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Signalling Moderation: UK Trade Unions, 'New Labour' and the Single Currency

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Steve Coulter*

Abstract

The paper examines why, and under what conditions, certain interest groups adopt positive positions on international economic issues. It provides a case study of how UK trade unions formed their preferences on membership of the EMU. Previous explanations of this have tended to emphasise the international dimension – either the material benefits on offer or whether or not they became 'Europeanised'. A few authors are now exploring domestic political explanations instead. The paper builds on this growing literature to argue that the TUC, the peak association of organised labour in the UK, became extremely pro-EMU as part of a strategy to demonstrate its moderation to Tony Blair's centrist 'New' Labour party, which was distancing itself from unions to court business.

Keywords: New Labour, trade unions, interest group politics, EMU, Europeanisation

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Signalling Moderation: UK Trade Unions, 'New Labour' and the Single Currency

1. Introduction

This paper is concerned with how domestic producer groups form preferences on international economic issues. It examines two aspects of this: first, whether it is primarily the domestic, or international, environments which shape these preferences; and, second, how umbrella bodies representing organisations with diverse interests aggregate these preferences into a common position.

To explore these issues the article provides a case study examining the attitude of UK trade unions towards Economic and Monetary Union (EMU) in the 1990s and 2000s. It focuses on the startling conversion of the UK's peak trade union association (the Trades Union Congress, or TUC) from strident anti-Europeanism to being the most pro-integration major organisation in the UK in the space of little over a dozen years. This conversion is surprising because it split the trade union movement between pro and EMU factions at a time when the TUC was struggling to appear relevant, and served no apparent purpose as the TUC was not in a position to influence the pro-market Conservative government of the time. The paper highlights an alternative motivation for the U-turn, explaining it as a central plank of the TUC's leadership's strategy for establishing a close relationship with Tony Blair's centrist 'New' Labour party.

There are two implications of this approach and findings that are relevant to the study of interest groups and politics. First, the paper contends that, contrary to the declarations of the TUC at the time, it was domestic politics rather than the merits of EMU which explains its enthusiasm for UK membership of the

single currency. Second, it points to problems inherent in assumptions that 'peak' union, or employer organisations for that matter, accurately represent the views of their members in their entirety. As will be argued in the paper, positions taken by these umbrella bodies may conceal deep and divisive splits among members that can erupt into the open at any time. The paper thereby provides a case study of how 'weak' interest groups may have to resort to strategic political positioning to try to influence policymakers, complicating the task of identifying the underlying preferences of domestic groups.

UK trade unions and 'Europe'

Why was the TUC's strongly pro-EMU stance from the early 1990s paradoxical? The short answer is that it caused a deep split in the union movement between pro and anti-EMU factions, with its biggest and third biggest affiliated unions strongly opposing the TUC leadership's position. Opinion polls at the time showed a consistent majority of ordinary union members against membership – for example, a MORI poll in August 1996 showed 55% of trade union members opposed to the single currency and only 38% in favour. Therefore the internal split within the TUC was anything but trivial.

Moreover, this split was arguably pointless as well as being self-inflicted as for five years after the signing of the Maastricht Treaty the UK was ruled by a Conservative government which was both anti-European and anti-union. In view of the dim prospects of the UK participating in EMU in the early to mid-1990s the TUC's pro-EMU position therefore involved incurring substantial costs for no apparent gain.

I argue that the TUC's repositioning on Europe should be viewed in the context of a parallel drive by its leadership to remake its relationship with its putative allies in the Labour party. When Tony Blair became Labour leader in 1994 he

moved the party sharply towards the centre-ground by adopting a pro-business stance that involved openly distancing it from the trade unions (Dorey 1999; Ludlam and Taylor 2003). This presented the TUC's leadership with a dilemma over how to remain close to Labour in order to lobby for pro-trade union policies (Coulter 2014; Gould 1998; McIlroy 1998; Russel 2005). Noticing that Labour was rapidly softening its own previously Euro-sceptical position to distinguish itself from the increasingly unpopular and anti-European Conservatives, the TUC leadership pushed a strongly-pro-EMU line in order to 'signal' its moderation to the party leadership. The fact that this position split the union movement between pro and anti-EMU factions, with the latter associated with the 'left-critical' bloc of anti-Blair unions, served to underline its seriousness of purpose.

This interpretation clashes with much of the existing political science literature on domestic interest groups and European integration, which largely ignores domestic considerations and explains the TUC's radical shift in attitudes towards integration by reference to the external economic and political benefits on offer (although the industrial relations literature has tended to be a little more sceptical of the benefits to unions of European integration generally, and monetary union in particular (cf. Wyman 2002)). Research into how domestic producer groups react to multilateral policy innovations such as Economic and Monetary Union (EMU) falls mostly into two camps.

The first consist of 'materialist' conceptions of preference formation, which relate actors' views on EMU directly to their position in the economy (Frieden 1991; Rogowski 1989). These suggest the TUC, which represents unions in both the sheltered and tradeable sectors of the economy, should have been neutral on EMU (as opposed to the strongly pro-EMU stance that it took). The second is a more constructivist alternative which regards pro-EMU actors as being so as a result of having become 'Europeanised' (Cowles, Caporaso and Risse 2001;

Lea 1998; Strange 2002). This approach endogenises the process of preference formation and accepts that actors may hold views based on a range of materialist and non-materialist concerns. Both approaches find it difficult to account for the strongly pro-EMU stance of the TUC, however, as its role as the peak association for the trade union movement ought to have seen it reflecting internally divergent views on the matter by remaining neutral.

It is in this light that the paper re-examines the TUC's abrupt European conversion. It turns on its head the prevailing notion that unions' responses to EMU stemmed purely from the international arena and suggests ways in which domestic political and economic situations may instead shape the way they formulate policy positions even on issues normally regarded as international.

