

BRITISH BUSINESS AND THE EURO

By

Ophelia Eglene

Minda de Gunzburg Center for European Studies
Harvard University
27 Kirkland Street at Cabot Way
Cambridge, MA 02138
(617) 495-4303 x 259
eglene@fas.harvard.edu



American Consortium on European Union Studies (ACES)
EU Center of Excellence Washington, D.C.

ACES Cases, No. 2008.2

Stephen J. Silvia, American University, editor

Copies of this case and others can be downloaded free of charge at the ACES website:
http://transatlantic.sais-jhu.edu/ACES/ACES_Cases

Abstract

During the Maastricht Treaty negotiations, the United Kingdom obtained an opt-out option on Economic and Monetary Union (EMU). When Tony Blair came to power, he promised there would be a referendum on the euro if the government decided it was in the national interest to join. Many believed Tony Blair intended to call and try to win a referendum on the euro. Therefore, in the late 1990s, the debate over the euro raged in Britain, filling the pages of the tabloids and the minds of many Britons.

In this paper based on empirical research conducted in London in 2005-06, I investigate whether the business sector had a clear preference on the issue of British membership in the EMU and tried to influence the government's decision. I use Jeffrey Frieden's model of interest group preferences regarding exchange-rate policies to develop hypotheses regarding the position of the business sector on the euro. Research findings reveal that the business sector was divided on the issue of euro membership exactly as Frieden's model predicts. However, the intensity of business preferences decreased overtime. By the end of Tony Blair's second term, the business sector had become neutral on the issue of the euro.

I. POLITICAL ECONOMY EXPLANATIONS OF EMU

The level and stability of the exchange rate is an issue of particular concern for nation states, as it affects domestic socioeconomic actors within the relations of production. These interest groups will have different monetary policy preferences and will likely pressure the government to achieve what they view as the optimum solution. Political economist Jeffrey Frieden argues that the more open an economy is, the more politicized monetary policy choices will be.¹ Therefore, the European Economic and Monetary Union (EMU) should have created divisions in the European Union (EU) between coalitions of interests favoring exchange-rate stability and those favoring national monetary policy autonomy. However, studies on the position of business regarding EMU are lacking. As Barry Eichengreen and Jeffrey Frieden regret, “serious analysis of the distributional consequences of EMU is scarce.”² Likewise, Stefan Collignon and Daniela Schwarzer note that, even though there is now a large literature on EMU, “[f]ew studies [...] have looked at the role of the private sector, especially the business and banking community.”³

The reason for this lacuna in the literature on EMU is that political scientists have tended to explain the advent of European monetary integration from a realist perspective. They have presented the project of monetary union as a solution to contain the power of Germany within the EU or as a means to balance against the United States (US) in the

¹ Jeffrey Frieden, “Exchange Rate Politics” in Jeffrey Frieden & David Lake, eds. *International Political Economy: Perspectives on Global Power and Wealth*, 4th ed. (Belmont, CA: Wadsworth, 2000), p. 269.

² Barry Eichengreen and Jeffrey Frieden, eds. *The Political Economy of European Monetary Unification* (Boulder, CO: Westview Press, 2001), p.10.

³ Stefan Collignon and Daniela Schwarzer, *Private Sector Involvement in the euro: The Power of Ideas* (New York: Routledge, 2003), p. 1.

International System (IS). A main argument developed by Michael Baun, Robert Art, and Karl Kaltenthaler is that the reunification of Germany brought to the forefront the “German question” again and that EU member states used EMU to ensure the commitment of Germany to European integration.⁴ Another argument – also based on concerns with relative power and advanced by David Andrews as well as economists Martin Feldstein and Charles Wyplosz – is that member states wanted to create a monetary system where all would be granted equal weight to replace the European Monetary System (EMS) that had become dominated by Germany.⁵ Creating a rival to the US dollar and thus a counterbalance to American power is yet another realist explanation for EMU proposed by Kenneth Dyson and Kevin Featherstone, David Howarth, and George Ross.⁶

Only a few scholars have studied EMU from the perspective of domestic socioeconomic actors and attempted to determine their position and role on the issue of monetary integration. Jeffry Frieden was the first to argue, in 1991, that “Europe’s leading financial and multinational firms have been the stronghold of support for

⁴ Michael Baun, “The Maastricht Treaty as High Politics: Germany, France, and European integration,” *Political Science Quarterly* 110(4), 1996, pp. 605-24; Robert Art, “Why Western Europe Needs the United States and NATO,” *Political Science Quarterly* 111(1), 1996, pp. 1-39; and Karl Kaltenthaler, *Germany and the Politics of Europe’s Money* (London: Duke University Press, 1998).

⁵ David Andrews, “Germany, Maastricht and EMU: The Limits of Integration Theory,” *Paper Presented at the Annual Convention of the International Studies Association*, Atlanta, 1992; Martin Feldstein, “The Political Economy of the European Monetary Union: Political Sources of an Economic Liability,” *Journal of Economic Perspectives* 11(4), 1997, pp. 23-42; and Charles Wyplosz, “European Monetary Union: Why and How it Might Happen,” *Journal of Economic Perspectives* 11(4), 1997, pp. 3-22.

⁶ Kenneth Dyson and Kevin Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union* (Oxford: Oxford University Press, 1999); David Howarth, *The French Road to European Monetary Union* (London: Palgrave, 2001); and George Ross, “Monetary Integration and the French model” in Andrew Martin & George Ross, eds. *Euro and Europeans: European Monetary Integration and the European Model of Society* (Cambridge: Cambridge University Press, 2004), pp. 76-102.

breaking down remaining barriers to EC financial and monetary integration.”⁷ Frieden, however, only presents a few suggestive patterns. For example, he cites the fact that British membership of the Association for the Monetary Union of Europe (AMUE) consisted of eight financial firms and related services, two diversified multinational corporations, and two major exporters.⁸

Andrew Moravcsik also took into consideration the preferences and role of domestic socioeconomic actors in his book, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, where he tested two competing hypotheses to account for EMU and other European integration milestones: a geostrategic explanation and a political economy one. He rejected the main geopolitical arguments for EMU and found evidence supporting a political economy explanation. However, the influence of economic interests in his case study of EMU was inconclusive for he wrote:

Although the evidence permits some tentative conclusions, in particular the rejection of objective geopolitical factors in motivating the move to EMU, a more precise and reliable determination of the relative weights of economic interest and European ideology in each country must await the availability of more primary sources. In each country records of the preferences and tactics of business groups and the deliberation of national executives remain incomplete.⁹

Contrary to Moravcsik who tends to support Frieden, Kathryn McNamara directly contradicts the argument that the private sector favored the development of EMU in her 1998 study of European monetary integration. She contends that economic actors are not able to assess the distributional consequences of different types of monetary regimes. She argues that, “microeconomic uncertainty casts doubt on the view that the economic

⁷ Jeffrey Frieden, “Invested Interests: The Politics of National Economic Policies in a World of Global Finance,” *International Organization* 45(4), 1991, p. 441.

⁸ *Ibid.*, p. 448.

⁹ Andrew Moravcsik, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht* (Ithaca, New York: Cornell University Press, 1998), p. 428.

benefits of monetary cooperation are compelling enough to stimulate strong and highly differentiated interest group pressures of the type proposed by Frieden, because the groups have trouble formulating and thus acting on a fixed and compelling preference.”¹⁰ She empirically tested Frieden’s assertion that leading financial and multinational firms strongly supported European monetary union by conducting interviews with EU officials and business members of the AMUE. However, she found no evidence to support this claim. For example, she determined that the financial sector was not necessarily in favor of EMU but divided. A single currency would cause some banking activities such as hedging and currency trading to suffer from a loss of business. Many banks, therefore, had reservations about monetary union. She also reports the inability of some multinational firms to determine their preferences towards monetary union. Finally, she rejects the main evidence brought forward by Frieden by arguing that membership of the AMUE is not an indication of actors’ preferences, asserting that many bankers joined the AMUE to be informed about EMU, not to lobby for it. British banks, for example, would be affected by the creation of a single currency on the continent even if the United Kingdom (UK) was not in the euro zone. They joined precisely for this reason and not out of a desire to push for UK membership. McNamara demonstrates that the AMUE is a problematic case study of actors’ preferences and intentions, as it originated as a political organization that sought the support of businesses and not the other way around. In other words, she characterizes the organization as reactive to political decisions rather than proactive to trigger change.

