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Britain's discord on Europe's money

Britain is rehearsing again the role of black sheep at Europe's next intergovernmental conference, running the risk of alienating potential allies and perpetuating confusion among its voters.

A YEAR in advance of events for a change, Britain seems to be bent on opting out of any decisions taken by the Intergovernmental Conference of the European Union (EU) planned for next year. The explanation is simple; the governing Conservative party cannot agree within itself on European policy and especially on Britain's adoption of the proposed common currency for Western Europe. The prime minister, Mr John Major, although an enthusiast for European collaboration in the past, is now delicately poised between the sceptics who will have no truck with a common currency and those who believe its coming is inevitable; he has taken to saying that the project is unattainable in 1997 (the first date specified in the Maastricht Treaty), but not where he stands on membership at a later stage.

Thus threatens a tragicomedy, at least for Britain. The original plan for next year's conference was that it should make a start on strengthening collaboration between European countries in political and military affairs. No good purpose will be served by letting it be hi-jacked by arguments over a common currency, especially if they consist of restatements of British ambivalence. It is not as if the other issues can be left on ice. Just in the past week, EU member states (Britain included) have been agonizing over immigration policy, for example, while the noises from the United States that Britain should further reduce the striking capacity of its Trident nuclear submarines creates an urgent need for an Anglo-French understanding on strategic policy within the Western European Union.

On the common currency, British confusion mirrors abiding ignorance everywhere. The Maastricht Treaty is explicit about the conditions that potential users must meet before they can belong. There are upper limits on the rate of inflation, on the public sector deficit as a percentage of gross national product and on government debt (by the same yardstick). Otherwise, it has been agreed that there should be a central bank (called the European Monetary Institute), which will be politically independent of member governments. Its chief function will be to manage the foreign (or non-European reserves) that back the currency and to determine monetary policy (including interest rates) for the whole of Europe. But there will yet be endless argument about the institute's terms of reference as well as about the continuing obligations of member governments.

British politicians are right to say it is inconceivable that these questions, which are political as well as technical, can be settled in time for a start on a common currency by 1977. One difficulty is that there is no obvious mechanism by which countries that run into economic difficulties can be rescued by the centre. But if there were, there would be no obvious way of preventing wayward governments from mismanaging their affairs in such a way as to invite rescue. That is the awkward dilemma that leads Britain's Eurosceptics to fear that a common currency would lead inexorably to a federal Europe. And it is difficult to see how these issues could be managed over the long haul without a greater degree of political cohesion than at present.

The other side of the coin is too little talked about. Apart from the chaos and cost of operating a unified economic system with fifteen autonomous currencies, the stability that a common currency would bring would benefit not simply businesses now operating internationally, but also people whose jobs depend on capital investment in new technology. One of the most serious consequences of British ambivalence on the issue is that these aspects of a common currency are inadequately discussed. That would not be the first occasion on which an important European development had been improperly explained to British voters. (The Thatcher government signed the European Single Act in 1986 without quite knowing what it had undertaken, and then kept silent.) This time, the result may simply be to drift into a situation in which a more fragile sterling remains legal tender, but most trade is carried on in the new European currency. □

Microsoft and the law

The US courts' worries about Microsoft's success should be diverted into more tangible directions.

EVEN Mr Bill Gates, the chairman of the software company Microsoft, should not be surprised that a federal judge has overturned the deal struck between his company and the US Department of Justice at the end of last year. After three years of investigation, the department had concluded that allegations that Microsoft's commercial dealings are designed to stifle competition were partly, but only partly, valid, and the company was required to put up with demeaning external supervision of its commercial contracts for many months ahead. Predictably, Microsoft's competitors were not satisfied with the proposed terms of the deal, and applied to the courts for judicial review. This they will now