The actions of the TUC in this light also suggest that apparently 'weak' interest groups may, almost by virtue of their detachment from other actors, be afforded an unusual degree of independence to strategically pursue overtly political campaigns. In an era of declining partisanship (Beramendi et al 2014) such strategies may become ever more important for interest groups representing both business and labour as they seek alternative ways to engage with political parties and governments across the political spectrum.

The empirical research for the paper is based on archival research and interviews with key players in the Labour Party and trade unions; mainly MPs, party advisers and union general secretaries. Documental research was carried out at the TUC Archives at London Metropolitan University, the Modern Records Centre at Warwick University and the Neil Kinnock Archives at Churchill College, Cambridge.

The rest of the paper is organised as follows. Sections 2 and 3, which follow, unpack some issues of interests, preference formation and attitudes to Europe pertaining to domestic groups. Section 4 models TUC-Labour interaction as a

signalling game, the observable implications of which are examined further in section 5. The final section concludes.

2. The TUC and European Integration: Shifting Preferences

At the start of the 1980s the TUC firmly opposed European economic integration. Indeed, until 1983 the TUC had conference policy demanding UK withdrawal from the EC entirely. Yet by the end of the decade the TUC had completely reversed this position. Its leadership cautiously backed the enactment of the Single European Market and supported the UK's ill-fated membership of the ERM in 1989. The UK's ejection from the ERM in September 1992 did little to dampen the TUC's enthusiasm for full EMU, to the extent that the Financial Times newspaper described it as: *'The most pro-EMU institution in the UK'* (Financial Times, 13 October 1996). The FT was, quite simply, astonished that the TUC, which had agitated against UK membership of the European Community during the 1970s and 80s, was now more enthusiastic about EMU than both of the UK's main employers' associations, the Bank of England, the Treasury or the UK government.

Why did the TUC reverse its position on EMU? Firstly, the TUC argued that the UK's historic reliance on devaluing sterling to restore industrial competitiveness by lowering the relative value of the pound against competitor currencies was no longer a viable option. Secondly, EMU was seen by many economists as a way for the UK to achieve stable prices at low rates of interest. EMU membership was seen as a potential anchor of economic stability for the UK in the way that the Bundesbank had delivered such an outcome for Germany. Thirdly, workers in manufacturing industries were expected to see real benefits in terms of ending damaging exchange rate fluctuations with trading partners.

But the quid pro quo for this was the transfer of monetary authority from national central banks to the European Central Bank (ECB). This loss of control over domestic monetary policy was reinforced by the Maastricht Treaty's further stipulation that member states henceforth consider their economic policies in general a matter of common concern, and that they meet strict economic requirements to qualify for EMU membership.

While the promise of faster economic growth and higher employment naturally appealed to unions, many still found EMU's genesis in the central-banker-dominated Delors Committee unnerving. A 1990 briefing document published by the TUC secretariat indicated the nervousness over sterling's accession to the ERM, the precursor to full EMU, from which it was subsequently ejected in 1992: *'ERM is not a solution to Britain's economic ills. There are advantages and disadvantages and while the TUC believes the balance is with joining the ERM, it would be misleading to say membership is problem free'* (TUC 1990: 8).

Because of the lack of input into the design of EMU by domestic socio-economic groups (Dyson and Featherstone 1999: 14) it has been widely assumed that trade unions were kept in the dark about the potential costs and benefits of EMU, as described above, prior to its launch. In fact, as argued below, the creation of the Single Market in the late 1980s had already sparked a lively debate within the union movement about European economic integration which intensified when EMU came onto the table. Specifically, these reservations revolved around the following concerns, which were widely discussed in the left wing and trade union press.¹

1. The institutional design of EMU was seen as problematical, especially the independent central bank with its disinflationary bias.

¹ Typical sources for these views included: the Morning Star, Tribune, Labour Left Briefing and the in-house trade union journals. See, for instance, the double-page spread in Nalگو News: 'Maastricht. A Price Worth Paying?' (19 March 1993).

2. Countries with floating exchange rates can adjust these to maintain domestic industrial competitiveness. Inside EMU currencies are fixed in value and so the chief instrument of adjustment is real wages.
3. In recognition of this the Maastricht package included a 'social chapter' designed to safeguard social standards. However, the chapter remained clearly subordinate to the single market and EMU.
4. By elevating the Single Market from a formal to a real event EMU was expected to encourage cross-border mergers and acquisitions resulting in a growth in the size, number and importance of multi-national companies. This was expected to shift the balance of power in wage bargaining towards business.
5. There was doubt about Europe's suitability for a single currency because it was not an Optimum Currency Area – i.e. the adjustment mechanisms required to permit diverse national economies to live with centralised monetary authorities were underdeveloped (Mundell 1961).

The above discussion should indicate that the benefits of EMU to national economies in general and to representatives of organised labour in particular are, at the very least, a matter of debate. It therefore seems reasonable to postulate that the ambiguous benefits EMU offers to unions might be expected to elicit from them a neutral, or at the most cautiously positive, approach to the issue - not the enthusiastic endorsement of EMU that the TUC, for one, displayed.

3. Explaining the TUC's support for EMU: Theories of Preference Formation

Most accounts of the enactment of EMU (cf. Dyson and Featherstone 1999, McNamara 1998), approach the Maastricht Treaty from a classic international relations perspective, focusing on the treaty as the outcome of interstate

bargaining. This has two consequences. Firstly, there is an (understandable) preoccupation with policymaking elites at the expense of other actors. Secondly, the process is viewed teleologically, with little attention paid to its distributive consequences.

Research into how domestic producer groups react to European integration falls mostly into two camps: materialism and 'Europeanisation'. What are the main elements of these, and why are they inadequate to fully explain the position of the TUC in the 1990s?

