The Domestic Influences on British European Policy, 1964-67

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Abstract

There can be little dispute that the second application for British membership of the European Community in May 1967 was a major foreign policy initiative. This has been explained as a result of collapsing alternatives for Britain, in a period of economic and political decline. But whilst the application represented a new strand in the Labour Government’s foreign policy, this thesis posits that the motivations for seeking membership were diverse, and certainly not restricted to the traditional prompts for foreign policy.

European policy is not simply shaped by factors in the European and international context; but rather, national governments, at the interface between international and domestic pressures, are subject to a broader range of influences which impact on policy development. Specific national and domestic conditions affect both assessments of national interests, and also the most appropriate means to their fulfilment.

This thesis has three concerns: firstly, to examine the evolution of European policy between 1964-67, taking account of domestic and external factors that shaped assessments of British interests; secondly, the management of European policy within the Labour Party; and thirdly, the presentation of policy to the Labour Party and public. This research adds to the existing literature by foregrounding the domestic sphere in the development and management of European policy, and concludes that the Labour Government’s application for British membership of the European Community was an imperfect solution to the fulfilment of Britain’s national and domestic objectives. Although the application failed in its primary aim of securing British membership, it can still be viewed as successful in achieving a number of alternative domestic and national functions.
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Abbreviations

AEU  Amalgamated Engineering Union
ANF  Atlantic Nuclear Force
BAOR  British Army of the Rhine
CAP  Common Agricultural Policy
CBI  Confederation of British Industry
CET  Common External Tariff
CLP  Constituency Labour Party
CND  Campaign for Nuclear Disarmament
DEA  Department of Economic Affairs
ECSC  European Coal and Steel Community
EDC  European Defence Community
EEC  European Economic Community
EEP  External Economic Policy Committee
EFTA  European Free Trade Association
ELDO  European Launcher Development Organisation
FO  Foreign Office
GATT  General Agreement on Tariffs and Trade
GITA  ‘Going It Alone’
IMF  International Monetary Fund
LCE  Labour Committee for Europe
LHA  Labour History Archive
MP  Member of Parliament
NAFTA  North Atlantic Free Trade Association
NATO  North Atlantic Treaty Organisation
NEC  National Executive Committee
NFU  National Farmers’ Union
NUGMW  National Union of General and Municipal Workers
NUM  National Union of Mineworkers
OPD  Defence and Overseas Policy Committee
PLP  Parliamentary Labour Party
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>PRO</td>
<td>Public Record Office</td>
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<tr>
<td>PPS</td>
<td>Parliamentary Private Secretary</td>
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<tr>
<td>SEP</td>
<td>Steering Committee on Economic Policy</td>
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<tr>
<td>TGWU</td>
<td>Transport and General Workers Union</td>
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<tr>
<td>TUC</td>
<td>Trades Union Congress</td>
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<tr>
<td>UDI</td>
<td>(Rhodesian) Unilateral Declaration of Independence</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>USDAW</td>
<td>Union of Shop, Distribution and Allied Workers</td>
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<tr>
<td>WEG</td>
<td>Wider Europe Group</td>
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<td>WEU</td>
<td>Western European Union</td>
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Introduction

There can be little dispute that the second application for British membership of the European Community\(^1\) in May 1967 was a major foreign policy initiative, especially for a Labour Government whose previous attitude towards European integration had been somewhat qualified. This has been explained as a policy of 'collapsing alternatives'\(^2\) for Britain, in a period of economic and political decline. But whilst the application represented a new strand in Government’s foreign policy, this thesis posits that the motivations for seeking membership were diverse, and certainly not restricted to the traditional prompts for foreign policy. Indeed, an understanding of the second application that does not pay due regard to the domestic level offers only a limited understanding of the contemporary context within which Harold Wilson’s Government submitted its application, and therefore does not present the fullest picture.

Until the recent opening of Government documents at the Public Record Office for the period of Wilson’s 1964-70 administrations, the second application for membership of the European Community in 1967 received less attention than earlier and subsequent periods of Britain’s relations with its continental neighbours in the European Community in general histories of the period.\(^3\) The first application, made by

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\(^1\) The European Community (or simply Community) is used in this thesis as a short hand reference to the three supranational communities: the European Economic Community, the European Coal and Steel Community, and the European Atomic Energy Authority. As John Young notes, the ‘Common Market’ was a popular term for the Community in the contemporary context of this study, and has also been used in this thesis. Another common term, the ‘Six’, has been adopted for the same purpose. In addition, again as Young points out, a range of terms were commonly used, in the contemporary period of this study, to refer to supporters or opponents of entry, including pro- and anti-Marketeers, as well as pro- and anti-Europeans. They too, are incorporated into this thesis: J. Young, *Britain and European Unity, 1945-1992* (Basingstoke, Macmillan, 1993), px.