¹⁰ Kathryn McNamara, *The Currency of Ideas: Monetary Politics in the European Union* (Ithaca, NY: Cornell University Press, 1998), p. 37.

Political scientists, who have taken into consideration business interests when studying European monetary unification, have not reached a consensus on these interests' preferences and role in the project. This scholarly disagreement reflects a problem inherent in the field of political science, namely that, "there is still yet unresolved conflict whether economic interests determine political actions or whether economic behavior adjusts to politically determined situations."¹¹

I address the problem exposed by Hefeker with a case study of British business and the euro. I argue that theories of interest group politics regarding exchange-rate policy can best be tested with the British case. As the United Kingdom government decided, during the negotiations of the Maastricht treaty, to leave the option to join EMU open, the issue was highly debated in the nation. Expression of preferences and positioning of economic actors on the question of monetary integration were more prevalent and easier to observe in the UK than in other EU member states. In addition, because the British government has not ruled out membership, pressure on the government regarding this question should still be observable.

By studying the case of the United Kingdom, my research intends to clarify two highly debated issues in International Political Economy: (1) whether economic actors are able to assess the distributional consequences of monetary integration on their welfare; and (2) whether they try to influence economic policy in a way that maximizes their interests.

¹¹ Carsten Hefeker, *Interest Groups and Monetary Integration: The Political Economy of Exchange Regime Choice* (Boulder, CO: Westview Press, 1997), p. 31.

II. BRITISH ECONOMIC ACTORS AND EMU

1. Frieden's Model

Frieden has provided the most famous model mapping preferences of socioeconomic actors towards exchange-rate policy. In “Invested Interests: The Politics of National Economic Policies in a World of Global Finance,” Frieden reflects on the monetary policy choices that states face in a world where capital increasingly flows freely. According to the Mundell-Fleming model, governments cannot achieve exchange-rate stability, capital mobility, and monetary policy autonomy simultaneously.¹² Only two of these goals can be met, and one must be sacrificed. However, when there is high capital mobility across borders as in today's world economy, the choice left to states is between exchange-rate stability and monetary policy autonomy. Frieden argues that some economic actors would privilege the first goal while others would want the state to conserve its independence of decision.

Frieden's model accounts for preferences of economic actors between a fixed exchange-rate system and a flexible-exchange rate system. However, we can apply it to the choice a state faces between joining a monetary union or conserving its national currency, which will divide economic actors according to the same preference – stability of the exchange rate vs. national monetary policy autonomy.

Frieden contends that export-oriented producers of tradable goods and multinational corporations would prefer a fixed exchange rate. Exchange-rate volatility

¹² For a full explanation of the Mundell-Fleming model, see Benjamin Cohen, “The Triad and the Unholy Trinity: Problems of International Monetary Cooperation” in Jeffrey Frieden and David Lake, eds. *International Political Economy: Perspectives on Global Power and Wealth*, 4th ed. (Belmont, CA: Wadsworth, 2000), pp. 245-57.

involves risks and potential costs for those companies that are dealing with international trade and payments. Hedging as a protection against uncertainty still bears a cost and internationally exposed companies would prefer having a fixed exchange rate in order not to have to worry about currency fluctuations. Frieden remarks that the stability of the exchange rate would be particularly relevant to producers of tradable goods, whose competitiveness depends on price and less so for producers whose comparative advantage is quality. In addition, internationally oriented companies value a fixed exchange rate over monetary policy autonomy because they are not as sensitive to domestic economic conditions since their main markets are abroad. The state's ability to increase or depress local demand through national monetary policy is therefore not a crucial concern to them.

Frieden also identifies two groups that would have opposite preferences and would prefer a flexible exchange rate. One group is producers of import-competing tradable goods for the domestic market. These companies are mainly concerned with local demand and not adversely affected by exchange-rate volatility. Frieden notes that this group might even benefit from exchange-rate volatility as it makes importing riskier and therefore limits foreign competition. The non-tradable sector (for example services, construction, transportation) will also favor a flexible exchange rate, as firms in this group are not required to deal in foreign exchange and are very sensitive to domestic economic conditions.

In addition to preferences of socioeconomic actors towards the stability of the exchange rate, Frieden includes another dimension in his model: preference regarding the level of the exchange rate or the value of the national currency. Frieden argues that tradable producers and non-tradable producers would have opposite preferences

regarding the level of the exchange rate, with tradable producers preferring a depreciated currency. As he explained, “From a differential standpoint, the lower (more depreciated) the exchange rate, the higher is the price of tradable goods relative to non-tradable goods.”¹³ In addition, a depreciated currency is the optimal choice for export-oriented producers of tradable goods, as depreciation makes their products very attractive on foreign markets. For the same reason, import-competing tradable producers will also favor a depreciated currency as the price of imports will be higher than the price of goods produced locally, raising the attractiveness of domestic products. On the other hand, international investors will prefer an appreciated currency that lowers the price of assets they want to acquire abroad.

2. Hypotheses Derived from Frieden’s Model

I use Frieden’s model on the preferences of socioeconomic actors towards exchange-rate policy to derive hypotheses on the position of British business on the euro. A necessary qualifier here is that even though Frieden’s model is useful to study the preferences of economic actors on EMU, it is not a model intended to account for the preferences of actors towards monetary union but towards a fixed exchange-rate system. A monetary union is different from a fixed exchange-rate system in that upon entry, the national currency ceases to exist. A state cannot change its exchange rate without leaving the monetary union and reestablishing its national currency, which would be very costly and highly unpractical.¹⁴ Therefore, in a decision about whether to join a monetary union, the choice that economic actors face is reduced to the first dimension of Frieden’s model:

¹³ Frieden, *Invested Interests*, p. 446

¹⁴ Peter Kenen, “Common Currencies vs. Currency Areas: Preferences, Domains, and Sustainability,” *The American Economic Review* 87:2, May 1997, p. 211.

the elimination of exchange-rate risk with a major trade bloc or the ability of the state to keep pursuing an independent monetary policy. The value of the national currency is not a question anymore, although there might be disagreement about the rate of entry.

From this reasoning, we can safely assume that companies located in the UK that export mainly to continental Europe would be strongly in favor of adopting the euro. For producers of tradable goods whose main market is not Europe but other regions, the value of the monetary union's currency in foreign-exchange markets compared to the value of the national currency to be abandoned will be a consideration. What will matter for these producers is whether the single currency to be adopted is a stronger or weaker currency than the national currency currently in use. This outcome will depend on the monetary policy pursued by the monetary union's central bank compared to that traditionally pursued by the national central bank. As the European Central Bank has maintained an interest rate of about two percent compared to the Bank of England's commitment to a much higher interest rate, the euro has consistently been a weaker currency than the pound. Therefore, both exporters to the euro zone and to other markets should be in favor of Britain's adoption of the euro.

Import-competing producers of tradable goods for the domestic market should be against EMU even though the pound is appreciated against the single currency because of their overriding concern with national monetary policy autonomy. Actors that benefit from an appreciated national currency should be against Britain entering EMU as well. Retailers that can import cheap products from the euro zone to be sold on the domestic market and non-tradable producers in general that benefit from the differential between the prices of tradable and non-tradable goods should be opposed to the single currency.

To summarize, hypotheses derived from Frieden's model on the preferences of economic actors in Britain on the question of euro membership are as follows:

- The business lobby in favor of British membership of the euro should be composed of British exporters to the euro zone and other markets and foreign-owned multinational corporations established in Britain;
- The business lobby against the euro should be composed of import-competing producers of tradable goods for the UK market, non-tradable producers, and retailers.