Materialism

Materialist explanations appreciate that the domestic economic impact of EMU is distributionally complex (Moravcsik 1998). They emphasise the interplay between organised interests and political institutions, as they recognise that some economic actors attach greater value to monetary policy autonomy than exchange rate stability, while others approach this trade-off differently. Whether a government fixes the exchange rate (for example by joining EMU) or not is determined to some extent by the balance of power between these groups.

The 'societal' school within international political economy has tried to bridge the gap with comparative political economy by relating domestic actors' monetary policy preferences to export orientation or factor endowments (Frieden 1991, Rogowski 1989). Frieden and Rogowski are less interested in accounting for particular events than in providing universal laws that describe what will happen under certain circumstances. They do this by using basic economic theory to generate propositions about the preferences of different actors – who wins and who loses from a particular policy. Consequently, their models make a number of unrealistic assumptions about the operation of the domestic and international economies and about the behaviour of domestic

interest groups. When the materialist model is applied to the decision of the TUC on whether to back EMU it runs into the following problems:

1. Materialist theories of preference formation focus on preferences while telling us little about outcomes. A key objection is that they effectively assume that the costs of organising support or opposition to particular policies are zero, ignoring the collective action problems endemic to political mobilisation (Olson 1965). Also, they would seem to work predominantly in situations where actors' preferences are pre-strategic i.e. they do not take into account the preferences and strategies of other actors. The Frieden/Rogowski model also implies that the UK should have joined EMU in the first wave in 1999, as a pro-EMU coalition between labour and capital (the TUC and the CBI) pushed for this in the mid-1990s. The UK didn't, and hasn't.
2. They ignore the potential importance of ideology in shaping preferences, even though these interact with material forces and help to constitute actors' perceptions of what their interests are. Ideology may explain why, for instance, the UK's two large 'generalist' unions, the TGWU² and GMB, had completely different policy stances on EMU despite being of a relatively similar size and composition (see below).
3. Another weakness in the materialist account of EMU is that it has trouble in explaining changes in unions' views over time. If preferences are anchored in objective material interests then major shifts in these should occur only in line with profound transformations in underlying economic structures. By their very nature these transformations are not rapid, and yet the official policy of the UK's TUC changed on no less than five separate occasions in the 15 years after the UK joined the European Community/Union (Teague 1989).

² Now part of the 'mega-union', UNITE

4. Finally, and most importantly, materialist accounts of preferences can't account for the TUC's support for one particular exchange rate regime (the fixed parity of EMU) when it represented unions organising workers in both the traded and non-traded sectors of the UK's economy. While authors like Moravcsik (1998) correctly link the outcomes of interstate bargains over European integration to the preferences of domestic actors, this approach cannot by itself shed much light on why peak associations adopt counter-intuitive positions.

'Europeanisation'

Many explanations for the TUC's stance on European economic integration generally, and EMU in particular, argue that, in common with other actors, it became 'Europeanised', deciding to pursue its policy goals through the European, rather than domestic, arena.

The enactment of the single market and the EU's growing encroachment into the workings of national economies has sparked interest in how unions can 'Europeanise' their organisation and bargaining strategies to take advantage. Europeanisation has various meanings. Of most relevance to unions are theories which emphasise 'bottom up' approaches, such as the development at EU level of distinct structures of governance that formalise interactions among the actors (Cowles, Caporaso and Risse 2001); and, on the other hand, what can be termed 'top down' theories of how developments in the EU themselves yield changes at the domestic level. In practical terms, the formation of the European Trade Union Confederation (ETUC) illustrates the former process, while the adaptation by domestic unions and other actors to EU policy initiatives (such as European Works Councils) provide examples of the latter. Common to both is the assumption that power and autonomy are drifting away from the nation state towards governance structures at the regional, or even global, level.

Unions responding to this by mobilising at the EU level derive two kinds of benefits. First, they get to partake in discussions over 'Social Europe' that would otherwise be left to national governments who answer to a multitude of constituencies besides organised labour. Second, this opens up channels for them to engage with other national unions over countering the growing power of multi-national corporations. Much of the literature on unions' responses to European economic integration draws from these concepts. Unions' support for EMU is seen as stemming from their leaders' belief that Europe has become 'the only game in town'.³ David Lea, the TUC's Assistant General Secretary, saw the TUC as ideally placed to take the initiative in pushing for a strong EU social agenda to counter moves to enhance the Single Market at the expense of its social dimension (Lea 1998: 137). This was an attractive role for the TUC as it had become progressively marginalised by the aggressively anti-union Thatcher government.

What are the flaws in the Europeanisation thesis? Why isn't it a satisfactory explanation for the TUC's support for EMU?

The first issue concerns the definition of 'Europe' itself. Advocates of importing Social Europe into the UK have tended to be rather vague about exactly what it entails (Watson 2006: 145-155). Critics of pro-European elements in the Labour Party and trade unions argue that these tended to erroneously equate the ESM with the social-democratic 'Nordic' welfare state model. However, as Scharpf (1999) has observed, the EU may be more emblematic of 'negative', pro-market intervention.

The TUC called repeatedly for the creation of a pan-European wage bargaining system to assist the adjustment of wage bargaining structures in high-inflation

³ *'The only card game in town at the moment is in a town called Brussels, and it's a game of poker where we have got to learn the rules and learn them fast'*: Ron Todd, TUC General Council, address to Congress, 1988.

countries like the UK (TUC 1992: 5). However, such a system never got off the ground because of a lack of the appropriate trans-national industrial relations institutions, as the organisation most suited to coordinating this function, the European Trade Union Confederation, wholly lacked the power to do so. Furthermore, the adoption of subsidiarity at Maastricht in 1992 as the guiding principle behind EU governance, reasserting state sovereignty, has tended to undermine the few pan-European bodies that do exist (like ETUC), reducing their (bottom up) ability to lobby Brussels on behalf of national unions. Hence, the 'pull' of Europe for unions has diminished (Dolvik 1997; Martin and Ross 1999).