\(^3\) Brian Brivati notes the disparity between available literature on Conservatives and Europe, compared to Labour and Europe, in B. Brivati, ‘A Problem of Synchronicity: The Labour Party, European Integration and the Search for Modernisation’, in R. Broad & V. Preston (Eds.), *Moored to the Continent? Britain and European Integration* (London, ICBH, 2001), pp193-208 (footnote 2, p207). See also, for instance,
Macmillan in 1961, followed by eighteen months of negotiations for entry in Brussels, represented a reorientation of British post-war priorities, marking the end of a chapter on Britain's world role and the opening of a new one on the scaled-down British role as a regional power. Notwithstanding Labour Party opposition to entry at the time (most forcefully articulated by Hugh Gaitskell at the Labour Party annual conference in September 1962), little over four years after de Gaulle's unilateral veto in January 1963 the successor Labour Government's application indicated it had reached the same conclusions as Macmillan in accepting the declining importance of British power. Thus, the second application represented a general consensus amongst British political elites that Britain's world role was no longer viable. For this reason, it has been regarded by some as little more than an adjunct to the more important first application – and has consequently attracted minimal attention in general accounts of the British relations with Europe.

Subsequent episodes in British-European relations have attracted interest (despite the lack of official documents) because of their particular circumstances. For instance, Wilson's later European machinations, and the unique event of a national referendum on the terms of entry as renegotiated by his Government in 1974-75, interested writers, not only because of the constitutional implications for Government legitimacy as determined by referenda, but also because they revealed that the Labour Party's deep divisions over the subject of membership could not be stifled by prime

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ministerial edict, and thus yielded a creative approach to their management. Some twenty years later, the Conservative Party’s internal disputes over European policy in the 1990s demonstrate the prolonged ability for European questions to polarise opinion within both main political parties, revealing deep-rooted discord about the parties’ articles of faith – the status of the nation in relation to the supranational European organisation.

Labour Party attitudes to European integration prior to 1964

Membership of the European Community has always been a divisive issue within the Labour Party because the disagreements on this matter have far deeper underlying causes. They are symptomatic of fundamental debates between the Party’s opposing factions about the nature of the Party, its principles, objectives and methods; its relationship with the British Parliamentary system and its place within the wider international context. Moreover, European policy has often been the terrain in which the Labour Party’s rival centres of power have played out struggles for control over the Party’s direction. A brief review of the Party’s origins will facilitate an understanding of attitudes to European integration in the post-war period prior to 1964.

The Labour Party encompasses a coalition of interests which came together in 1900 under the auspices of the Labour Representation Committee in order to create ‘a cohesive political party [in Parliament] to represent the interests of working class

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people’. Unlike the Conservative Party, which had to create an extra-Parliamentary organisation in response to mass political participation, the Labour Party was ostensibly formed from ‘the bottom up’. It brought together the trade unions, the socialist groups, the co-operative societies and the Independent Labour Party, but central to the Party’s development, there has never been a definitive meaning ascribed to socialism; indeed, the Labour movement’s apparent ‘booklessness’ has been noted. Consequently, there have always been internal tensions over the Party’s objectives and methods. As Tim Bale comments, ‘both Labour’s foundations and its external walls have historically been pretty shaky’.

The Party’s constitution was designed to keep in check such tensions by promoting a system of internal democracy, splitting authority between on the one hand the constituency parties at local level, as represented by the National Executive Committee (NEC), and on the other the Parliamentary wing, the Parliamentary Labour Party (PLP). In practice, however, the influence of the trade unions effectively dominated the wider Party, by virtue of their block voting arrangements. The PLP historically resisted direction from the NEC and wider Party, justifying their independence through the British political system: their responsibility was primarily to the electorate rather than the Labour Party members. The PLP alone elected the Party’s leader who, as its public persona, effectively overshadowed the wider Party by resisting its controls, hence breaching the principle of intra-party democracy. In turn, the Party leader, when elected as Prime Minister, derived legitimacy from his position as arbiter

12 For the purpose of this work, socialism is assumed to mean socio-economic redistribution of wealth.
of national interests, and was able to exploit the formal and informal powers of Office to overrule the PLP. Richard Crossman eloquently summarised the situation in 1963:

... the Labour Party required militants – politically conscious socialists to do the work of organising the constituencies. But since these militants tended to be ‘extremists’, a constitution was needed which maintained their enthusiasm by apparently creating a full party democracy while excluding them from effective power. Hence the concessions in principle of sovereign powers to the delegates at the Annual Conference, and the removal in practice of most of this sovereignty through the trade union block vote on the one hand, and the complete independence of the Parliamentary Labour Party on the other.\(^6\)

Herein lies the central dilemma of political parties reliant upon popular support: parties, and especially governments, must pursue policies which are broadly in the ‘national interest’, thereby securing support from wide sections of the electorate, but this generally demands the subordination of the sectional interests represented by political parties.\(^7\) Thus, problems recurred within the Labour movement between the two opposing principles of intra-party democracy and Parliamentary democracy. Yet they co-existed because the groups within the Party endeavoured to make the constitution work, and indeed this was accommodated by the its flexibility and ambiguity,\(^8\) whereby the Party’s constitutional development was not forced to keep pace with *de facto* centralisation.\(^9\)

Two discernible strands of thinking emerged within the Party regarding its international policy. The first suggested following socialist principles to promote effective international cooperation, rejecting power-seeking by states; the second was concerned to boost the ‘Party’s electoral chances to win and then retain power and to


\(^{17}\) Panitch, ‘Ideology and Integration’, p185.


offer responses which melded socialist principles with pragmatic pressures to accommodate short-term international imperatives'. This dichotomy had its counterpart in the Party’s attitude towards its economic and domestic objectives, with one strand preferring a radical approach to achieving reform, and the other favouring a gradualist method. Such divisions over the Party’s objectives and methods, imprecisely pertaining to its left and right-wings respectively, were the cause of much internal Party tension. Nonetheless, despite this internal dispute, the Labour Party never embraced revolutionary change, hence its acceptance of Parliamentary, gradualist means to promote socialism.

The thorny issue of relations with emerging integration taking place on mainland Europe in the post-war period added another layer to the intra-Party tensions, but one that blurred rather than underlined existing divisions. Notwithstanding socialism’s internationalist rhetoric, parties of the left owed more to nationalism than internationalism. It was from the national institutions of Government that Attlee’s administrations (in power from 1945-51) derived authority, thus when Britain’s continental neighbours sought new ways to uphold national interests that challenged the sovereignty of existing national institutions, parties of the left were plunged into confusion. On the one hand, rejection of integration risked ‘ignoring the objective reality of the increasing internationalism of power’, whilst on the other, ‘acceptance of the process could facilitate the economic and political strengthening of capitalism, thereby making the attainment of socialism still more difficult’.

For Attlee’s Government, supranational integration provided an issue where domestic achievements (in the form of an extensive welfare programme) and security and foreign policy objectives coalesced to produce firm opposition to British

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23 Newman, Socialism and European Unity, ppxi-xii.
24 Newman, Socialism and European Unity, pxii.
participation. With the emergence of Cold War polarisation, the Government’s main foreign policy aim – to protect Europe from a Soviet attack – was dependent on US participation in European defence. The Government worried that British membership of a united Europe would allow the US to withdraw from the Continent, and perhaps cause them to revert to the isolationist policies they had followed after World War One. To this end, the Government resisted US sponsorship of a united Europe.25

Domestic and foreign policy aims coincided with ideological and partisan reasons to reinforce the Attlee Government's policy.26 The Party had an ideological commitment to the multi-racial Commonwealth, and hoped that the social reform achieved in Britain might provide a blueprint for welfare transferable throughout the organisation.27 Notwithstanding the economic problems which precluded such a scenario, participation in a project towards federal Europe would reduce Britain’s influence in the Commonwealth, and demonstrate its commitment to international capital rather than multi-racial Commonwealth. In addition, many in the Labour Party were concerned that US promotion of a united Europe was designed to bind Europe to the US in opposition to the Soviets. The Labour Party was as yet unwilling to accept the permanent division of the world into Western and Soviet blocs, and was therefore reluctant to consolidate the schism by endorsing federal Europe.

Partisan reasons also drove the Party away from integration. In Britain Winston Churchill was accepted as the champion of the ‘United States of Europe’ idea (yet his commitment to it was equivocal). His stance was an explicit appeal to Western countries to federate in unity against the Soviet threat, but this provoked difficulty for a Labour Party that still harboured hopes that the Cold War would not escalate. Moreover, it would have left Attlee in the uncomfortable position of British premier, but playing second fiddle to Churchill in international affairs. This overstates the cohesion

