



# WHY ALASTAIR JAMES IS WRONG TO LIKE THE EUROPEAN UNION

DAVID BOTSFORD

Alastair James' piece, *What I Like About the European Union*, indicates that he shares in the widespread public ignorance about the European Union. He informs us that he "can imagine with some pleasure a structure of an overall European political entity sitting above a federation of strongly independent regions", which

would share useful, mutually beneficial things, such as totally free movement of goods, services and people ... a single currency supported by an independent central bank with a constitutional duty to maintain the value of that currency; a fundamental protection of human rights

and other supposed benefits.<sup>1</sup> This fantasy has no connection with the reality of European integration.

He tells us that "the European Union has been enormously effective in creating the single market".<sup>2</sup> In terms of increasing trade between member states, the "single market" has been an admitted failure. Mario Monti, European commissioner in charge of the internal market, said in 1996 that "The Single Market has not developed as we had hoped at the macro-economic level."<sup>3</sup>

## FRENCH CUSTOMS AND THE EUROPEAN COURT

One reason for this failure is simply that Continental national bureaucracies discriminate in favour of their own producers. In 1992 the British company Whale Tankers, of Solihull, successfully sold a waste-tanker to a customer in France, the first time any non-French company had ever entered the French waste-tanker market. After Whale Tankers had fulfilled every detail of the French bureaucratic requirements, the French authorities simply announced that their regulations had changed, and "no documents are available"<sup>4</sup> to say what new specifications would be required.

An American antiques dealer resident in Germany recently took a van-load of British silver, with British hallmarks, to a French antiques fair. Three French Customs officials visited his stall and told him that any silver item weighing over five grams must have a French hallmark or be confiscated. The dealer pointed out that in 1994 the "European Court of Justice" had ruled that all EU countries must recognise each others' hallmarks as a part

of the "single market". The Customs officers replied with an ultimatum: either the dealer could pay an on-the-spot fine of 5000 francs (about £600) and remove his goods from France immediately, or they would confiscate the silver and he would have to go through the French courts to get them back. The dealer paid the fine and left the country.<sup>5</sup>

## THE DANGERS OF EUROPEAN MONETARY UNION

James then claims that

If the coming liberalisations of telecommunications, air travel, utilities and even postal services are successful I think this will be almost entirely due to the efforts of the EU.<sup>6</sup>

I am not aware of any "coming liberalisations" in these areas, except of course in the UK.

He says that

I think that the EU has also been effective in cementing democracy in Spain, Portugal and Greece, and I strongly support its rapid expansion into central Europe.<sup>7</sup>

The whole nature of the EU is that its institutions are not, in any sense of the word, "democratic". The Commission has a monopoly of the initiation of laws and is neither elected nor accountable to any elected body or court of law. It initiates laws and plans for the extension of its powers in secrecy; even its telephone directory is secret. The Council of Ministers, which rubber-stamps some of the Commission's proposals into law, is the only legislative body in the world which makes laws in secret and has no obligation to make its decisions public even after they have been passed. For example, in 1995 the Council adopted a resolution imposing the requirement on terrestrial telephone carriers and cellular phone services that they must enable wire-tapping by the authorities, including location-tracking on demand for cellular phones and up to 50,000 simultaneous wire-taps on phone companies. This resolution was not made public until 20 months after it had been adopted.<sup>8</sup>

The traditional British system of Parliamentary government was based on the principle that power rests with the people, in their capacity as individuals. That power was lent to elected representatives in Parliament for the duration of Parliament, and was returned to the people at the dissolution of Parliament. This system is in every respect preferable to the EU's form of government. The EU is now — and has been since 1973 — the supreme government of this country. The peoples of Switzerland and Norway both voted in referenda to stay out of the EU, being fully aware of the threat to their systems of accountable government, and the protection of individual rights, which would occur from subordination to Brussels. Both countries are now enjoying unprecedented economic prosperity as a result of those referenda.

Equally amazing is James's support for economic and monetary union, of which the single currency is one part. Everybody on the Continent knows that the only reason for EMU is to render irreversible the process of European political union. EMU means not only that the euro will be the sole legal tender in



## Political Notes No. 143

ISSN 0267-7059 ISBN 1 85637 404 1

An occasional publication of the Libertarian Alliance,  
25 Chapter Chambers, Esterbrooke Street, London SW1P 4NN  
www.libertarian.co.uk email: admin@libertarian.co.uk

© 1998: Libertarian Alliance; David Botsford.

David Botsford is a freelance writer and therapist.