What about the other direction? Has there been 'top down' Europeanisation? Various EU initiatives were welcomed by UK unions as enhancing workplace rights. These have included: European Works Councils, the Charter of Fundamental Rights, a framework directive on 'Information and Consultation' and the working time directive. Strange has argued that these led to the UK labour movement – even unions which also opposed EMU – becoming largely Europeanised by the mid-1990s (Strange 2002).

But other commentators dispute this (cf. Baimbridge et al 2006, Martin and Ross 1999: 379). Many unions and employers appear to have simply ignored these initiatives, either because of their lack of 'teeth' (EWCs) or non-binding status (Charter of Fundamental Rights). In other words, while some sections of labour may have warmed to Brussels for opportunistic reasons there was little sign of a wider and deeper conversion. A good illustration of this ambivalence is to be found in contrasting the attitudes towards Europe of the UK's two main 'generalist' trade unions, the GMB and the TGWU, which have fairly similar membership profiles. While the former is extremely pro-European, becoming the first British trade union to open a Brussels office in 1993, the latter is much

more Eurosceptical and opposed EMU. Other things being equal, the stance of the TUC should have reflected this ambivalence.

4. Policy Preferences as Political Signals

The weakness of the Europeanisation, and particularly the materialist, theories lies in their latent assumption that actors have uniform interests and so their preferences are consistent across different situations and at different times. But an equally important issue is how these interests/preferences are expressed, particularly to policymakers. National structures of interest representation are clearly salient in determining how, once actors realise what their interests are (we can call these their *underlying* preferences), these are communicated to those in a position to act to potentially advance these (i.e. politicians). Many scholars therefore emphasise the importance of domestic opportunity structures for unions in advancing the cause of organised labour (Frege and Kelly 2003; Gumbrell-McCormick and Hyman 2013)

Due to internal Labour Party reforms by Blair in the 1990s to reduce the influence of trade unions (Russel 2005) the TUC had very few direct mechanisms with which to try to persuade New Labour to soften its pro-market stance. The crux of the problem was that the TUC lacked *credibility* as an organisation in the eyes of New Labour, where it was viewed as dominated by its left-wing affiliated unions.

What is meant by credibility? In this paper, credibility is understood to have at least two meanings, both of which were important for the TUC. The first concerns the credibility to *do* something: for a union this means delivering low wages, or cooperation on training; for a government or central bank it may mean providing low inflation, perhaps by tying its own hands to prevent it manipulating interest rates for political gain. Credibility is therefore closely

linked with the notion of capacity. For the TUC, possessing credibility meant the capacity to help produce particular policy outcomes for Labour, which implied it being able to deliver what it promised.

The second meaning is related to this but more ideological, to do with reassuring New Labour that the TUC was not led by corporatist dinosaurs and would be a willing partner in labour market reform. At the heart of the problem was the UK's deep-seated tradition of voluntarism in industrial relations. Voluntarism meant that deals made with the TUC on behalf of the union movement would automatically be broken by the individual sectoral unions if it conflicted with their interests. It also prevented the state from intervening to shore up the TUC's authority.

Blair could also not be sure about the TUC's commitment to reform and its willingness and ability to bring the rest of the union movement with it. This was something the TUC leadership recognised. The TUC's former general secretary, John Monks, described the problem thus: *'Blair said to me: 'if the TUC could deliver I'd take you more seriously.'*⁴

In a nutshell, the TUC's task was to find a way of surmounting its estrangement from politics in order to be able to fulfil its insider role as an advocate for unions within government. The response of the TUC leadership to this conundrum, once it had begun to modernise itself following the organisation's re-launch in 1994, was therefore to look for indirect ways to advertise this fact to New Labour.

Labour-TUC interaction as a signalling game

One way of explaining this kind of interaction is by expressing it as a signalling game. The literature on signalling games deals with instances where actors

⁴ Interview with John Monks (former TUC General Secretary).

attempt to communicate certain attributes to each other in situations of incomplete information. It is a concept that is reasonably well known in political science. For instance, Hall and Franzese (1998) use signalling games in their analysis of how unions and central banks interact when setting wages and monetary policy. New Labour was arguably involved in playing a very obvious signalling game with the electorate as it tried various ruses to convince middle class swing voters of the depth of its commitment to modernisation, for instance by provoking a row with trade unions and the left over Clause Four.

This situation is arguably akin to the well-known 'beer and quiche' game (Cho and Kreps 1987), in that it is a game of asymmetric information where one player lacks knowledge about the preferences and attributes of the other. Firstly, the TUC's lack of traction with New Labour was partly a problem of information asymmetry, as Blair could not be certain that the unions would not cause trouble for it in government if they were included in policymaking i.e. that the TUC's 1994 re-launch and professed change of goals was real and not cosmetic. Secondly, a union movement headed by a reliable and ideologically compatible TUC still potentially offered strategic assets to both party and government. Thirdly, given the UK's pluralist structure of interest representation as well as the paucity, by the mid-1990s, of formal channels of party-union communication, the TUC was obliged to demonstrate, rather than being able to directly communicate, its attributes to New Labour through its actions.