25 Northedge, Descent From Power, p149.
26 Northedge, Descent From Power, pp144-148.
27 Northedge, Descent From Power, p220. He goes as far as to say that some Labour ministers, recognising that the entrenched British class system could be ‘humanised’ by their reforms, rather than abolished, transferred their hopes for realisation of the abolition of class differences to the Commonwealth sphere.
within the Labour Party, though, and some elements supported the movement towards European unity, entertaining hopes that ‘socialist Europe’ might develop. Indeed, left-wing opinion in the Party explicitly favoured a federal solution to overcome the nascent divisions of Europe, to span East and West Europe, and bring down the Iron Curtain.\(^28\) However, deteriorating relations between East and West (in Berlin and Czechoslovakia) demonstrated the extent of the problem and the necessity of the Western Alliance, hence left-wing support began to recede.\(^29\) Additionally, ‘socialist’ Europe looked increasingly unlikely after 1948, when the European proponents of integration were mainly right-wing Governments. Confronted by Christian Democrats, who would make unhappy bedfellows for the British Left, Labour opposition to integration further hardened,\(^30\) and after 1950 it had all but ‘disappeared from the left-wing agenda, even as an aspiration’.\(^31\)

The Labour Party, out of office when the Six started at Messina in 1955 on the road towards the Rome Treaty, was ambivalent towards the project. Still hoping for a free trade arrangement rather than a customs union, a minority of both right and left-wing elements in the PLP urged British participation in the talks.\(^32\) However, the Six’s project extended beyond merely trade issues, to foresee eventual economic union, which did not enjoy support from the Conservative Government, nor much of the Labour Party.\(^33\)

By the time Macmillan’s Government broached the subject of British membership of the European Community in 1961, opinions within the Labour Party had modified in response to its success. Supranational integration was proving more robust than first anticipated, and yielding a level of growth unmatched in the UK, yet it was

\(^{33}\) One of the Labour Party’s most committed Europeans, Roy Jenkins, is quoted in Broad, *Labour’s European Dilemmas*, p32, as acknowledging in Parliament in November 1956, that it ‘is impossible for us to contemplate going into a full customs union’.
predicated on a laissez-faire approach. The revisionist right of the Party (which emerged as a group through the Campaign for Democratic Socialism in the 1950s) were largely although not exclusively convinced pro-Europeans by now, and were joined in support for membership by ‘electoral pragmatists’ in the PLP who noted the 2:1 majority in public opinion in favour of membership. They supported membership as a means to boost Britain’s national fortunes, economically via accelerated growth, and politically via increased influence in European affairs. Left-wing elements – the Tribune Group, the CND and Victory for Socialism – largely opposed UK entry on the twin grounds that membership of a capitalist organisation made achieving socialism harder, and that it was an imperialist group representing the economic extension of NATO. However, pro- and anti-Market sentiments were manifest within the PLP, matched by similar opinions throughout the wider Labour movement, which defied a coherent left-right split. A left-wing element retained the hope that membership could provide a vehicle towards United Socialist States of Europe, and the revisionist right, led by Party leader Hugh Gaitskell, was by no means united in support for membership. For Gaitskell, the issue was not one of principle, but of the impact of entry on British independence.

Throughout 1961 the NEC debated possible entry, but came to no consensus opinion, therefore adopting a ‘wait and see’ position. Not until the 1962 conference did Gaitskell give the Party a lead on the issue, in his famous speech warning of ‘the end of 1000 years of history’ should Britain become involved in closer co-operation with Europe. The speech’s success rested not only on its resonance with the wider Party, much of which was ill-disposed to membership; it also fulfilled a number of personal needs for Gaitskell relating to his position as leader. His tenure as leader was

marked by conflict, with his reformist agenda (challenging the Party’s ideology and practices\(^{41}\)) provoking intense Party disunity and the disapprobation of the left-wing. By the time the first application was made in 1961, the Party’s wounds were healing, but still raw. The Conservative application for Community membership thus provided a means to unite the Party, being unpopular with both the rank and file members and much of the left-wing – exactly the people that Gaitskell needed to gain currency with in order to secure his position as leader. That he had to break with many of his pro-entry friends on the revisionist right\(^{42}\) was a price worth paying for the greater prize of Party unity: coming himself from within their ranks, they had little leverage over him, and his personal antipathy towards entry coincided with Party needs to take precedence. In addition, challenging the Tories offered a partisan reason for Labour’s opposition to the first application.