III. RESEARCH FINDINGS

Scholars who have attempted to address the preferences of businesses on the question of euro membership have relied on very limited empirical data, usually simply derived from the stated preferences of trade associations.¹⁵ The empirical data used in this case study of Britain and the euro is much more comprehensive, as I not only surveyed the position and lobbying activity of the leading business associations in Britain but also examined the involvement of businesses in the major campaigns for and against the euro, and traced actions taken by large foreign-owned multinationals acting in their individual capacity. The position of business interests, at the beginning of the debate on the euro in Britain, was exactly as predicted by Frieden's model. There was a strong business lobby composed of large export-oriented producers of tradable goods and multinational corporations pitted against a lobby group made up of import-competing producers of tradable goods, non-tradable producers, and retailers, as will be shown.

¹⁵ For example Moravcsik, 1998; Talani-Simona, 2000; Walsh, 2000; and Duckenfield, 2006 solely relied on the position of trade associations in their study of the business position on EMU.

However, business preferences on the question of British membership of the euro evolved over time and veered towards neutrality.

1. Initial Position of Business Interests on the Euro

In the United Kingdom, three leading trade associations represent different business interests. The Confederation of British Industry (CBI) represents large manufacturers and is dominated by a few influential corporations, the Institute of Directors (IoD) acts on behalf of medium-size companies mainly involved in the services sector, and the Federation of Small Businesses (FSB) is the leading lobby group for small businesses and self-employed individuals. The position of the trade associations on the euro was as predicted: The CBI, whose membership includes many tradable goods producers exporting to the euro zone, was in favor of Britain adopting the single currency and joined the pro-euro campaign. The FSB, whose members do not trade internationally and have little to gain from stability of the exchange rate but much to fear from the government's loss of independent monetary policy, was strongly opposed to the euro. The IoD, representing many businesses involved in the non-tradable sector was also opposed to Britain joining the euro.

As the British government of Tony Blair had promised that there would be a referendum on the euro, two campaigns for and against the euro, backed and funded by business interests, were launched in Britain in 1998, in preparation for the referendum. The pro-euro campaign, Britain in Europe (BiE), was chaired by Lord Colin Marshall, Chairman of British Airways and President of the Confederation of British Industry. Some of Britain's largest businesses contributed significant sums of money to BiE. For

example, the multinational corporation (MNC) Unilever – maker of the internationally popular Dove soap and Lipton tea – donated £270,000 to Britain in Europe from 1999 to 2001.¹⁶ Other companies that supported the organization with generous donations were British American Tobacco that supplied £25,000 over 2001 and 2002 to help the cause, as well as B.A.E. Systems, the British MNC specialized in defense equipment, which contributed £50,000 in 2002.¹⁷ British Petroleum was yet another important contributor that helped set up the Scottish branch of BiE.¹⁸

Business for Sterling (BfS), a pressure group opposed to British membership of the single currency, was also launched in 1998. It was chaired by Nick Herbert, the former director of the British Field Sports Association, a domestic hunters club. The bulk of BfS membership consisted of companies that mainly operate in the domestic market and have very little trade with Europe. For example, prominent members were the leading British food retailer Sainsbury that dominates the British supermarket industry; Dixons, the UK retailer of electronics; and Hanson, the UK leading supplier of heavy building material. Not surprisingly, BfS also benefited from the support of the Federation of Small Businesses and the Institute of Directors, the latter having provided help in setting up the organization.¹⁹

Finally, foreign-owned multinational corporations issued threats of moving their production to continental Europe or not to open new factories in the UK if the government did not adopt the euro in the future. The Japanese MNC Toyota was one of

¹⁶ *Unilever plc.* Annual Reports, 1999-2001.

¹⁷ *British American Tobacco*, Annual Reports, 2001-2002; *B.A.E. Systems*, Annual Report, 2002.

¹⁸ Robert Shrimmsley, "Pro-euro Campaign Reveals Blue-chip Credentials." *The Financial Times*, August 24, 2000, p. 2.

¹⁹ Personal interview with Ruth Lea, Former Head of Policy Unit, Institute of Directors, London, November 30, 2005.

the first companies to pressure the government to adopt the single currency as soon as possible. In January 1997, Toyota started using threats to influence the government that was due, by the end of the year, to state its decision on whether the UK would take part in the first wave of countries adopting the euro in 1999.²⁰ Head of Toyota Hiroshi Okuda announced that the company, which exports 75 percent of its production, would consider building new plants on the continent if the UK did not join EMU. In December 1997, Toyota decided to build its second European plant in France rather than in Britain. Many observers believed that Toyota took this decision because France was in the euro area whereas Britain was not.²¹ In 1999, Nissan also issued threats to move production to the continent if the British government did not make a decision to enter the euro zone in the near future.²² Threats to disinvest started coming not only from the Japanese automotive MNCs but also from Peugeot, General Motors, and BMW that warned the UK car industry might suffer adverse consequences if a positive decision on the euro was not taken.²³ Soon the MNCs in the motor vehicle industry were joined by multinational corporations in other industries urging the government to adopt the single currency. In November 1998, 114 industry leaders representing multinational corporations in various fields signed a petition asking the government to join EMU.²⁴ The combined turnover of these companies was estimated at £200 billion, a quarter of the wealth generated in the

²⁰ "Toyota Urges Britain to Join the Euro," *The Times*, January 30, 1997.

²¹ "Britain Loses to France in Pounds 400 Million Fight for Car Jobs," *The Times*, December 10, 1997.

²² "Nissan Urges Early Entry in Euro," *The Times*, August 18, 1999.

²³ "Car Industry Warns of Bleak Future if UK Fails to Join the Euro," *Financial Times*, October 26, 1998.

²⁴ "Join Euro, Urge Business Leaders," *The Northern Echo*, November 24, 1998.

UK. It was the first time a demand to the government to join the single currency was backed by so many leading businesses.²⁵

Table 1.1: Initial Position of Business Interests on British Euro Membership (1998-1999)

	PRO-EURO	ANTI-EURO
Official Positions	<p>Confederation of British Industry (CBI) <u>Membership:</u> Large export-oriented companies in the manufacturing sector</p>	<p>Institute of Directors (IoD) <u>Membership:</u> Medium-size companies mostly in the service sector</p> <p>Federation of Small Businesses (FSB) <u>Membership:</u> small firms and self-employed individuals operating mainly on the domestic market</p>
Campaigns	<p>Britain in Europe (BiE) <u>Chair:</u> Colin Marshall, Chairman of British Airways, President of the CBI <u>Donors:</u> Unilever, British American Tobacco, B.A.E. Systems</p>	<p>Business for Sterling (BfS) <u>Chair:</u> Nick Herbert, Director of British Field Sports Society <u>Donors:</u> Sainsbury, Dixons, Hansons</p>
Direct Lobbying (threats)	Foreign-owned MNCs	N/A

2. Evolution of Business Preferences on the Euro

²⁵ *Ibid.*

While clear preferences for and against the euro divided the business sector in Britain in the late 1990s, by 2003, the division had eroded, and a neutral stance became the norm. The largest trade associations, the CBI and the IoD, which had been respectively in favor and against membership of EMU, stopped campaigning on the issue and declared neutrality. The euro campaigns both experienced difficulties. The most interesting story is that of Britain in Europe, which lost its focus after it was revamped from a pro-euro campaign to simply a pro-Europe campaign, and slowly lost business interest and support. And finally, the multinational corporations stopped threatening to disinvest and even declared that they no longer wanted the government to join the euro. The following paragraphs explain this transformation in the business sector from intense preferences to neutrality on the euro.

a. Trade Associations

The two main associations, the Confederation of British Industry and the Institute of Directors, had difficulty sustaining an official position on the euro. The British trade associations were very careful in adopting an official position on the euro, taking time to consider seriously the question by polling their members. The policy position taken by each association reflected the opinion of the majority of the membership. However, the policy position each association took, respectively for and against the euro, was short lived.