The views expressed in this publication are those of its author, and not necessarily those of the Libertarian Alliance, its Committee, Advisory Council or subscribers.

Director: Dr Chris R. Tame

Editorial Director: Brian Micklethwait Webmaster: Dr Sean Gabb

**FOR LIFE, LIBERTY AND PROPERTY**

those nations which participate in it, but also that control of economic and monetary policy will be transferred to the executive council of the European Central Bank, a body which will not be accountable to any electorate, elected body, court or market process. EMU is based on the concept that the administrative dictates of the ECB's executive council can and will override the free play of financial market forces. That concept is likely to prove very expensive and disastrous for those countries which join EMU. The attempt by Major to force Britain into the Exchange Rate Mechanism in 1990-92, in an attempt to defy market processes, cost the British people an estimated £70 billion in direct and indirect costs, and ultimately — and fortunately — failed.

The journalist Christopher Booker writes of EMU participants:

[W]hen all their economies have to operate under a single interest rate, some will fare much worse than others. This will impose huge strains on some parts of the EU, calling for massive transfer payments to prop up those economies and regions which are falling behind, not least to pay the huge bill for soaring unemployment. ... In the Eighties, a British economist, Sir Donald MacDougall, was charged by the European Commission with producing a report on precisely this point. He predicted that the sums needed to fund what he called the necessary "equilibrating mechanisms" would be "many, many billions", although, because his findings were politically inconvenient, they were brushed aside. ... [T]he "interstate flows" required to keep EMU afloat could theoretically amount to between 10 and 15 per cent of the EU's entire gross domestic product, which in 1994 totalled 6,189 billion ecus, or some £5,000 billion. In other words, EU taxpayers could in one way or another find themselves having to divvy up between £500 billion and £750 billion, equivalent to the UK's entire GDP. If Britain was forced to contribute, we could be looking at more than a doubling of income tax. ... Charles Moore, the editor of *The Daily Telegraph* [recently said that] "unelected bankers in Frankfurt will have the power to make millions of people in, say, Andalusia and Sicily and Marseilles unemployed." The anger against such power would be so great, he suggested, that it would lead to violence.<sup>9</sup>

EMU is an economic house of cards. The "Maastricht convergence criteria" have not been even closely approached. Italy has imposed a one-off "Euro-tax" to artificially reduce its budget deficit. France has stolen funds from the employees' pension fund of the nationalised telecommunications body France Télécom, and still has a budget deficit of 3.1% of GDP, where the declared limit is 3%. Germany has simply excluded the £1.7 billion cost of servicing its health service's debts from its overall debt figure to reach the Maastricht debt level.<sup>10</sup> Given these facts, there is no way EMU can avoid either a worsening of Europe's recession by imposing very high interest rates, guaranteeing more business bankruptcies and higher unemployment, or simply printing tens of billions of euros which it doesn't have, causing hyper-inflation, or self-destructing and returning monetary and economic sovereignty to national governments.

### **MASSIVE TRANSFER OF FUNDS AND TERMINAL DECLINE FOR LONDON**

If Britain joins EMU, the first thing that will happen is that the £26 billion of gold and foreign exchange reserves in the Bank of England will be irreversibly transferred to the ownership of the ECB in Frankfurt. Second, power over economic decisions will transfer from market choices to the administrative dictates of the ECB. Third, the British taxpayer will become liable to finance the massive unfunded pension liabilities of Continental welfare states, which in several cases amount to some 120% of their GDPs. Because Britain has a market-oriented, properly funded private pension insurance system, its unfunded state pension lia-

bilities are negligible. Fourth, the British economy, being the most successful in the EU, will become liable for the massive transfer of funds to the least successful areas of the EU, on a permanent basis. Fifth, political integration will follow as soon as EMU is established; that is, after all, the purpose of introducing it in the first place. Sixth, Britain is, quite simply, different from the Continental economies. Not only is it more successful by every economic criterion, but it also has by far the highest rate of home ownership, and therefore of mortgages. It also has higher levels of business debt. How can the uniform pan-European economic and monetary policies imposed by the ECB achieve better results for Britain's unique economic requirements than the retention of economic and monetary sovereignty?