But Gaitskell’s break from his friends on the right was incomplete, and despite his impassioned speech, with its brutal anti-European rhetoric (which received a standing ovation from Conference, led by his chief rival for the Party leadership, Harold Wilson\(^{43}\)), the official Party policy was not an outright rejection of the principle of British membership of the Community. Indeed, Gaitskell went so far as to welcome the Community as ‘a great and imaginative concept’.\(^{44}\) On closer reading, the speech was far more ambiguous – it set out five conditions that had to be satisfied before the Labour Party could agree to membership. These were safeguards for Commonwealth trade, safeguards for British agriculture, fulfilment of Britain’s commitments to the European Free Trade Association (EFTA),\(^{45}\) the right to pursue an independent foreign policy, and the right to plan for the British economy. These conditions, in conjunction with

\(^{41}\) In 1959 Gaitskell challenged the Party’s constitution, trying to reform ‘Clause IV’, which contained the Party’s commitment to nationalised industries, and in 1960 he defied a Conference resolution pledging the Party to unilateral disarmament.

\(^{42}\) Broad, *Labour’s European Dilemmas*, p50.


\(^{44}\) Gaitskell, quoted in Broad, *Labour’s European Dilemmas*, pp51-52.

\(^{45}\) EFTA was established in 1959 by Macmillan. Its members were Britain, Sweden, Denmark, Norway, Austria, Portugal and Switzerland.
Gaitskell’s tone, were widely understood to be incompatible with the Treaty of Rome, however they facilitated a compromise between the Party’s pro- and anti-membership factions. Importantly, however, Gaitskell never expressed opposition to the principle of entry, and this fudge was to be the central feature of the Labour Party’s policies on Europe over the next thirteen years. The compromise forwarded at the 1962 Conference unified the Party by aligning the leadership with the mass movement, thereby marginalizing the right-wing supporters of membership. It also offered the illusion of reasserting Conference’s ability to direct Party policy, but in reality Gaitskell was its arbiter, and the five conditions, necessarily based on subjective judgements about the means to fulfil them, were evidence of this. However, pro-Europeans – such as the deputy leader George Brown – could be relied upon to become the custodians of the policy which implicitly conceded that the Party could support membership in the future.

Wilson’s motives for the second application

Wilson won the Party leadership contest just weeks after de Gaulle’s veto of the first application. When he gained Office in the 1964 General Election some eighteen months later, both main parties accepted that membership was off the agenda (although this did not prevent Labour’s criticism of Conservative handling of the application and negotiations). However, two years later, Wilson informed the Commons that his Government ‘mean[t] business’ in securing British membership of the European Community, and the May 1967 vote on Britain’s second application saw the largest Commons majority vote on a contested issue for almost a century. In less than five years, Wilson turned his Party’s majority opposition towards membership into majority support for the second application. This thesis is concerned essentially with both the reasons for this reversal, and the process by which it came about.

Detailed accounts of the second application (written with and without the benefit of Government documents) have acknowledged numerous forces influencing Wilson in the period preceding the second application. Oliver Daddow has set out clearly the ‘conventional wisdom’ on Wilson and Europe, identifying four main arguments in accounts of his conversion to supporting membership.\(^{50}\) Firstly, membership would provide the political vehicle to sustain Britain’s world role; secondly, domestic economic failure necessitated membership; thirdly, domestic and overseas failures prompted Wilson to seek membership to revive his flagging personal fortunes; and fourthly, the application would ‘dish’ the Tories. However, each of these explanations is problematic, containing inherent contradictions.

Political explanations of the second application note post-war British decline, and suggest that membership offered the only viable means for the UK to continue to play a world role. For Lieber, the second application ‘was a story of collapsing alternatives’,\(^{51}\) whose ‘real impetus was political’.\(^{52}\) Kitzinger, amongst other contemporary commentators, observed that the Government was increasingly unable to derive political leverage from its links with the Commonwealth, nor the ‘special relationship’ with the USA, and this prompted the turn towards Europe.\(^{53}\) British leadership of the Commonwealth became progressively irrelevant over time: the Government was unable to resolve the India-Pakistan border conflict in summer 1965, leaving eventual brokerage of a deal to the Soviets; and the Rhodesian declaration of illegal independence (announced in November 1965) proved resistant to any solution Wilson was able to offer, leading to mounting tension within the Commonwealth organisation directed squarely at Wilson. Commercially, the Commonwealth showed indifference to Wilson’s attempts at revival, preferring instead to diversify its trade and


\(^{51}\) Lieber, British Politics and European Unity, p261.