The CBI announced its position on the euro only on July 22, 2007, shortly after the elections that brought Tony Blair to power. In the run up to this announcement, the CBI had featured impartial debates in its internal magazine, *CBI News*, where both views

on the issue were exposed by different heads of companies. The CBI strove to make the debate an economic one and never let political arguments infiltrate the pages of its magazines and newsletters. As membership of the CBI was divided and not unanimous on the euro. The official position taken by the association was moderate, with the CBI declaring it favored a cautionary “yes,” provided EMU was successful.²⁶ However, the media, especially the anti-euro Murdoch press, was quick to portray the CBI as staunchly pro-euro. The CBI came to make the headlines very often and was accused of putting the interests of downsizing multinationals first by being unequivocally in favor of a policy that divided the nation. Headlines about the CBI being a controversial, fierce supporter of EMU were countless in late 1999.²⁷ By 2000, the CBI decided to declare neutrality on the issue of British membership of the euro.

The Institute of Directors had preceded the CBI in taking a stance on the euro. The IoD adopted its official position on the euro at its annual convention in April 1996 by declaring that the UK should not join in the foreseeable future.²⁸ As was the case with the CBI, the membership of the IoD was divided on the issue of the euro, with about one-third supporting membership of the single currency.²⁹ The stance taken by the IoD was also not sustained overtime. The IoD eventually declared neutrality on the issue. The turning point for the IoD in its involvement in the euro debate came when the “No Campaign,” of which the IoD was an official supporter, released a contentious political

²⁶ Confederation of British Industry, “A Conditional Yes to EMU,” *CBI News*, September 1997, p. 3.

²⁷ See for example, Mark Atkinson, “CBI to Plump for the Euro,” *The Guardian*, July 20, 1999, p. 23; Robert Lindsay, “CBI Members Back Blair Over Joining Euro,” *Birmingham Post*, July 21, 1999, p. 17; Rik Kendall, “CBI Comes Under Attack for its Pro-Euro Stance,” *The Journal*, July 29, 1999, p. 29; and Olivier Morgan, “CBI Tips Towards Euro as Top Dogs Join Lobby Group,” *The Observer*, November 28, 1999, p. 3.

²⁸ “IoD Rejects a Single Currency,” *The Times*, April 25, 1996, p.25; Nick Herbert, “IoD Membership Backed Stance over Euro,” *Financial Times*, January 8, 1999, Letter to the Editor, p. 14.

²⁹ Herbert, “IoD Membership Backed Stance over Euro”

advertisement to be shown in cinemas across Britain. The anti-euro ad featured British comedian Rik Mayall dressed as Hitler lifting his arm in a Nazi salute and saying, “*Ein Volk, ein Reich, ein Euro,*” a direct reference to the Nazi slogan, “*Ein Volk, ein Reich, ein Führer.*”³⁰ The distasteful clip was not well received in the country, as it was deemed totally inappropriate and insulting to the memories of the Holocaust victims. The IoD did not want to be associated with a lobby group that had become too radical in its opposition to the EU. Shortly after the advertisement was shown, the IoD asked that its name be withdrawn from the list of official supporters of the “No Campaign.”³¹ Subsequently, the association declared neutrality on the euro debate.

The two main trade associations in Britain with clashing interests took opposite stances on the euro and then reverted to neutrality when attacked by the media or when acquiring bad publicity by being associated with a radical political argument. This shows that trade associations are particularly concerned with their public image, as they represent a multitude of companies. Pleasing and retaining members is crucial to the life of the association. Therefore, trade associations’ positions on controversial policy issues are likely not to be sustained. Digby Jones, Director of the CBI, illustrated this reality when he explained his decision to declare neutrality on the euro: “You don’t have to be a rocket scientist to know that the euro is a divisive subject. I didn’t change our policy but what I did was to say let us concentrate on the things that unite us.”³²

b. The Pro-Euro Campaign: Britain in Europe

³⁰ Respectively, “One people, one empire, one euro,” and “One people, one empire, one leader.”

³¹ James Blitz and Cathy Newman, “IoD Refuses to Lend Name to No Campaign: Organization Insists on Staying Independent in Debate on UK Entry,” *Financial Times*, July 5, 2002, p. 2.

³² Digby Jones interview cited in David Smith, “CBI Chief Makes Strides by Steering Away From Euro,” *Sunday Times*, July 30, 2000, p.10.

While the CBI declared neutrality on the euro in 2000, many of its largest members kept their desire to see Britain adopt the single currency and continued to be involved in the pro-euro campaign that had been set up in 1998, BiE. The campaign soon started to worry the Blair cabinet, as the initiative had been started independently by business leaders before the government was certain it needed a coalition to back its *conditional* support for the euro. Members of BiE, however, strongly believed Tony Blair intended to take Britain into the euro and were convinced that he would deliver on this issue. Leaders of BiE, therefore, approached 10 Downing Street to get the Prime Minister involved in the campaign.³³ This was a golden opportunity for the government to assume control of the campaign and change its focus. A new person, chosen by the government, was designated to head the coalition: Simon Buckby, who had successfully run the 1997 Labour Party advertising campaign. Buckby's mandate was to reconfigure the campaign in order to allow the Prime Minister to support it: "I changed the purposes of the campaign and that then allowed Brown and Blair to launch it."³⁴

The main condition for the support of the Prime Minister was that BiE reduce its emphasis on joining the euro and campaign, instead, on a broader pro-EU stance.³⁵ The revamped campaign would aim at addressing and deconstructing common anti-Europe arguments, such as: the EU is nothing but a costly and inefficient bureaucracy; being tied to the EU jeopardizes Britain's special relationship with the US; and EU ties threaten

³³ Personal interview with Mark Littlewood, Former Campaign Director of The European Movement, London, December 2, 2005.

³⁴ Personal interview with Simon Buckby, Former Director of Britain in Europe, London, December 1, 2005.

³⁵ Nick Assinder. "Pro-Euro Group Wins Blair's Backing," *BBC News Online*, June 28, 1999. http://news.bbc.co.uk/2/hi/uk_news/politics/380027.stm.

Britain's identity.³⁶ The argument made to participants of BiE was that such as focus would prepare the ground to campaign later for the euro. For example, Chancellor of the Exchequer Gordon Brown had explained to members of BiE that they needed to first campaign on the pro-European issue. Then, at a later date, he assured them, "...we will move onto the specifics for the Euro, once my five economic tests have been met."³⁷ Richard Laming, member of the European Movement Executive Committee and Public Affairs Manager of the British Soft Drink Association, representing exporters to the euro zone, explained: "It all hinged on these five tests so what the government told us was that once the tests were met, they wanted us to say 'let's join the euro,' but that until they were met, we had to be indecisive about the euro. So we weren't allowed to speak up the need or the urgency to join the euro."³⁸ Therefore, by the time of the official launch of the BiE campaign, the original pro-euro stance of the organization had been significantly toned down. The aims of BiE changed from, "...campaigning for a Yes vote in a euro referendum to campaigning to stay in the EU and keeping open an option to join the euro."³⁹

The official launch of BiE, in October 1999, gathered important figures in the world of politics. Kenneth Clarke, the former Chancellor of the Exchequer under the Conservative government of John Major; Michael Heseltine, former Conservative Deputy Prime Minister; and Charles Kennedy, leader of the Liberal Democrats, joined Prime Minister Tony Blair, Chancellor of the Exchequer Gordon Brown, and Foreign Secretary

³⁶ Mark Tran, "Tory Heavyweights Join Blair for Launch of Britain in Europe Campaign," *The Guardian*, October 14, 1999.

³⁷ Gordon Brown cited in the *Press Association*, Dec 15, 2000.

³⁸ Personal interview with Richard Laming, Executive Committee Member of The European Movement, Public Affairs Manager of the British Soft Drinks Association, London, December 8, 2005.