How does adopting a very pro-EMU position in defiance of its internal critics help the TUC leadership build bridges with Labour? For the TUC, the issue of EMU was a signal. By strongly supporting UK participation in a single currency the TUC was attempting to show to a future Labour government that it had sloughed off its radical, obstructionist past and was now a responsible social partner. This was a rational and effective strategy because New Labour

tended to associate anti-Europeanism with the hard left in its party and the unions. Derek Scott, who was Blair's economic advisor from 1997-2003, argued in his memoirs: *'As Leader of the Opposition, repositioning on Europe provided (for Blair) a hook for re-establishing Labour's credibility; it helped to distinguish 'New' from 'Old' Labour...Europe and EMU were part of New Labour's political positioning ahead of the 1997 election'* (Scott 2004:206, 207).

These sentiments were expressed in interviews with Blair's former advisers carried out for this article. Holden (2002) argues, similarly, that pro-European attitudes became emblematic of moderation and political modernisation for Blair. The potential payoff for the TUC of its *revealed* preference on EMU (a highly pro-EMU stance) was therefore not so much immediate participation by the UK in EMU in the mid-1990s (which the Conservatives had anyway ruled out) but increased influence over domestic industrial relations policy.

However, talk being cheap, to make this overture to New Labour credible it also needed to visibly incur costs. By splitting the union movement into pro and anti-EMU factions the TUC demonstrated that it was serious about change. A significant 'left-critical' bloc of unions remained hostile to European economic integration and unconvinced of the need to build bridges with Blair in the first place. By ignoring this opposition the TUC demonstrated its autonomy. Of course this strategy was not without its risks. Splits are something most organisations normally prefer to avoid. They can be damaging because they increase the organisational costs of collective action, hence other actors may regard a divided movement as an unreliable negotiating partner. However, the TUC leadership worked hard at managing the agenda at Congress to ensure this did not descend into open rebellion (see next section). The institutional structure of the TUC following its re-launch afforded its leadership considerable autonomy with which to pursue its modernising and pro-EMU line.

Specifying the game

In the game the 'sending' player tries to resolve the information asymmetry by 'signalling' through its actions, and the 'receiver' then responds to the message by choosing how to react. The TUC is the sender here and hopes to convince the Labour Party (LP) to engage with it by sending a costly signal (supporting UK membership of EMU even though this divides the union movement). LP is unsure whether the TUC is moderate (M) or extreme (E). It is prepared to deal with a moderate TUC as the financial cost to Labour of Exit from the party-union relationship makes the unions difficult to ignore, and there could be supply-side economic benefits to cooperation. But LP doesn't want to deal with an extreme TUC because of the high political cost of looking to voters like it is doing their bidding.

Nature (N) first selects either a moderate (M) or extreme (E) TUC. The TUC then begins the game by choosing to signal (S) or not to signal (NS). At each information set LP has two choices: to engage (e) or not engage (ne) with the TUC.

These are the costs/payoffs of particular actions/reactions (read: LP, TUC):

LP: +1 for engaging with a moderate TUC

LP: -2 for engaging with an extreme TUC

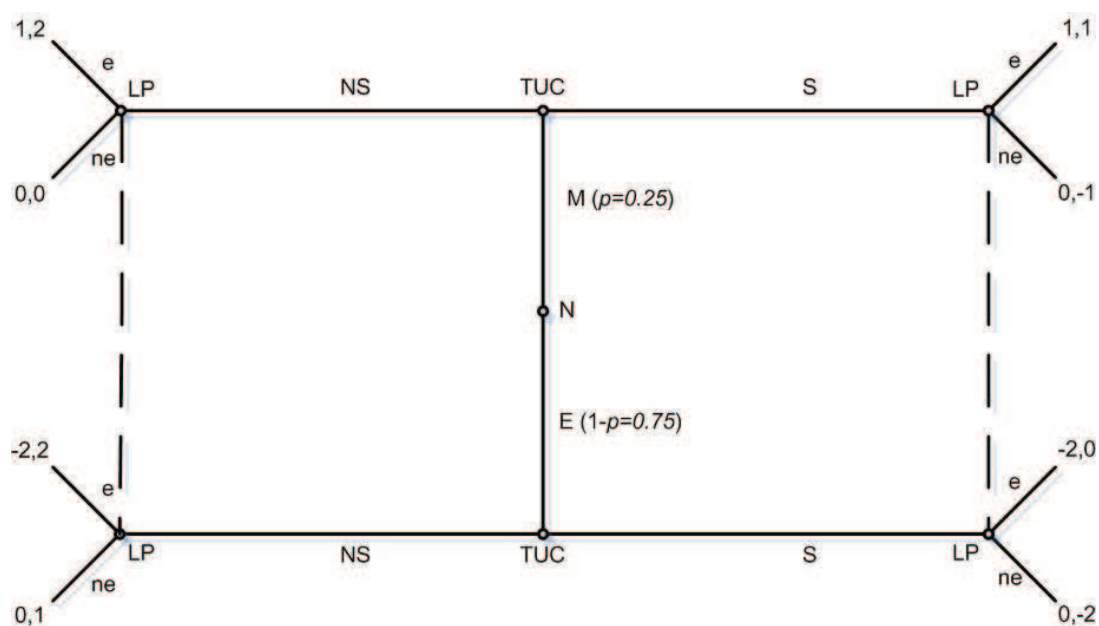
TUC: -1 the cost of signalling incurred by a moderate TUC

TUC: -2 the cost of signalling incurred by an extreme TUC

TUC: + 2 if the LP engages with TUC

Any other outcome gives payoff: 0.

Figure 1: A signalling game played between the TUC and New Labour over support for EMU.



The game shows that, given the payoff structure specified above, it may benefit the TUC to adopt a costly signalling strategy on EMU. The TUC needs the game to produce a separating equilibrium. This will exist where LP believes the TUC is signalling truthfully that supporting EMU means it is moderate and not extreme. If LP finds itself in the S information set (having observed the TUC's signal) then, given the TUC's strategy of choosing S if it is moderate, LP can assume it is at the top right hand node and its best choice is engage which gives it a payoff 1, as against 0 if it doesn't engage. In the NS information set LP would assume it is at the bottom left node pondering whether to engage with an extreme TUC. Here, LP chooses to not engage, giving it a payoff of 0 as opposed to -2 if it engages. Hence, the TUC's signalling strategy is successful in that its actions have convinced LP that it is moderate.

