

## The myth of Maastricht

*Pity the poor inhabitants of Maastricht. Six years ago no one outside of Holland and the neighbouring areas in Belgium and Germany had heard of the name of their town. Now, throughout Europe, it is a by-word for austerity, budget cuts and social regression.*

It all goes back to February 1992 and the choice by the Dutch government, whose turn it then was to hold the presidency of the European Council of Ministers, of Maastricht as the site for the final round of negotiations and the signing of a treaty to further integrate the economies of the Common Market countries, by moving on from a single European market without customs and other barriers to trade to “Economic and Monetary Union” (EMU) in which there would be a single European currency to be controlled by a single European central bank.

Despite the various rather less sordidly economic names it has gone under--and the Treaty of Maastricht changed the official name from European Community to European Union--the Common Market has always been essentially that: a project to bring about one unified barrier-free market in Europe. In other words, a purely capitalist project of no concern to ordinary people. That was why, in the referendum in 1975 on whether Britain should stay in or pull out, Socialists wrote “Socialism” across the ballot paper rather than voting either “yes” or “no”. That remains our policy for any future referendums on the subject.

The project goes back to the immediate post-war period when the capitalists of France, Germany, Italy and the Benelux countries realised that they would be handicapped if they tried to compete with America on their own and decided on the long-term goal of merging their economies into a single European economy.

This has been a long, slow process which has been going on for over 45 years now. First, the coal and steel industries were made subject to common rules. Then this was extended to all other industries and, at France’s insistence, to agriculture. A common external tariff was erected, then all internal customs and tariffs between the member states were abolished, then non-tariff barriers to trade (different technical and other standards which had to be harmonised) were tackled.

But one barrier to a fully integrated common market still remained: currency fluctuations. These distort trade by the effect they have on prices. If a country’s currency is devaluing this makes its exports cheaper and so gives its exporting capitalists a competitive advantage over those from other countries. As this advantage does not arise from employing more efficient productive methods it is seen as unfair by the other member states.

### **Ignominious exit**

The Common Market has tried to get round this problem with various schemes to fix limits to the extent to which member state’s currencies are allowed to fluctuate in relation to each other. This hasn’t worked all that well, as shown by the devaluations over the years of the French franc, the Italian lira, the Spanish peseta and the British pound (which ignominiously left the European Exchange Rate Mechanism one famous Wednesday in September 1992).

The Treaty of Maastricht adopted the ambitious aim of establishing a single European currency as the solution to this problem. The first step is due to be taken on 1 January 1999 when the exchange rates between the currencies of those Common Market states which join will be fixed, in theory for ever. For instance, the French franc would from then on always

exchange for, say 3.4 Deutschmarks. If this works, then “franc” and “mark” will in effect be different names in different countries of what is essentially, from an economic point of view, already the same currency. The plan is that in 2002 these different names should be dropped and the same name “euro” be adopted everywhere.

But it is not as simple as that. Devaluation is a downward adjustment of the external value of a state’s currency reflecting the fact that its internal value has declined faster than that of other states due to its government pursuing a more inflationary monetary policy. So a condition for lasting fixed exchange rates is that each state should pursue the same monetary policy. As governments generally inflate their currencies to pay for their spending including on the National Debt, the Maastricht Treaty placed restrictions on the level of both government spending and government borrowing.

These are the famous “Maastricht criteria” which all governments hoping to be in the first wave of countries adopting the Single European Currency are striving to meet. Those who blame the resulting austerity on the Common Market overlook the fact that at the moment world competitive pressures are forcing governments everywhere, not just Common Market governments, to cut back on government spending and impose austerity.

It is global capitalism that is to blame not the Treaty of Maastricht as such. Maastricht only comes into it because it was when and where the member states of the Common Market decided to coordinate and harmonise the austerity measures that capitalism currently dictates should be taken.

It is an illusion to imagine that, if there had been no Maastricht Treaty, there would be no austerity measures, or that Britain or France or Sweden or wherever could avoid them by withdrawing from the Common Market. Maastricht is merely one way of applying capitalist austerity, not its cause. Austerity is capitalism’s current order of the day and no country can escape from it.

That’s why you don’t find Socialists standing on the White Cliffs of Dover alongside Tony Benn, John Tyndall, Arthur Scargill, Sir James Goldsmith and the others waving Union Jacks and chanting “Maastricht, Out, Out, Out”. We are fair to the people of the Dutch town and place the blame for austerity where it really lies: on global capitalism.

Socialists are not among those sad individuals who feel their identity threatened by the disappearance of the pound. What does it matter what name a capitalist state’s currency goes under? If anything, while capitalism lasts a single European currency would bring a slight advantage to workers as, when we go abroad to work or on holiday, we would no longer have to pay a tribute to the money-changers as we do today. But Socialists don’t want capitalism to last. We want it and all its currencies to go.

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