³⁹ "Don't Mention the Euro," *BBC News Online*, October 14, 1999.
http://news.bbc.co.uk/2/hi/uk_news/politics/474769.stm

Robin Cook in backing BiE. The message was about the benefits of being in the European Union in general. Tony Blair made a speech that started with these inspirational words, “Once in each generation, the case for Britain in Europe needs to be remade, from first principles. The time for this generation is now.”⁴⁰ After making the case that being part of the EU is in the British national interest, Blair reiterated the ambiguous policy of his government on the euro: “In principle, if the single currency succeeds and it is in Britain's economic interest, we should join. In practice, the economic conditions must be met. Meanwhile we prepare so we can decide.”⁴¹

From the time Simon Buckby took over BiE to the general election of 2001, businesses understood the position of the government and what the new director of BiE was doing and why he was doing it. Even though the public stance had been changed, businesses still believed the aims of the campaign were the same and that the government would deliver on the euro.⁴² The message businesses heard from 10 Downing Street was simple: The government would not join EMU in this Parliament, but would most probably join in a second term. Therefore, the Prime Minister needed to have a ready campaign when the government would hold a referendum on the euro. And, there was a very clear signal given to participants in BiE that the Prime Minister *intended* to have a referendum.⁴³ Participants in Britain in Europe, therefore, agreed to delay heavy campaigning for the euro until after the general election that was due to take place in May 2001. At that time, the BiE group would be direly needed to allow the Prime Minister to

⁴⁰ Tony Blair Archives, Speeches, statements and Press Conferences, *Speech by Prime Minister Tony Blair about Britain in Europe*, October 14, 1999. <http://www.number10.gov.uk/output/Page1461.asp>

⁴¹ *Ibid.*

⁴² Personal interview with Simon Buckby, Former Director of Britain in Europe, London, December 1, 2005.

⁴³ *Ibid.* Emphasis added.

make the case for the euro, assess the five economic tests early in the honeymoon period of the government, and probably hold a referendum about 18 months later.⁴⁴

After the general election of 2001, participants in BiE became anxious. Until then, businesses had been patient when told by the government that no serious move would be taken towards membership of EMU in the current Parliament. However, after the general election, businesses started to seriously ask when the adoption of the euro was going to happen.⁴⁵ BiE had fulfilled its agreement to delay heavy campaigning for the euro until after the general election when Chancellor Brown would assess his five economic tests. At that time, therefore, businesses began to put much more pressure on the government to take Britain into the euro. Simon Buckby explained:

After 2001, the position of the campaign was still what I reconfigured it to be, which was being pro European and support the euro when the conditions are right. However, in practice, our approach became much more aggressive and we now started to press the government a lot more [...] The business leaders and I were of the same view that we should join when the conditions are right but we now wanted to encourage the government to *make* the conditions right.⁴⁶

In Blair's second term, however, it became clear that his main priority shifted away from the issue of the euro. Immediately after the election, Blair reshuffled his cabinet in a way that removed from critical positions the most pro-euro figures, whosupported Britain in Europe and criticized the government for its indecision. Foreign Secretary Robin Cook was demoted to Leader of the House of Commons and the more

⁴⁴ Andrew Grice, "It's a Great Mistake to Try and Forget about the Euro until after the Election," *The Independent*, October 20, 2000, p. 4.

⁴⁵ Personal interview with Simon Buckby, Former Director of Britain in Europe, London, Dec 1, 2005.

⁴⁶ *Ibid.* Emphasis added.

Euroskeptic Jack Straw was appointed to the post of Foreign Secretary in his place.⁴⁷ Similarly, Steven Byers lost his post of Secretary of State for Trade and Industry and was reappointed as Secretary of Transport, effectively moving him out of “the single currency limelight.”⁴⁸

Businesses engaged in BiE started to seriously doubt the intentions of the government to fulfill its part of the agreement. They now resorted to issuing threats to disinvest if the government continued to be undecided on the euro issue. Chairman of Unilever Niall FitzGerald, for example, told the press: “Everything on which we have based judgment up to now has assumed that by 2002 – sometime in the second half of 2002 – there will be a referendum which will probably be won.”⁴⁹ FitzGerald added that a confirmation that “the ground rules have changed” might prompt Unilever and other big corporations to rethink whether the UK is the right place to locate its manufacturing facilities that employ thousands of Britons.⁵⁰

The threats to disinvest did not materialize when Gordon Brown finally gave his assessment of the five tests, in June 2003, and declared that only one of the tests had passed. Whereas from 1998 to 2001, internationally oriented businesses had intensely lobbied the government to join the euro, by 2003, many had lost interest in the issue. BiE had started experiencing great financial difficulty in raising enough money to reach its targeted budget, as donors had become scarcer.⁵¹ Public records of BiE’s finances

⁴⁷ Kamal Ahmed, “Blair Axed Cook over Euro Row: PM Feared Cabinet Split on Currency,” *The Observer*, June 10, 2001, p.1.

⁴⁸ *Ibid.*

⁴⁹ Kevin Brown, Ed Crooks and Adam Jones, “Pressure from Companies that Want the UK to Say Yes,” *The Financial Times*, June 12, 2001, p. 4.

⁵⁰ *Ibid.*

⁵¹ Personal interview with Mark Littlewood, Former Campaign Director of The European Movement, London, December 2, 2005.

revealed that in 2002, “the group’s cash reserves collapsed by 98.8%.”⁵² Large donations from businesses became a thing of the past, as in 2002, only nine companies gave more than £ 5000 to the cause.⁵³ Many of the large donors initially involved in the campaign stopped supporting BiE and went on to worry about other issues.⁵⁴ The negative assessment of the five tests in June 2003, therefore, did not lead to a huge uproar in the export-oriented business community. The real disillusioned actors were not heads of international corporations but the administrators of the campaign. Director of BiE Simon Buckby resigned his position shortly after the assessment of the five tests.⁵⁵ Upon leaving, he declared that he had realized early in the second term of the Labour government that the army originally set up to fight for the euro was never going to take arms: “The first signs that we might never fight at all came in the early days of the second term. We had assumed that then was the moment, but we were publicly told to ‘cool it’ until ministers were ready. The problem was, they never were ready.”⁵⁶ After the departure of Buckby and the loss of business support, BiE moved its focus to campaigning on a different issue: the EU constitution. The organization officially ceased to exist in August 2005 after the “no votes” on the EU Constitution in France and the Netherlands.⁵⁷

c. Multinational Corporations

⁵² Brian Brady and Allister Heath, “Sterling Crisis for Pro Euro Pressure,” *The Business*, May 11, 2003, p. 2.

⁵³ *Ibid.*

⁵⁴ *Ibid.*

⁵⁵ “Euro Campaign Chief Quits as Referendum Evaporates,” *The Guardian*, Sept 10, 2003, p.8.

⁵⁶ Simon Buckby, “More in Sorrow than Anger,” *The New Statesman*, June 27, 2005.

⁵⁷ *Britain in Europe*, Press release, August 17, 2005.

Foreign-owned multinational corporations had been the most vocal advocates of Britain's entry into the euro zone, lobbying the government directly and very publicly. MNCs had expressed their concern that if Britain did not adopt the euro, it would seriously hurt their competitiveness. Ford, the largest employer in the automobile industry in Britain, had explained that being based in the UK and exporting to the euro zone was the equivalent for the company of paying a tax of 25 percent. The government's response to multinational corporations' complaints was to reassure them that the UK would soon join the euro zone using a similar discourse as the one used with British businesses involved in BiE. For example, in 1998, Tony Blair gave assurance to executives of Japan's Federation of Economic Organization that as far as the euro was concerned, Britain would "...definitely join early in the twenty first century."⁵⁸ As MNCs continued to voice their fears, UK Foreign Secretary Robin Cook traveled to Tokyo in September 1999 to reassure Japanese businesses that Britain did seriously intend to become part of the euro zone.⁵⁹

The Labour government also responded to multinational corporations' complaints by heavily subsidizing those industries suffering the most from the UK remaining outside of the euro area. Heavy subsidies to targeted companies were used to compensate for the loss they suffered from the exchange rate. These subsidies effectively provided MNCs with incentives to continue to produce in the UK. Nissan, which had threatened to move its production on the continent, received £97 million from the UK government in 2000, making the Japanese company the most heavily subsidized firm in Britain.⁶⁰ The

⁵⁸ "Blair Assures Japan of Britain's Participation in Euro Currency," *Agence France Press*, January 10, 1998.