Central banking can be used as a powerful weapon for economic destruction. In the US, the Federal Reserve Board was established in 1912 with monopoly powers to dictate interest rates and other economic indicators, much as the ECB will have. In the 1920s the Federal Reserve set interest rates at a level far below that which market forces would have indicated, and the result was a massive over-extension of credit which led to the world-wide depression of the 1930s when the whole house of cards collapsed with the Wall Street Crash of 1929. In Hungary immediately after the second world war, the communist government deliberately used the central bank to create the highest level of inflation the world has ever seen, with the purpose of reducing the Hungarian people to destitution and making their enslavement easier. The libertarian ideal is free banking, but given the choice between the Bank of England and the proposed ECB, there is simply no grounds for debate. Bernard Connolly, the British economist who was formerly in charge of EU monetary policy, describes the damage that would be inflicted on London's deregulated financial marketplace if Britain joined EMU:

within Europe, London would — if imprisoned in EMU — inevitably be discriminated against by the ECB and the European Council (that is, by Continental authorities). The temptation to introduce regulations and controls that would cripple London and cut it off from world financial markets would be hard to resist.

London is essentially a *global* financial centre. It is vital for it to be able to compete with New York and Tokyo. ... To do that it needs to remain innovative, deregulated, securitized and disintermediated. And to do *that* it needs to operate with a central bank that, like the Fed and the Bank of England, does not display antipathy towards financial markets but instead has financial-market stability as its *raison d'être*. Within a single-currency area ruled by a would-be Bundesbank, it simply could not do that. An EMU with Britain in it would mean terminal decline for London. But if EMU happened and Britain stayed out, London would be perfectly placed to cash in on the inevitable decline of Paris and Amsterdam within 'Europe' and of 'Europe' as a whole versus the rest of the world.<sup>11</sup>

### **TAX RATES WILL RISE DRAMATICALLY**

At least James is against the current plans for "tax harmonisation". Britain has the lowest taxes of any EU member state, with 33% of national income taken in taxation, compared to the EU average (including the UK) of 43%. How can James favour closer European integration, while rejecting "tax harmonisation"? Why should the British pay lower taxes than other citizens of the European Union? Indeed, we can be certain that UK tax rates will rise dramatically in order to finance the development of countries such as Italy, Spain, Portugal and Greece — not to mention places like eastern Europe and Turkey as they are brought in.

James says that

I cannot believe that there are libertarians who support the argument that we must maintain “sovereignty” over our currency, i.e. the right to conduct monetary policy”.<sup>12</sup>

You better believe it, brother, because there are plenty of us out here.

Then he says that he is against greater political union and the creation of a European super-state. Yet this has always been the openly-declared purpose of the European integrationists since the 1940s. Every policy of the EEC and related institutions has been openly carried out with this purpose alone in mind. That was the whole reason these bodies were set up in the first place.

Everybody on the Continent has always understood this. I would suggest that James informs himself of the facts by consulting Weighall and Stirk’s excellent annotated collection of historical documents, *The Origin and Development of the European Community*, which is published by the Leicester University Press, as well as Jean Monnet’s *Memoirs* and François Ducloux’s biography *Jean Monnet*.<sup>13</sup>

James then quotes Chris Tame’s statement that

the European project is now irrevocably flawed and inherently statist, and that total withdrawal is the only option.<sup>14</sup>

James replies that

Mr. Tame speaks as if there were some controlling intelligence behind the EU, with a core agenda of statism leading to an institution that is “inherently” statist.<sup>15</sup>

And Mr. Tame is quite correct. James states that

the EU contains a very wide variety of views, and how it develops will depend upon how all of those views compete in the market place for ideas and in the political marketplace of the member states’ electorates, as well as upon the market forces in which the EU operates and in the context of which its political decisions are taken.<sup>16</sup>

What he appears to mean is that free-market ideas might conceivably at some point in the future prevail over the EU’s socialism as a result of intellectual persuasion. Unfortunately, the EU is immune to political debates for the simple reason that there is no means of influencing the Commission’s decisions. It operates outside of the electoral arena and is not accountable to any electorate.

## **TOWARDS RACISM AND FASCISM RATHER THAN A FREE MARKET**

James states that

In Spain, Portugal, Greece and Italy the EU has been used to create political acceptance for the introduction of more free-market policies.<sup>17</sup>

It is not clear whether he is claiming that the EU has imposed “more free-market policies” on these countries, or whether he is claiming that people in these countries are using the fact of EU membership as an argument for “more free-market policies”. It is therefore impossible to respond to what he says.

He then says that

If I wanted to be mischievous I might suggest that the Euro-sceptic view has clothed itself in rhetoric against centralism and statism, but that as the threat of that from the EU has declined [*sic!*], the core agenda of the Euro-sceptics has revealed itself as a move for British secession based on the nationalistic, and illiberal, notion of sovereignty.<sup>18</sup>

First, the threat of centralism and statism has always been inherent in the process of European integration, and has continuously increased since the Treaty of Paris of 1951, and second, the successful maintenance of freedom depends on national sovereignty.

