1996 noted that Luxemburg is the only country yet to get its budget within the limits for deficit and government debt laid down for EMU by the Maastricht treaty. "Progress towards fiscal consolidation has been too slow."

Several governments are frantically at work to limbo-dance their budgets under the Maastricht bar by 1999, but the Institute is not impressed. "Improvement of the deficit by measures with a one-off effect" it sniffs, "does not ensure sustainable consolidation, and great attention will have to be paid to the substance and not only to the accounting methods used in measuring both deficits and debts". It has in mind such ruses as the French government's transfer of cash from the state telecom company to reduce its 1997 budget deficit.

In 1992, after Britain spectacularly defected from the Exchange Rate Mechanism — which is supposed to hold European currencies in rough alignment, as a lead-in to EMU — and Italy followed soon after, I thought (and wrote) that the whole single-currency project had been pushed back many years. I am still not sure that I was wrong.

European capitalism can probably gain a lot, long-term, from a single currency. But long-term is long-term. Short-term, monetary union carries big costs, and big risks if it is hurried and botched. If the European governments are having trouble wriggling under the Maastricht limits now — when world output has been growing quite tidily and steadily, as such things go these days, for four years, and the *Economist* magazine reckons that "the good news is almost universal" — then what sort of chaos will a single-currency Europe fall into if their budgeting is pushed out of whack by a new slump or crisis?

The working class and the single currency

Whatever about the capitalists' doubts and debates, what should the attitude of the working class be to the single currency?

In general we are for the removal of barriers between nations and thus for a single currency. Our main objection to the current plans for EMU should be that they give control of the single currency — of interest rates, and of the printing of new supplies of money — to an *unelected* European Central Bank. The plans also call for each nation's central bank to be made independent of political control.

The socialist argument here, it should be noted, is for democratic control as against rule by a self-appointed cabal of bankers, not for "national sovereignty" against "Europe". Indeed, labour activists of a "realistic", "reformist" turn of mind should note that a Euro-currency, with its broader basis, would offer much more scope for "reflationary" Keynesian policies (on a European scale) than the national currencies of smaller, more vulnerable, economic units, liable to disruptive inflation if the government "overspends".

Some people on the left would define their view as "for a single currency in principle, but against the Maastricht convergence criteria". This line gains credibility, paradoxically, from the fact that Germany's Bundesbank is also keen on broader criteria of economic convergence as a condition for EMU. Despite British-nationalist myths about EMU being a plot to have Europe ruled by German bankers, the German bankers themselves do not see it that way at all. They are worried that EMU may mean replacing their much-cherished stable mark by a euro-money vulnerable to the follies of less stable states and their representatives on the European Central Bank board.

However, the "different-criteria" argument is, I think, a mystified one. Socialists do not yet have the business of giving advice to the labour movement so well taped that we can afford to branch out into advising bankers on how to integrate capitalist monetary systems! "Broader" criteria would not necessarily be more congenial to us: they might call for unemployment to be "not too high", but also for it to be "not too low", and they would probably also require governments to keep their old-age pension commitments below certain levels.

The main actual criteria are that each country's government budget deficit should be less than three per cent of national income, and its accumulated government debt less than 60% of national income. We are not superstitious balanced-budget dogmatists, of the type that dominated mainstream economics before Keynes and is increasingly fashionable again today; but neither do we particularly support government borrowing from the rich (which is, in essence, the meaning of a budget deficit). We want to *confiscate* the money from the rich, not borrow it from them and give them billions in interest payments! Even under the present regime, we are not particularly against reducing the government budget deficit, as long as it is done by taxing the rich rather than by cutting public services.

We are not so much against the Maastricht criteria as against the way they are being enforced. They are being enforced by social spending cuts because the various national capitalist governments want those cuts anyway, not because some evil and mysterious foreign force called "Maastricht" is imposing cuts on the different nations.

Our conclusion, therefore, should be something like: "Single currency? Yes, but not at our expense! For workers' unity to level up social standards all across Europe!"

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