⁵⁹ "Cook Warms to the Euro," *BBC News Online*, September 6, 1999.

⁶⁰ "Nissan's Latest Tone is 'Currency Neutral,'" *The Journal*, November 13, 2004.

Japanese MNC subsequently decided to build its new Micra in its Sunderland plant rather than in France. The US multinational corporation Black & Decker was also offered a seven-figure package which prompted the company not to close its manufacturing plant located near Tony Blair's constituency.⁶¹

Similarly, as British businesses involved in Britain in Europe, foreign-owned MNCs did not strongly react after the 2003 negative assessment of the five tests by Chancellor of the Exchequer Gordon Brown. Japanese and other foreign-owned MNCs did not leave the UK as they had threatened to do so. Even Nissan, which had warned the government it wanted, "clear and reassuring signs that Britain was moving towards euro membership" before committing to produce other new models in the UK, did not disinvest.⁶² In September 2004, after Gordon Brown made it clear there would be no referendum on the euro with his decision not to commission a new assessment of the five tests, Nissan announced the production of yet another model, the Tone, in its Sunderland plant. In 2005, Nissan even publicly declared it did not want the British government to join the euro anymore.⁶³ Today, Nissan reports that the UK is not in the euro zone has become irrelevant to the company.

IV. SIGNIFICANCE OF GOVERNMENT'S RESPONSE TO BUSINESS LOBBYING

Research findings show that during Tony Blair's second term, export-oriented businesses stopped agitating over the euro. The preliminary negative assessment of the

⁶¹ Liz Lamb, "Black & Decker Workers' Alarm at Reports of Pull-Out Over Euro," *The Northern Echo*, July 12, 2002, p. 1.

⁶² "UK Need Not Join the Euro – Nissan," *The Northern Echo*, Jan 13, 2005.

⁶³ *The Northern Echo*, "UK Need Not Join the euro – Nissan."

five tests in 1997 and decision not to join the euro with the first wave of EU countries had led to mobilization and major threats to disinvest by large exporters to the euro zone. The 2003 assessment of the economic tests and similar decision not to join in the immediate future, however, left the internationally oriented business community much more indifferent. It seems that businesses gave up on trying to influence the government to make a positive decision on the euro. This passivity on the part of the business community most affected by Britain not taking part in the euro is surprising. Although the initial positioning of businesses on the issue of the euro was exactly as Frieden's model predicted, it was not sustained over time. How can we explain this ultimate lack of perseverance on trying to sway government economic policy from a significant sector of the business community that had initially voiced a clear preference?

The government's response to the business lobby favoring the euro helps explain their loss of interest in continuing to push for the issue. The main strategy of the government, when confronted with a strong business lobby in favor of the euro, was to calm their impatience to join by buying time. This strategy can be seen in the way the government took control of the Britain in Europe campaign by momentarily changing its focus. The same strategy can be observed with the granting of subsidies to corporations affected by the exchange rate in order to convince them to retain production in Britain. In other words, this tactic of buying time was made possible by a government policy on the euro that seemed to let all doors open while retaining complete control of the timing of a decision. The Labour government made it clear at the outset that it would not rush its decision on the euro by making it determinant on the five economic tests to be assessed early in the next Parliament, i.e., in a second term. By pushing the date for a decision on

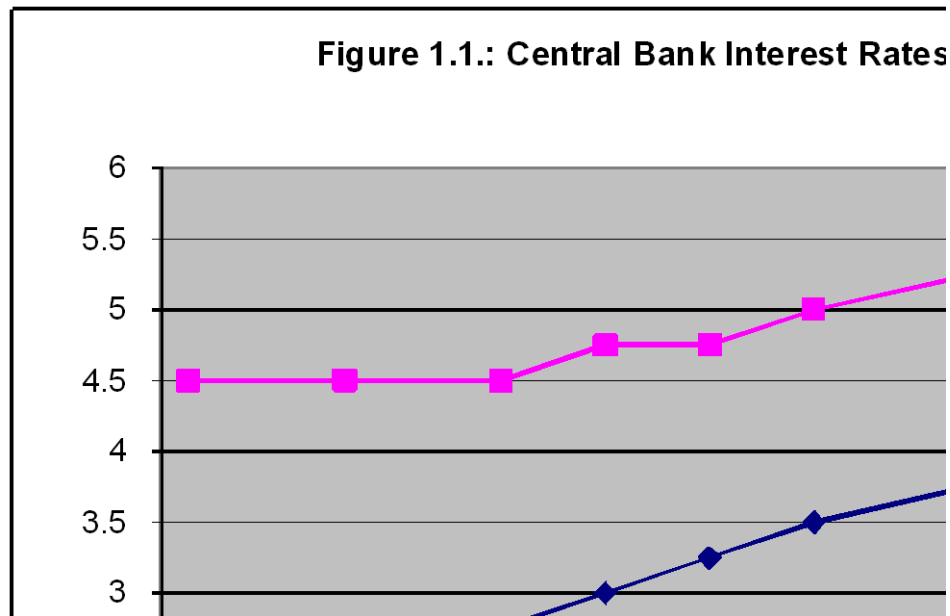
the euro so far forward, the government could hope for two developments that would mitigate against lobbying pressure to join EMU: 1) businesses would have found ways around the currency problem; and 2) monetary policy changes could be implemented in the meantime to minimize the volatility of the sterling with the euro. In fact, these two developments did occur and ultimately diminished the preference intensity for the euro of the internationally oriented business community.

Large businesses with significant markets on the continent realized that life outside the euro zone could be managed. For many firms, it was a matter of shifting the currency risk onto less powerful actors down the supply chain. Nissan was one of the first multinationals to start working around the currency problem that threatened its competitiveness by shifting the burden of fluctuating exchange rate risks to its suppliers.⁶⁴ Nissan required all its suppliers to invoice the company in euros. As long as the invoices in euros do not exceed Nissan's euro revenues, the multinational company avoids currency fluctuation costs. Many MNCs followed Nissan's "currency neutral production strategy" to remain competitive in European markets.

Meanwhile, the Bank of England addressed the export-oriented producers' concern with volatility of the sterling against the euro by closely following the European Central Bank (ECB) monetary policy. Recent empirical research by Plümper and Troeger demonstrates that countries outside of the euro zone, including the UK, tend to closely follow ECB policy in order to protect the competitiveness of their domestic

⁶⁴ "Nissan Drives a Wedge Between the Euro Argument," *The Guardian*, February 2, 2005, City Pages, p. 21.

industries.⁶⁵ Figure 1.1 indicates, for example, that the Bank of England closely follows changes in the interest rate of the ECB.

