EUROPEAN DREAMS & EURO DELUSIONS

'The euro is living up to the highest expectations of the economists who advocated it, and Britain is missing out'.

I almost cried with laughter when I read these concluding lines in last week's Guardian article by Chris Huhne MEP. This may be the official view of the other world occupied by the Liberal Democrats, but it seemed a far cry from the judgement of Europe's citizens.

I found myself wishing I'd had the article a few days earlier, to share it in my discussions with local traders and European tourists on the Greek island of Santorini. The common consensus was that no one was in love with the euro, everyone felt that in one way or another they were being ripped off by it, and most wanted 'their own money back'.Behind the scenes, even the European establishment is being forced to acknowledge this reality. A European Commission Survey found that 69 per cent of consumers in the euro zone thought that the euro had pushed up prices. In Ireland, Holland and Spain, over 80 per cent of people feel cheated by the euro. In Germany, public anger is so sharp that shops in northern Germany have started to advertise that they will still trade in Deutschmarks and 54 per cent of Germans want to return to it. The government has been forced to convene a special conference to try and address the problems that the euro has brought with it. In Britain, only the Liberal Democrats and New Labour zealots persist with the elusion that the euro is a stunning success, and the answer to everyone's prayers.Let's begin by nailing some of the factual inaccuracies behind the current claims. It simply isn't true that the abolition of separate currencies has given a huge boost to European investment that the non-euro countries (Britain, Sweden and Denmark) have missed out on. UN figures show that the UK continues to receive more inward investment than France and Germany combined. Nor is it true to claim that UK trade with the EU has stagnated by being outside the euro. Figures from the EU's monitoring bible, 'Eurostat', show that in the first two years of the euro's fixed exchange rates, UK exports to the EU grew by 24 per cent. This put us ahead of the export growth rates in Germany (23.1 per cent) and France (21.1 per cent). The UK's share of intra-EU trade in this period remained stable (rather than stagnant) at 11.3 per cent of the total. In contrast, the share of trade going to France and Germany fell during the same period. Does this prove that the euro is a disaster? No. It just makes the point that being outside the euro isn't a disaster either. Even the Financial Times accepts that 'the economic costs of staying out so far seem small'.

The real weaknesses of the euro are to be found elsewhere - in the politics that surround it and the economics that underpin it. And these weaknesses are more realistically understood by the general public than by European elites who parade themselves as little more than euro-groupies.The French government has once again refused to honour pledges at the Barcelona summit that its budget deficit would be eliminated by 2004. This was part of the Stability and Growth pact that supposedly underpins the single currency. The trouble is, it would saddle the French with massive cuts in services, spending and employment. It isn't only Le Pen's supporters who would take to the streets if this happened.In Portugal, the same obligations have left the government unable to pay its defence bills. Navy vessels have been ordered back to port to save fuel. It cannot currently afford to pay its own army. In Germany, cuts are being passed on to regional councils in much the same way that they have been in Britain (though without the three-card trick of PFI/PPP schemes). It is unleashing a tide of industrial unrest that fundamentally threatens the culture of consensus that German economic success has traditionally been based on.Metal workers, bus drivers, retail assistants, postal workers, and construction workers are all presenting their own direct challenges to the presumptions of European monetarism. The 'freedoms' that the euro is being cloaked in re freedoms of capital, not of labour. Reduction of risk for the owners of capital will be paid for in reductions of rights for workers - the right to a living wage, to decent services and to secure employment.Most parts of Britain well remember that this was the path Margaret Thatcher took us down in her crazy experiment with free market economics. That is what they voted the Tories out of office for, and what they expected a Labour government to reverse in 1997. In the worst excesses of the Tory years, there was still the recognition that the public retained the ultimate power - in a general election - to throw out a government and the policies it was based on.Fundamentally, this is why there remains no swing in favour of the euro; why 60 per cent of the public will not sign up to the irreversible suicide run it would take us on. In trying to put the frighteners on people about the dire consequences of Britain not joining the euro, Chris Huhne did momentarily lift the lid on European monetarism. 'Business', he argued, 'are voting with their feet. This was predicted by the euro-advocated, as it closely mirrors economic history. This happened in the older monetary union - the Gold Standard from 1880 to 1914 - when international capital flows were far higher than they are today'.Monetary fundamentalists dream of a return to the freedoms of the Gold Standard - of a Europe where capital was free to act in the interests of the rich and powerful. They forget it was a Europe of pogroms, of poverty, of mass emigration, of non-existent labour rights or public services. It was a Europe of social division and ultimately of war. Forget the Chancellor's five tests. From Strathclyde to Saarbruken to Santorini, it is not a future for Europe you could sell or sustain.