What are the observable implications of this explanation? In the next section I show how the TUC's leadership aligned itself with the policies of New Labour

and employers, first provoking and then marginalising opposition from the left among its affiliated unions.

5. Preferences as political positioning: an alternative explanation for the TUC's policy stance

Why did the TUC make a costly stand on UK membership of EMU against the wishes of significant sections of its membership when it had no influence over whether the UK would actually join? A large part of the answer to this question lies in the complex interplay between the different sections of the union movement, business and the state.

In examining the evolution of attitudes towards European economic integration on the British left several things should be noted at the outset. Firstly, I make a point of distinguishing between UK unions' support for closer European integration generally (which was a rational and largely uncontentious response to their isolation from British politics under the Conservatives) and the vigorous and internally divisive support of the TUC leadership for UK membership of EMU. Secondly, divisions can be observed within the TUC between its leadership (the full-time secretariat) and the representatives of affiliated unions (the General Council and Congress) following the signing of the Maastricht Treaty in 1992.

Most of the TUC's affiliated unions accepted the advantages of closer European integration by the start of the 1990s. However, the TUC's modernising general secretary, John Monks, consistently adopted positions on EMU and economic integration generally which were far in advance of the rest of the trade union movement. They were also more monetarist, and this generated considerable friction with some of the main unions which the TUC had to work hard to contain. Monks also vigorously signalled his organisation's pro-Europeanism

to Labour politicians who were themselves reorienting the party in a pro-European direction - both in opposition and, after 1997, in government. In addition, the TUC secretariat's pro-EMU line closely paralleled that of the UK's main employer's organisation, the Confederation of British Industry (CBI). The CBI advocated early UK participation in EMU, although its overall position deviated from the TUC's in that it opposed Maastricht's social chapter.

The shifting preferences of the labour movement

The shift in attitudes on Europe within the wider British labour movement proceeded in two phases. The first, during the 1980s, was remarkably orderly and saw the sloughing off of old, anti-European attitudes largely in response to perceptions of economic decline and the growing isolation of the anti-Europe left by modernisers. The second phase commenced with the signing of the Maastricht Treaty, which saw the acceleration of economic integration and the re-invigoration of the previous right-left split over whether 'Europe' was a neo-liberal club or a benign agent for welfare capitalism.

The conversion of UK unions from hostile Euro-scepticism to, on balance, cautious acceptance is conventionally regarded as springing from a speech by Jacques Delors to the 1988 TUC Congress. The pro-union speech by the influential (and social-democratic) EC Commission President, was received rapturously. It cemented a process of growing political engagement with EC institutions which culminated in the establishment of a permanent TUC office in Brussels in 1993 and a European secretariat in TUC head office two years later. The TUC had, in fact been moving slowly in this direction for some time as a response to its isolation from British politics under Thatcher (Marsh 1992: 134). Congress had last considered a motion urging withdrawal from the EC as far back as 1983 (it was defeated) and the increasingly pro-EC mood was also reflected at the 1988 Congress at which Delors spoke by publication of a

General Council document which advocated closer engagement with Europe (TUC 1988).

For the most pro-European trade union leaders, the accelerating pace of economic integration in the early 1990s was regarded as a way of curing, or at least circumventing, the UK economy's endemic problems of a lack of competitiveness and periodic balance of payments crises. Monetary union suggested that exchange rate instability could be overcome, aiding the UK's struggling manufacturing sector which was suffering from an overvalued pound. The General Council's Report to the 1993 Congress called for the UK to end its 'untenable' opt-out from the key provisions of the Maastricht Treaty and blamed the UK's expulsion from the Exchange Rate Mechanism (ERM) on September 16th 1992 squarely on the weakness of the UK economy rather than any problems with the management of the ERM (TUC 1993b). However, the GC's pro-Maastricht line was qualified by calls for progress towards EMU only '*...on the basis of an EC plan for growth and jobs,*' which was viewed as incompatible with the strict limits on public debt and borrowing contained in the convergence criteria agreed at Maastricht (TUC 1993b: 5). This, in essence, was to remain the GC's line throughout the 1990s.

Moreover, the GC's attitude to Europe and EMU closely shadowed that of the Labour Party (Mullen 2005: 158). Notermans locates the growth of pro-integration sentiments among European social democratic parties in a reaction to the traumatic failure and abandonment of Mitterrand's socialist experiment in France in the early 1980s. The drive to EMU was an institutionalist response to the failure of Keynesianism, and was more the culmination of a long period of reorientation than a radical break with previous practices (Notermans 2001: 10). Domestic political imperatives, specifically the search for middle class swing voters, also drove left parties to seek to demonstrate their commitment to institutions fostering price stability.

UK Trade Unions, 'New Labour' and the Single Currency

Labour's turn towards Europe began with the election of Neil Kinnock as party leader in 1983. Kinnock, sensing that opposition to Europe conveyed extremism and was a vote loser, pulled the party back from the semi-autarkic 'socialism in one country' doctrine of its Alternative Economic Strategy (AES). Kinnock began to align Labour's economic program more closely with Britain's European partners and sought accommodation with Brussels, fighting the 1987 election on a pledge to reform Europe from within.