James then correctly points out that

the effects of inflexible European labour laws leading to appalling levels of unemployment are not some temporary aberration. We know that there is no magic fix to the pension liability problems of Italy and Belgium. We know that there is no more money to find for under-funded health and education systems.

So why shackle Britain’s free-market economy to these clapped-out, bankrupt socialist disaster areas through membership of EMU? Rather than answer that question, James states that “reality will force the policies to change”.<sup>19</sup> He cites no evidence to support that claim. It is more than possible that these policies will change in the direction of racism and fascism, given the dramatic rise of such groups as the Front National in France, which now enjoys 15.2% of the vote nationally, and the Deutschen Volksunion, which recently gained 13% of the vote in Saxony. By contrast, it is doubtful whether there are a hundred individuals in the Continental EU nations whom British libertarians would recognise as true free marketeers even in economics.

The German economist Herbert Giersch coined the term “Euro-sclerosis” to describe what Connolly defines as

the economic under-performance of the Continental European economies, relative to the rest of the industrialized world, as a result of rigid and poorly performing markets, excessive governmental interference and regulation and the excessive political and economic power of the so-called ‘social partners’, that is, trade unions and employer organizations.<sup>20</sup>

Every Continental country wants to strengthen Euro-sclerosis by imposing it as a common policy through the institutions of the EU. For example, the Italian journalist Luigi Barzini explains that the Italians have a fundamentally collectivist and statist conception of society which is deeply rooted in their history and culture:

The contemporary capitalistic world is still almost incomprehensible to most Italians. ... The unbearable pressure of free competition, this selection which heartlessly favours only uncouth and rough persons whose only merits are those of passing tests, doing their job well and knowing their business, is naturally resented by most Italians. What kind of a life is that, they ask, in which a man must relentlessly fight for his position and not bask secure in the protection of powerful friends? This is one of the reasons why all kinds of rigid organization of economic life find favour in Italy. The people liked their guilds in the pre-industrial world, which regulated every trade and occupation from apprenticeship to the tomb; Fascism, before the war, which prevented all competition as dangerous to the State and surrounded the country with impassable tariff barriers; and any kind of Socialism today, as long as it allows ambitious men to get ahead as they have always done, using the protection of powerful relatives, personal charm, a facility for flattering people, and a keen eye for favourable openings.<sup>21</sup>

Those Continentals who find libertarian principles attractive emigrate to the “Anglo-Saxon” countries, where they can live in accordance with them. Hundreds of thousands of French immigrants are currently pouring into Britain, fleeing a collapsing socialist economy with staggering rates of unemployment (French youth unemployment is currently 24%). Abdel Idry, director of the French government-funded Centre Charles Peguy, which finds jobs for French citizens in London, says,

We are overwhelmed. And the people we are seeing are not just looking for menial jobs. We are getting highly qualified people looking for jobs in marketing, accountancy, finance and commerce.

He continues:

Young people can't believe that you can just walk into a hotel here and ask for a job and that you will be working the next morning. In France you would have to fill out innumerable forms, register with social security. By the time you have finished, you need a holiday to recover.<sup>22</sup>

### “A MODERN-DAY GOLD RUSH”

Five years ago Anne-Laure Domenichini moved from Reims, in the Champagne region, to Wolverhampton, in the West Midlands, where she is now an award-winning reporter on the local newspaper. Ms Domenichini explains the reason for her move:

I think I will stay here forever. I can't imagine anything that would lure me back to France. This country has so much to offer.

She says of her French friends:

They would all love to live here, and at this rate they probably will. Everyone who has visited England simply cannot get it out of their minds.

She continues:

It is like a modern-day gold rush. We know that England is the place where our dreams can come true.

She would never have been able to achieve the same success in France:

There is a completely different attitude to work and qualifications here. In France, my friends are encountering terrible difficulties finding work. If I had wanted to be a journalist there, I would have had to have done everything by the book and obtained dozens of degrees before anyone would even have looked at me. Here, they gave me a job on the basis of my hard work and enthusiasm. You get the impression that the sky's the limit here.