\(^{52}\) Lieber, British Politics and European Unity, p264.

reserves, some of the African countries even going so far as to swap Commonwealth preferences for European Community ones. But, as Philip Alexander has recently shown, Britain’s Commonwealth relations were more than simply symbolic, and were hard to jettison even for the sake of easier entry into the Community, rendering accommodation with the Six, and especially the French, more difficult – and this in spite of the fact that the Labour Government was less willing (than its predecessor) to pledge safeguards for Commonwealth interests in negotiations for entry.\textsuperscript{54}

Linked to the growing estrangement of Britain from the Commonwealth was tension in Anglo-American relations, for if the Government could not command the Commonwealth (and increasingly Cold War problems played out in this arena rather than Europe), its use to Washington dwindled.\textsuperscript{55} For Wilson, the special relationship was a necessity, not only to bolster Britain’s independent power status, but also for security and financial reasons. Maintaining US involvement in European security arrangements remained a Government priority, yet at the same time the US was involved in a conflict with Vietnam that consumed vast amounts of American resources, politically and financially, and could lead the US to review its other overseas defence commitments. However, Vietnam put huge strains on the special relationship, and Wilson’s support for the US actions exacted a heavy price in terms of Labour Party criticism. This was exacerbated by the perilous position of sterling. As the US was Britain’s main banker, Wilson was equally as powerless to dissociate from Washington’s Vietnam action, as he was from the crushing deflation that was a condition of the US-led support packages for the pound. Such realities led some contemporary commentators to the conclusion that Wilson’s approach to Europe represented a sharp turn away from the special relationship.\textsuperscript{56}

However, this is contradicted by an alternative interpretation of political motivations, where rather than a break with the USA, membership represented a means

\textsuperscript{54} P. Alexander, ‘From Imperial Power to Regional Powers: Community Crises and the Second Application’, in Daddow (Ed.), Harold Wilson and European Integration, pp188-210 (pp204-205).


to reinforce the special relationship. The Labour Government saw a powerful bloc emerging in Europe, exclusion from which would leave the UK increasingly isolated. Not only could the Six define authoritatively the extent of political union in Western Europe, but this would also demote London as Washington’s main European ally, thereby intensifying the decline in Britain’s world status. If this were the case, it could leave Britain in a position of increasing subservience to the US, reliant on American security and financial support, but badly placed to influence American global and European policies. Moreover, a politically unified Europe, dominated by de Gaulle, could undermine the basis of Western security. (This was an acute concern in March 1966, when the French announced their unilateral withdrawal from NATO’s integrated command structure.) Consequently, British membership of the Community might involve less encroachment on foreign policy than continuation of the current arrangements. For many observers, then, Britain would assume leadership of Europe, to provide an alternative base for the exercise of British influence on the world stage: a substitute for the imperial role. This was bolstered by confidence in British parliamentary and diplomatic superiority; termed British ‘exceptionalism’ by Brian Brivati.

Even if, as Daddow notes, most commentators are in some measure of agreement that economic factors account for the second application, this, too, is problematic. Labour’s flagship policy in 1964 was national planning. In place of the damaging ‘stop-go’ economic policies of the Conservatives, Labour would enact

57 Broad, Labour’s European Dilemmas, p62.
59 A.J. Nicholls, ‘Britain and the EC: the historical background’, in S. Bulmer, S. George & A. Scott (Eds.), The United Kingdom and EC Membership Evaluated (London, Pinter, 1992), pp3-9 (p5); also, George Brown’s remark to Willy Brandt, that the latter must assist British attempts at entry in order that Britain could lead the EEC, quoted in Young, Britain and European Unity, 1945-1992, p101.
structural reforms to modernise industry, rationalise production and thereby boost growth. However, faced with a huge balance of payments deficit upon taking Office, these intentions were undermined from the outset when Wilson, in conjunction with Callaghan and Brown, accorded the highest priority to maintaining the value of the pound at $2.80. Over the next three years, until devaluation in November 1967, the Government faced recurrent economic and financial crises, related to the pound’s vulnerability in the eyes of speculators. Short-term pressures necessitated large international loans, but these came at the expense of long-term planning. International financiers made domestic deflation a condition of their loans: forcing the Government to cut planned public investment and expenditure and relax its commitment to the inflation-inducing policy of full employment, to demonstrate the financial rectitude necessary to restore confidence in the currency. The harshest deflation occurred in response to the July 1966 sterling crisis, and effectively signalled the end of the Government’s attempts at indicative planning. It was in the economic fall-out from this crisis that many saw the genesis of Wilson’s commitment to Community membership:\(^{64}\) tariff-free access to its larger market providing a dynamic environment within which to achieve the Labour Government’s economic and industrial goals, forcing British industry to modernise by exposure to European competition, and also attracting inward investment. Brian Lapping (a ‘Young Fabian’ at the time) said that membership was one of many ‘cure-alls’ applied (unsuccessfully) by Wilson’s Government to overcome economic decline.\(^{65}\)

Yet the economic benefits of membership were disputed. In the long term Britain might gain, but this would be undermined by the short-term strain upon the balance of payments, which would be real and severe.\(^{66}\) Thus economic arguments for membership suggest a longer-term strategy from Wilson than is usually accorded to him. Moreover, it was widely acknowledged in British policy-making circles (as well


as within the Community) that membership was not in prospect without prior sterling devaluation. Wilson's commitment to maintaining sterling's value, then, adds confusion to his economic motives for the application. However, that membership could provide a framework for the resolution of long-term problems of the pound's over-valuation (which crippled the British economy), was yet one more economic reason in support of membership. Nonetheless, the precarious position of sterling, at the whim of speculators, cautioned against any public or much private discussion of this from Government.