Labour's move from its early 1980s flirtation with Bennite socialism to mainstream European social-democracy under Kinnock was paralleled by internal changes to the community itself which made it more palatable to the soft-left: *'The Community demonstrated at a timely moment that, although it was capitalist, it was welfare capitalist'* (Tindale 1991). In the 1989 European elections Labour even campaigned with a federalist manifesto as part of the European Socialists Group (supported by the TUC). The election of the modernising Tony Blair as the leader of New Labour in 1994 suggested the party would continue its pro-European evolution. In fact Europe became crucial to Blair's refashioning of the Labour party because it provided a template to radically reform the Achilles heel of its archaic economic policies (Holden 2002: 5-6).

However, although New Labour's post-Keynesian economic policy - which emphasised monetary stability through credible anti-inflation institutions - suggested a pro-EMU stance the reality was slightly different (Gamble and Kelly 2001: 64-67). Blair overtly backed UK membership of the single currency in principle, while cautioning that this would not be possible in practice until the UK economy had 'converged' with the eurozone (Financial Times, July 7 1993). In practice, such 'convergence' appears never to have been acknowledged to have taken place. The lack of it was again cited as a key reason for the UK's continued absence from the eurozone when the Treasury re-considered Gordon Brown's '5 Tests' on EMU membership in 2003.

Moreover, Blair's efforts to build bridges with the CBI were also alarming trade union leaders. At the 1995 CBI conference Blair appeared to soften his commitment to the social chapter, pledging to consult employers on it and the promised National Minimum Wage. In private, the GC was becoming increasingly despondent about the TUC's inability to tilt EMU in a pro-labour direction. During meetings on EMU between GC members and Bank of England officials in July 1995 members of the GC warned about the likely deflationary consequences of the convergence criteria. In an internal briefing document it was argued: *'Many commentators have nevertheless been increasingly concerned that even flexibly interpreted Maastricht convergence criteria will result in permanent disinflation in the weaker economies, leading either to a 2-tier Europe or permanently high levels of unemployment and low growth across much of the union ... In Britain economic adjustment to relative economic failure has historically been taken by devaluing the exchange rate. As the TUC warned at the time of Britain's entry to the ERM, under EMU the burden of adjustment could fall disproportionately on the labour market'* (TUC 1995). The TUC's 1997 pre-election document, 'Partners for Progress', which was authored by the GC, mentioned EMU just twice: first to counter-pose support for a single currency with the far more important goal of full employment (TUC 1997a: para 11); and second to point out, negatively, that it could hinder increases in public investment (ibid: para 12).

However, the response of the TUC secretariat was to pledge to continue campaigning for EMU, suggesting an alliance with the CBI and the Bank of England to ensure that the momentum for early UK membership was maintained. In June 1996 Monks told the Guardian newspaper that it was Tony Blair's 'destiny' to take the UK into the single currency (the Guardian, 25 June 1996). As the 1997 general election approached Labour leaders appeared to cool on EMU in response to unfavourable polling data and began making noises about the UK not being ready to participate in the first wave. But Monks

continued to press for immediate entry. At the CBI conference in November 1996 six months before the election Monks criticised Labour's caution and once again proposed stepping up cooperation with the almost equally pro-EMU CBI.

Lack of consensus among the sectoral unions

If there was internal TUC dissent over EMU then why was it not apparent at the TUC's annual Congress? The apparent consensus at Congress over the TUC's pro-EMU line camouflaged deep-seated disagreement among its member trade unions. Only once, at the 1998 TUC Congress, did an anti-EMU motion (from the communist-dominated miners' union) slip onto the conference agenda (Strange 2002: 340). However, Rosamond has analysed TUC debates on Europe during the early 1990s when policy was being formed and concludes that a considerable amount of agenda management by the TUC leadership took place (Rosamond 1993: 43-7). Diverse views on the issue were amalgamated into anodyne composite motions that delegates of all shades of opinion found hard to oppose. Overtly 'anti' submissions were simply excluded from the agenda. Rosamond's findings have been criticised by scholars arguing that UK unions became Europeanised, with the lack of debate at Congress simply reflecting this pro-integrationist mood (Strange 2002: 334-337). This argument is unconvincing as it ignores the extent to which agenda management also visibly took place at a lower level at the conferences of the individual unions, and is contradicted anyway by the comments of union leaders themselves: *'We had to work quite hard to repair the split within the union movement to keep the show on the road. The focus of a lot of the opposition was at the branch and regional level, less so at Congress.'*⁵

⁵ Interview with Lord David Lea (former TUC Assistant General Secretary).

Moreover, it seems likely that even the left-wing anti-EMU unions felt constrained from advertising their misgivings at the TUC Congress to avoid negative publicity harming the image of the union movement in the eyes of the Labour party or the general public. Opposition appears to have been expressed instead through the national and left-wing media and at individual union conferences. For instance, delegates at the 1993 MSF conference (a politically moderate industry and services union) voted overwhelmingly to reject a pro-EMU motion put before them by the union's executive committee. Perhaps the most surprising thing about the EMU debate within the UK union movement was, as Bieler has argued, just how critical even pro-EMU unions were of its neo-liberal flavour (Bieler 2003).

The most formidable overt opponents of EMU were the generalist Transport and General Workers Union (TGWU), the public sector Unison (formed in 1993 from the amalgamation of three Euro-sceptical public sector unions: NALGO, COHSE and NUPE) and the MSF. These have often described, somewhat dismissively, as a minority, albeit it a significant one within the TUC. Yet it is worth noting that in 1995 the TGWU and Unison were the largest and third largest TUC affiliated unions respectively and were partially joined in the mid-1990s by its second largest union, the General, Municipal and Boilermakers (GMB), which moved from a Euro-enthusiastic position to one that was somewhat more sceptical by the end of the decade. While the GMB's leadership had been initially pro-EMU a third of the unions' members worked in the public sector and were concerned about the impact of the convergence criteria on public spending. The GMB's highly decentralised structure allowed opposition to be expressed at the branch and regional level, and Rosamond notes that a certain amount of agenda management was practised at GMB conferences to minimise dissent (Rosamond 1993: 432). Smaller unions which opposed EMU also included the firemen (FBU), miners (NUM), train-drivers

(ASLEF), print-workers (GPMU), furniture makers (FTAT) and construction workers (UCATT).