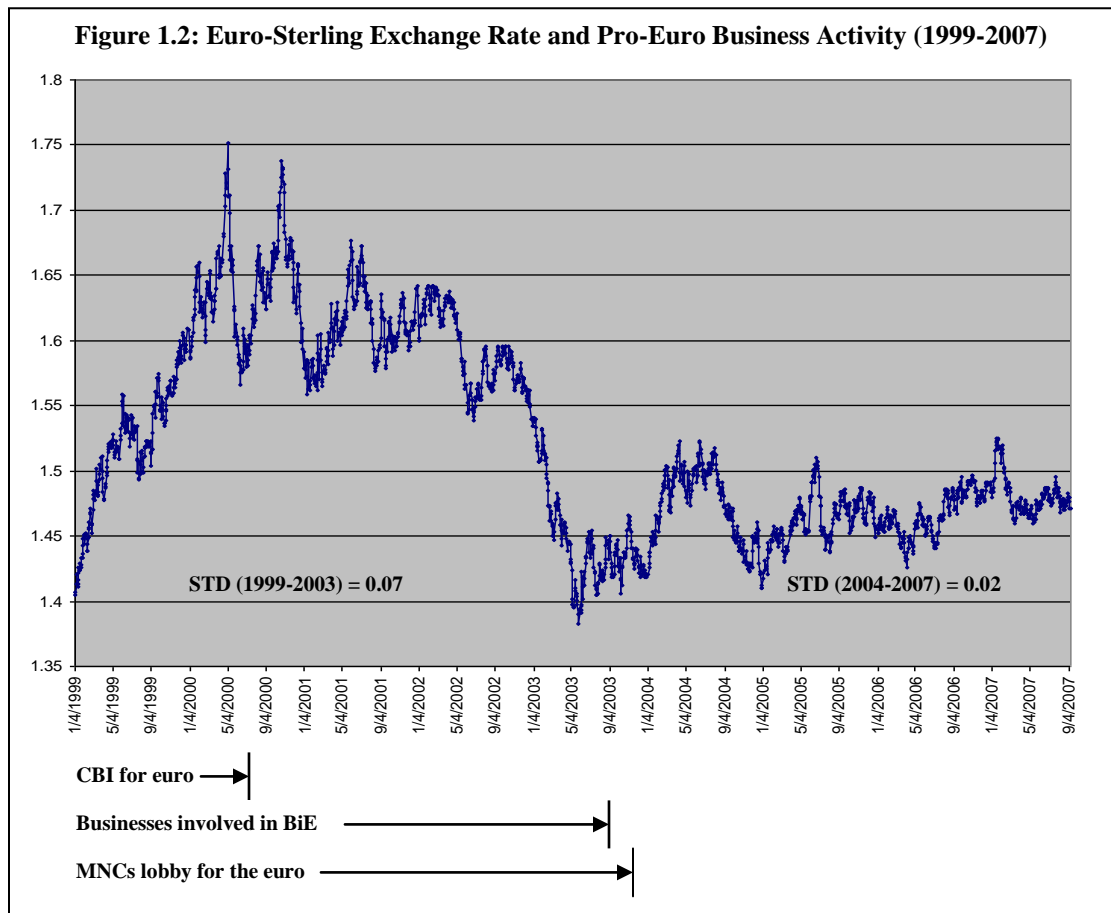


Consequently, the UK today has almost a fixed exchange rate with the euro. As Figure 1.2 below demonstrates, volatility between the sterling and the euro has greatly diminished. From 1999 to 2003, volatility between the two currencies, as measured by the standard deviation, was seven percent whereas it fell to two percent from 2004-2007. Compared to other pairs of currencies, the euro-sterling exchange rate has been very stable in the last few years.

The monetary policy of the Bank of England, therefore, was successful in diminishing the urge of British exporters to be part of the euro zone. In effect, the height of the pro-euro business lobby took place during the time when sterling continued appreciating against the euro, and volatility between the pair of currencies was very high.

⁶⁵ Thomas Plümper and Vera Troeger, “Monetary Policy Autonomy in European Non-Euro Countries, 1980-2005” *European Union Politics* 7(2), June 2006, pp. 213-234.

Internationally oriented businesses began to lose interest in the euro after sterling depreciated and the sterling-euro exchange rate subsequently stabilized. The only outlier in this analysis is the CBI, which stopped campaigning for the euro when sterling was still appreciating and highly volatile against the euro. This shows that the nature of trade associations, which are diversified in their interests and highly concerned with their public image in order to retain members, prevents them from acting as individual businesses do. This fact demonstrates the limitation of relying on trade associations' positions to study business preferences regarding policy issues, which previous scholars have done. To obtain a more accurate picture of business preferences, it is necessary to look beyond the official position of associations.



V. CONCLUSION

This longitudinal study of the business position on euro membership over a 10-year period in Britain sheds light on several disputed points regarding the preferences and influence of business on monetary policy. First, research findings reveal that business actors are perfectly able to determine how a particular monetary regime will affect their interests. This study, therefore, rejects McNamara's claim that businesses are unable to make this determination. The empirical data show that business interests position themselves on major monetary policy decisions affecting the exchange rate – such as EMU membership – exactly as Frieden's model predicts. Frieden's 1991 model is therefore a good predictive tool of how businesses *initially* position themselves on monetary policy. This case study, however, goes further than simply illustrating the initial position of business interests. Specifically, additional insights have been provided as to how different business actors attempt to influence government policy and how the government responds to interest group pressure. This study reveals that large international business interests do not necessarily receive exactly what they demand. Pro-euro British businesses did not pressure the government into a referendum on the euro, even though several studies showed it could have been won by presenting a strong economic case backed by business interests.⁶⁶ Rather, the government was able to dampen their initial enthusiasm and demands for joining the euro with a strategy aimed at buying time.

⁶⁶ Robert Worcester, *How to Win the Euro Referendum: Lessons from 1975* (London: The Foreign Policy Centre, 2000); Mark Leonard and Tom Arbuthnott, eds. *Winning the Euro Referendum: A Guide to Public Opinion and the Issues that Affect It* (London: The Foreign Policy Centre, 2001).

Pro-euro businesses, however, did wield influence over the government, as it had to placate business by providing heavy subsidies and by eventually adopting a national monetary policy that minimizes exchange-rate volatility with the euro. A significant research finding is, therefore, that although the internationally oriented business sector will prefer a fixed exchange rate system or joining a monetary union as Frieden predicts, it will be responsive to an alternative solution. The Bank of England's monetary policy that reduced appreciation of sterling and volatility with the euro was ultimately satisfactory to the business sector with significant trade in the euro zone. Today, in Britain, there is no more lobbying for joining the European single currency even from this business sector that was so adamant about becoming part of the euro zone early on. We can extrapolate that, should sterling appreciate against the euro and exchange rates between the two currencies become highly volatile again, the export-oriented business sector would start demanding that the British government seriously reconsider joining the euro. However, it is likely that the Bank of England will continue to implement a monetary policy that minimizes volatility with the euro by closely following what the European Central Bank is doing. This policy keeps all business coalitions satisfied as monetary policy autonomy is retained, which matters to import-competing producers of tradable goods and the non-tradable sector, while volatility is minimized, which pleases export-oriented producers of tradable goods and multinational corporations.

References Cited

Ahmed, Kamal "Blair Axed Cook over Euro Row: PM Feared Cabinet Split on Currency," *The Observer*, June 10, 2001, p.1.

Andrews, David "Germany, Maastricht and EMU: The Limits of Integration Theory," *Paper Presented at the Annual Convention of the International Studies Association*, Atlanta, 1992.

Art, Robert "Why Western Europe Needs the United States and NATO," *Political Science Quarterly* 111(1), 1996, pp. 1-39.

Assinder, Nick "Pro-Euro Group Wins Blair's Backing," *BBC News Online*, June 28, 1999. http://news.bbc.co.uk/2/hi/uk_news/politics/380027.stm.

Atkinson, Mark "CBI to Plump for the Euro," *The Guardian*, July 20, 1999, p. 23.
B.A.E. Systems, Annual Report, 2002.

Baun, Michael "The Maastricht Treaty as High Politics: Germany, France, and European integration," *Political Science Quarterly* 110(4), 1996, pp. 605-24.

"Blair Assures Japan of Britain's Participation in Euro Currency," *Agence France Press*, January 10, 1998.

Blair Tony, Speeches, statements and Press Conferences, *Speech by Prime Minister Tony Blair about Britain in Europe*, October 14, 1999.
<http://www.number10.gov.uk/output/Page1461.asp>

Blitz, James and Cathy Newman, "IoD Refuses to Lend Name to No Campaign: Organization Insists on Staying Independent in Debate on UK Entry," *Financial Times*, July 5, 2002, p. 2.