She prefers British culture:

The French always say the British are obsessed with class, but in my experience the French are far more snobbish and closed to new experiences. Britain is the place where every trend from the Beatles to punk was born. It is a really stimulating and friendly environment.<sup>23</sup>

According to a report in the *Sunday Telegraph*:

[French] Businessmen are also clamouring to relocate to Britain, to free themselves of the heavy taxes, restrictive labour laws and crippling bureaucracy at home. These, they claim, combined with the socialist government's introduction of a 35-hour week and strict legislation on redundancies based on the Social Chapter of the European Union, have made entrepreneurial activity impossible in France.<sup>24</sup>

Olivier Cadic, a French entrepreneur who has set up a subsidiary of his Paris electronics company in Ashford, Kent, says:

Things have just got worse and worse in France. There is no future there. Businessmen [in France] are treated like thieves. I was spending all my time battling with the government, when I could have been working to build the business. ... I have been amazed at how civilized life is in Britain and how welcoming the people have been. They went out of their way to help me find a school for my daughter, to show me the best village to live in.

He compares British and French attitudes towards entrepreneurship:

In England they help me make money; in France they were killing my business. Here, you pay 10 per cent social security for each employee. In France, you pay 48 per cent.

In addition, French corporation tax is nothing less than confiscatory:

In France, I was making 400,000 French francs [£42,000] net profit. In Britain, it would be 1.5 million francs

[£156,000]. So, even though I pay my staff in Ashford exactly the same as those in Paris, they cost me less, so I have more money to reinvest in the business.<sup>25</sup>

James tells us that

Many libertarians and Euro-sceptics seem to believe that Britain is somehow special, in Europe, in its cultural attachment to liberal economics.<sup>26</sup>

And they're absolutely right.

### CANCER

Then James claims that

In terms of non-economic issues, the other nations of Europe are, on balance, no more or less liberal than we are.<sup>27</sup>

In order to answer that, let us examine just one area: the treatment of cancer. In the UK, doctors of medicine are legally entitled — with their patients' agreement — to use any method to cure any illness. In addition, any person, regardless of qualifications or training or lack of them, may lawfully set himself up as a health practitioner providing treatment for any illness, including cancer and heart and brain diseases, provided that he does not fraudulently claim to be a qualified doctor of medicine. Last year I picked up a leaflet announcing an international medical conference on cancer that was held at Westminster Central Hall. The leaflet announced that one scheduled speaker would not be able to make it:

Another practitioner who was due to speak — Dr Ryke Geerd Hamer — has just been jailed for 19 months by a German court, even though he has scores of patients who have been helped by his methods. Fortunately, one of these is coming to tell her own story.<sup>28</sup>

Those two sentences say more than twenty volumes of legal and economic theory about the difference in freedom between Britain and the Continent.

Get Britain out.

### NOTES

1. Alastair James, *What I Like About the European Union*, Political Notes No. 142, Libertarian Alliance, London, 1998, p. 2.
2. *Ibid.*, p. 2.
3. Quoted in Christopher Booker and Richard North, *The Castle of Lies*, Duckworth, London, 1996, p. 113. See this excellent book for the real, documented facts about the EU and its impact on Britain.
4. Quoted in *ibid.*, p. 120.
5. *Sunday Telegraph*, 22 February 1998, p. 14.
6. James, *op cit.*, p. 2.
7. *Ibid.*, p. 2.
8. *Index on Censorship*, vol. 27, no. 1, January-February 1998, p. 164.
9. *Sunday Telegraph*, 22 February 1998, p. 14.
10. *Ibid.*, p. 30.
11. Bernard Connolly, *The Rotten Heart of Europe*, Faber and Faber, London, 1995, 1996 edition, p. 399.
12. James, *op cit.*, p. 3.
13. I summarised the early development of European integration in *Britain and the European Union: How We Got In And Why We Should Get Out*, Foreign Policy Perspectives No. 28, Libertarian Alliance, London, 1997.
14. James, *op cit.*, p. 3.
15. *Ibid.*, p. 3.
16. *Ibid.*, p. 3.
17. *Ibid.*, p. 3.
18. *Ibid.*, p. 4.
19. *Ibid.*, p. 4.
20. Connolly, *op cit.*, p. 47, n. 5.
21. Luigi Barzini, *The Italians*, first published 1964, Hamish Hamilton, London, 1987, pp. 183, 232-233.
22. Quoted in *Sunday Telegraph*, 23 November 1997, p. 26.
23. Quoted in *ibid.*, p. 26.
24. Quoted in *ibid.*, p. 26.
25. Quoted in *ibid.*, p. 26.
26. Quoted in *ibid.*, p. 26.
27. James, *op cit.*, p. 4.
28. Flyer announcing "Surviving Cancer" conference, Westminster Central Hall, 15th November 1997, "What Doctors Don't Tell You", London, 1997, p. 2.