The nature of personal reasons in Wilson's motivations for the second application is likewise disputed. Faced with domestic failure (the demise of the National Plan) and external crisis (in Rhodesia), Wilson required a new initiative to divert attention from his dismal record, and the rifts this was opening up within the Parliamentary Party. In addition, Party advisors warned of a dangerous malaise engulfing the PLP. Well-known for his use of 'gimmicks', Wilson saw 'dynamism-by-association' in Community membership: becoming the figurehead for this new European venture offered a means to halt the sense of drift by providing a strategic goal (in place of planning) around which the PLP could rally. Yet opposition to entry from a large minority of the PLP indicates that this was not a foregone conclusion. Lynton Robins has proposed a more complex argument, questioning that the application was designed to unite the Party, instead seeing in it an attempt to appease the right-wing pro-Europeans, whose power base grew in tandem with discontent for Wilson's leadership.

A desire to outdo the Tories features prominently in several accounts of Wilson's motivations for the second application. Knowing that de Gaulle's attitude to

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69 Hennessy, *The Prime Minister*, p311.


UK membership had not altered since the 1963 veto, Wilson pursued the application in order to neutralise the issue, demonstrating to the electorate that the French veto, rather than the Labour Government, blocked progress in this direction, thereby preventing Heath from using Europe on the hustings to open up distance between the two main political parties. However, some observers saw the partisan attraction as simply an additional advantage to the prime objective of achieving UK membership.

Perhaps even more threatening to Wilson than Heath’s advocacy of UK membership, though, was the pressure for entry emanating from the Labour Party’s right-wing. George Brown’s centrality to Labour’s European policy is well documented, Lapping going so far as to suggest it was ‘perhaps the clinching factor’ securing the second application. As deputy, Brown enjoyed his own Party following, representing the right-wing in Cabinet. Stephen George has suggested a pact between the leader and deputy prior to the March 1966 election: Wilson indulging Brown’s pro-Europeanism in return for Brown’s loyalty in delivering right-wing support for the leader. However, when the July 1966 economic crisis challenged this arrangement – with Brown leading a Cabinet coalition in support of devaluation, in open conflict with the Prime Minister – Wilson feared a right-wing leadership coup. He averted personal disaster by exploiting the factional distrust within the coalition, and skilfully linking his premiership to the outcome. But the episode soured Cabinet relations, and Wilson became increasingly fearful of his right-wing rivals. Thus (supporting Robins’ argument), the application was regarded as Wilson’s limited concession to appease the mainly right-wing pro-Europeans, safe in the knowledge that de Gaulle would block its progress, but thereby preventing his leadership rivals using it to foment discontent.


75 George, An Awkward Partner, p37.
within the PLP.\textsuperscript{76} Thus, dishing the Party’s own pro-Europeans was as important as
dishing the Tories, regardless of whether the application was the result of an agreement
between leader and deputy, or a means to contain Brown’s influence with the wider
Party.\textsuperscript{77}

This brief survey of the existing literature on Wilson’s European policy reveals
that the ‘conventional wisdom’ on the second application comes to no definitive reason
for the Government’s actions. In addition, other motives have also been cited. For
instance, Douglas Evans, writing in 1975, observed that Foreign Office (FO) official
Con O’Neill was ‘a major influence in swinging a previously lukewarm Labour
Government towards Europe’.\textsuperscript{78} Hugo Young, writing with the benefit of Government
documents, came to a similar conclusion, noting

\begin{quote}
    an elite regiment was taking shape. \ldots a corps of diplomats \ldots present in and around
    the Foreign Office who saw the future for both themselves and their country inside
    Europe. The interests of their country and their careers coincided. It was an
    appealing symbiosis.\textsuperscript{79}
\end{quote}

Officials’ influence cannot be denied: as Michael Stewart (Foreign Secretary between
January 1965 and August 1966) admits, he was persuaded by official advice to ‘take a
more favourable view of British membership of the EEC than I had held at first’.\textsuperscript{80}