Brady, Brian and Allister Heath, "Sterling Crisis for Pro Euro Pressure," *The Business*, May 11, 2003, p. 2.

Britain in Europe, Press release, August 17, 2005.

Britain Loses to France in Pounds 400 Million Fight for Car Jobs," *The Times*, December 10, 1997.

British American Tobacco, Annual Reports, 2001-2002.

Brown Gordon cited in the *Press Association*, Dec 15, 2000.

Brown, Kevin Ed Crooks and Adam Jones, "Pressure from Companies that Want the UK to Say Yes," *The Financial Times*, June 12, 2001, p. 4.

Buckby, Simon "More in Sorrow than Anger," *The New Statesman*, June 27, 2005.
Buckby, Simon, Former Director of Britain in Europe, Personal Interview by the Author, London, December 1, 2005.

"Car Industry Warns of Bleak Future if UK Fails to Join the Euro," *Financial Times*, October 26, 1998.

Cohen, Benjamin "The Triad and the Unholy Trinity: Problems of International Monetary Cooperation" in Jeffrey Frieden and David Lake, eds. *International Political Economy: Perspectives on Global Power and Wealth*, 4th ed., Belmont, CA: Wadsworth, 2000.

Collignon Stefan and Daniela Schwarzer, *Private Sector Involvement in the euro: The Power of Ideas*, New York: Routledge, 2003.

Confederation of British Industry, "A Conditional Yes to EMU," *CBI News*, September 1997, p. 3.

"Cook Warms to the Euro," *BBC News Online*, September 6, 1999.

Don't Mention the Euro," *BBC News Online*, October 14, 1999.
http://news.bbc.co.uk/2/hi/uk_news/politics/474769.stm

Duckenfield, Mark, *Business and the Euro: Business Groups and the Politics of EMU in Germany and the United Kingdom*, New York: Palgrave Macmillan, 2006.

Dyson, Kenneth and Kevin Featherstone, *The Road to Maastricht: Negotiating Economic and Monetary Union*, Oxford: Oxford University Press, 1999.

Eichengreen Barry and Jeffrey Frieden, eds. *The Political Economy of European Monetary Unification*, Boulder, CO: Westview Press, 2001, p.10.

"Euro Campaign Chief Quits as Referendum Evaporates," *The Guardian*, Sept 10, 2003, p.8.

"Europe Campaigners Drop their Call to Kill the Pound," *The Times*, May 13, 2005, p. 12.

Feldstein, Martin "The Political Economy of the European Monetary Union: Political Sources of an Economic Liability," *Journal of Economic Perspectives* 11(4), 1997, pp. 23-42.

"Ford Motor Chief Urges UK to Sign Up for Euro," *Evening News*, November 25, 2002, p. 3.

Frieden, Jeffrey "Exchange Rate Politics" in Frieden Jeffrey & David Lake, Eds. *International Political Economy: Perspectives on Global Power and Wealth*, 4th ed., Belmont, CA: Wadsworth, 2000.

Frieden, Jeffrey "Invested Interests: The Politics of National Economic Policies in a World of Global Finance," *International Organization* 45(4), 1991, pp.425-51.

Grice, Andrew "It's a Great Mistake to Try and Forget about the Euro until after the Election," *The Independent*, October 20, 2000, p. 4.

Hefeker, Carsten, *Interest Groups and Monetary Integration: The Political Economy of Exchange Regime Choice*, Boulder, CO: Westview Press, 1997.

Howarth, David *The French Road to European Monetary Union*, London: Palgrave, 2001.

"Join Euro, Urge Business Leaders," *The Northern Echo*, November 24, 1998.

Jones Digby interview cited in David Smith, "CBI Chief Makes Strides by Steering Away From Euro," *Sunday Times*, July 30, 2000, p.10.

Kaltenthaler, Karl, *Germany and the Politics of Europe's Money*, London: Duke University Press, 1998.

Kendall, Rik "CBI Comes Under Attack for its Pro-Euro Stance," *The Journal*, July 29, 1999, p. 29.

Kenen, Peter "Common Currencies vs. Currency Areas: Preferences, Domains, and Sustainability," *The American Economic Review* 87:2, May 1997.

Lamb, Liz "Black & Decker Workers' Alarm at Reports of Pull-Out Over Euro," *The Northern Echo*, July 12, 2002, p. 1.

Laming, Richard, Executive Committee Member of The European Movement, Public Affairs Manager of the British Soft Drinks Association, Personal Interview by the Author, London, December 8, 2005.

Lea, Ruth, Former Head of Policy Unit, Institute of Directors, Personal Interview by the Author, London, November 30, 2005.

Leonard, Mark and Tom Arbuthnott, eds. *Winning the Euro Referendum: A Guide to Public Opinion and the Issues that affect it*, London: The Foreign Policy Centre, 2001.

Lindsay, Robert "CBI Members Back Blair Over Joining Euro," *Birmingham Post*, July 21, 1999, p. 17.

Littlewood, Mark “Blair Bottles Out,” *The Spectator*, December 9, 1999.

Littlewood, Mark, Former Campaign Director of The European Movement, Personal Interview by the Author, London, December 2, 2005.

Marsh, Peter “Jobs Squeezed by Strong Pound and Eastern Europe: Embracing the Euro Might Help Stem the Tide of Plant Closures,” *Financial Times*, February 3, 2003, p. 5.

McNamara, Kathryn, *The Currency of Ideas: Monetary Politics in the European Union*, Ithaca, NY: Cornell University Press, 1998.

Moravcsik, Andrew, *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, Ithaca, New York: Cornell University Press, 1998.

Morgan, Olivier “CBI Tips towards Euro as Top Dogs Join Lobby Group,” *The Observer*, November 28, 1999, p. 3.

“Nissan Drives a Wedge between the Euro Argument,” *The Guardian*, February 2, 2005, City Pages, p. 21

“Nissan Urges Early Entry in Euro,” *The Times*, August 18, 1999.

“Nissan’s Latest Tone is ‘Currency Neutral,’” *The Journal*, November 13, 2004.

Pierce, Andrew “Euro Campaigners Defy Leader,” *The Times*, December 10, 1999, p. 2.

Plümper, Thomas and Vera Troeger, “Monetary Policy Autonomy in European Non-Euro Countries, 1980-2005” *European Union Politics* 7(2), June 2006, pp. 213-234.

Ross, George “Monetary Integration and the French model” in Andrew Martin & George Ross, eds. *Euro and Europeans: European Monetary Integration and the European Model of Society*, Cambridge: Cambridge University Press, 2004, pp. 76-102.

Shrimpsley, Robert “Pro-euro Campaign Reveals Blue-chip Credentials.” *The Financial Times*, August 24, 2000, p. 2.

Talani-Simona, Leila. *Betting For and Against EMU: Who Wins and Who Loses in Italy and in the UK from the Process of European Monetary Integration*. Brookfield, VT: Ashgate, 2000.

“Toyota Urges Britain to Join the Euro,” *The Times*, January 30, 1997.

Tran, Mark “Tory Heavyweights Join Blair for Launch of Britain in Europe Campaign,” *The Guardian*, October 14, 1999.

“UK Need Not Join the Euro – Nissan,” *The Northern Echo*, Jan 13, 2005.

Unilever plc. Annual Reports, 1999-2001.

Walsh, James. *European Monetary Integration and Domestic Politics: Britain, France, and Italy*. Boulder, CO: Lynne Rienner, 2000.

We Need You in the Eurozone, Ford Boss Warns Britain,” *Birmingham Post*, November 26, 2002, p. 17.

Worcester, Robert. *How to Win the Euro Referendum: Lessons from 1975*, London: The Foreign Policy Centre, 2000.

Wyplosz, Charles “European Monetary Union: Why and How it Might Happen,” *Journal of Economic Perspectives* 11(4), 1997, pp. 3-22.