The vocal opposition of the TGWU was highly significant, as it has traditionally been regarded as the dominant force in the TUC and the labour movement in general (Taylor 2000: 103, 195). Anti-EMU unions had varying reasons for their opposition. Interestingly, the TGWU (and MSF) had largely accepted the inevitability of European economic integration by 1992. Their oppositional stance was directed towards steering EMU in a more pro-labour direction for which the preservation of national economic autonomy was deemed essential. As a generalist union, but one with a significant proportion of its members involved in export-competing manufacturing, the TGWU's general secretary, Bill Morris, also had a particular concern over the UK's inability to devalue inside EMU (Morris 1990). NALGO/Unison's hostility to EMU was based on what it saw as its deflationary bias, as well as predictions that the convergence criteria entailed deep public spending cuts (Michie 1993).

The debate on the Maastricht Treaty at the 1992 TUC Congress threw the split in the UK labour movement into sharp relief. Moves by delegates to overturn the TUC leadership's support for the treaty's ratification (which was to take place in parliament later that year) were rejected, but only after a number of speakers had expressed strong misgivings about the potential economic effects of the convergence criteria for EMU. Critics from, among others, the furniture workers' union, FTAT and NALGO, painted the Maastricht Treaty as: *'monetarism elevated to the European level'* (Guardian, 9 September 1992). At a separate anti-Maastricht conference in London on December 5 1992 sponsored by NALGO, FTAT, FBU, GPMU and the NUM delegates were urged to draw links between welfare state retrenchment and moves towards EMU (Morning Star, 7 December 1992).

Anti-EMU leaders certainly found the TUC leadership's strongly pro-single currency views unsettling. The 1997 TUC Congress saw a split over Monks' backing for early entry into EMU, with the GMB, TGWU and Unison voicing opposition but stopping short of tabling anti-EMU motions. One union boss was quoted as accusing Monks of 'sprinting ahead' of the rest of the movement and being more interested in pleasing the CBI than reflecting the views of the TUC (Daily Telegraph, 22 June 1997). A year later Bill Morris, the TGWU general secretary, publicly appealed to Monks to slow down the 'headlong rush' to the single currency (Financial Times, 13 October 1997), and attacked Monks' position as 'frankly wrong' (The Times, 14 October 1997).

While both the TUC Congress and the GC had broadly supported EMU entry during the first half of the 1990s, it had been emphasised again and again that this was on condition that the single currency was accompanied by: 1) concerted EU-wide action to combat unemployment; 2) the extension of qualified majority voting to areas of social policy to prevent the UK government using its veto; 3) a 'democratic and accountable' central bank. Once it became clear that social policy coordination was going to be limited and that the Maastricht convergence criteria ruled out political control over monetary policy, their attitudes changed. However, the TUC secretariat/leadership continued to call for early UK membership of the single currency.

Effectively, therefore, its own leadership split the TUC over the issue of the single currency, relying on the TUC's right-wing faction to back up its position. This 'pro-Commission' group which sided with the TUC secretariat centred on the engineering union (AEEU) and, at least initially, the GMB. This bloc had at least one eye on the goal: '*...securing a convergence of opinion within the labour movement as a whole*' (Rosamond 1993: 433) i.e. between 'progressive' unions and the Labour party, a strategy which, spearheaded by the TUC leadership,

implied a deliberate distancing from the 'left-critical' bloc of EMU-sceptical unions led by the TGWU.

This strategy was aimed at achieving two things. First, the espousal of pro-EMU 'Euro-monetarism' was a clear indication that the guiding economic philosophy of this grouping involved an emphatic rejection of the discredited Alternative Economic Strategy of the 1980s.⁶ Second, it would signal to the Labour Party, which from 1992 opened up a commanding and enduring opinion poll lead over the Conservatives, that there was a moderate and cohesive section of the union movement, headed by the TUC, with whom it could profitably work.

In the words of the GMB's former leader, John Edmonds: *'Blair was pleased about this (the TUC and GMB's backing for EMU), and quite surprised. Being pro-European was quite good in his book. He would always say about me: "at least Edmonds is sensible on Europe" ... he thought anti-Europeans were trouble-makers'*.⁷

6. Conclusion

The argument of this paper is that the TUC's apparently sub-optimal policy position of strong support for EMU becomes explicable if viewed as being part of a series of nested games played between it, its affiliated unions, the Labour party and the CBI. The TUC's overarching aim in the period which followed the signing of the Maastricht Treaty was to build bridges with what it feared would be an unusually pro-business Labour government with a disinclination to consult with it on industrial and labour market reform. Its strategy was to signal, through its strong support for EMU, that the TUC now accepted Euro-monetarism, was eager to work with employers within a European-style

⁶ Interview with former head of TUC Economic and Social Affairs Unit.

⁷ Interview with John Edmonds (former GMB General Secretary).

system of 'social partnership' and was operationally independent from the big left-wing unions.

As well as being an examination of how weak interest groups can attempt to gain influence over policymakers, this paper also hopefully suggests a few refinements to how the international relations and 'Europeanisation' literatures deal with the process of domestic preference formation. It underlines the difficulties in assuming that producer groups such as unions will line up neatly according to their material incentives or degree of Europeanisation. The issues examined in this paper suggest these theories are not particularly helpful in explaining why the views of interest groups can shift quite suddenly even when the underlying material facts or prevailing ideologies remain largely unchanged. Instead, domestic political considerations, including the need to formal alliances with, and gain insider access to, political parties may also be important.

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