Other authors have cited ‘considerable pressure’ for the application from
sectional interests, for instance the CBI and City.\textsuperscript{81} However, on closer examination,

Games: The EEC Applications of 1961 and 1967’, in Broad & Preston (Eds.), \textit{Moored to the Continent?},
pp55-78 (pp71-72).
\textsuperscript{77} Wilson’s biographer, Ben Pimlott, with access to Wilson’s private diaries for the period, finds no
\textsuperscript{78} D. Evans, \textit{While Britain Slept: The Selling of the Common Market} (London, Victor Gollancz, 1975),
p94.
\textsuperscript{79} H. Young, \textit{This Blessed Plot: Britain and Europe From Churchill to Blair} (London, Macmillan, 1998),
pp177-178.
Neil Rollings suggests that the CBI’s impact on policy-formation directly should not be overstated. It reinforced opinions already held in Government, producing some leverage for the case for entry, but the CBI was ‘[not] the formative influence on Government policy on Europe’.82 Donna Lee has noted Community membership offered the best hope of securing British trade objectives, as settlement in the Kennedy Round of international trade talks looked increasingly unlikely in early 1967.83

Douglas Jay, President of the Board of Trade, was foremost in naming the influence of the press on Wilson’s ‘surrender’ to pro-European pressure.84 Faced with a largely hostile press, Wilson went to great lengths to court the Mirror publishing group and its proprietor Cecil King. In Jay’s words, King was ‘a pro-Market extremist’,85 and his implicit threats to withdraw support for Wilson (seen in particular when the Mirror waited until the last moment of the 1966 General Election campaign to endorse Wilson’s candidacy86) led the Prime Minister to fall into line over Community membership. However, King’s diary does not concur that Wilson was at pains to appease him, instead suggesting that Wilson thought his popularity in the country ensured protection from press criticism.87

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84 Jay, Change and Fortune, p366. Evans, While Britain Slept, p61, concurs that Wilson responded to press support for entry.
85 Jay, Change and Fortune, p367.
Additionally, there were a number of external factors affecting Wilson's judgement on Community membership. Firstly, the Community's nature was changing. The Luxembourg Compromise, which ended a seven-month impasse in Community affairs, reinforced intergovernmental procedures for Community decision-making. Secondly, disillusion within EFTA prompted its members to seek accommodation with the Community. Thirdly, Socialist parties made gains in national elections in France and West Germany in 1966. The second and third factors could be expected to build on Community changes of the first: enlargement to include Britain and some of its EFTA partners would further alter Community dynamics (consolidating socialist influence), making membership more acceptable to the Labour Party, and the Community more amenable to British interests.

In summary, the possible motives offered in explanation of the second application are diverse, sometimes contradictory and always open to speculation. Those contributors who have claimed specific instances or reasons for Wilson's European policy, for instance Lapping or Jay, base their arguments on a narrow foundation, implying that it was made in isolation from contemporary events and circumstances, compartmentalising motives for the application rather than recognising the more organic process of interaction between various factors informing policy development. Wilson's biographer, Philip Ziegler, noted the interrelations between Party management and foreign and domestic policies. And Cabinet figures, including Wilson, Brown, Callaghan, Crossman and Castle, have likewise admitted the connections permeating all levels.

In practice, most authors acknowledge that a combination of motives informed Wilson's European policy. Chris Wrigley argues that Wilson's foreign policy initiatives

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...often had a multi-faceted tactical aspect to them. He was like a master chess player engaged in several games at the same time. His motives need to be seen in the context of several interlinked political needs of the time, concerning other international issues and relationships with various allies; national opinion (which he often confused with the comments of the press); annual conferences, and above all, the PLP; often imaginary challenges, or future challenges, for his position from senior colleagues; and a desire to embarrass the Opposition.90

Compounding the smokescreen effect of Wilson’s European policy is his reputation as a devious politician, interested primarily in his own position.91 Nowhere is this more evident than in European policy, particularly when one considers his apparent about-turns in 1971 and 1974. Even his closest aide, Cabinet Secretary Sir Burke Trend, reportedly acknowledged there was ‘layer upon layer upon layer’ to his European policy.92 Moreover, a close Cabinet colleague and advisor to Wilson on European policy management, Richard Crossman, noted separately that Wilson lacked direction in European policy: ‘Does he really want to go into Europe, or doesn’t he? I don’t think he knows himself’.93 Whilst commentators agree there was a certain amount of opportunism in reorientation of policy towards Europe, this was only possible because, although switching between apparently conflicting positions on membership from 1961 to 1975, Wilson possessed a ‘mastery of ambiguity’.94 At each point he made his case, for or against entry, based on the terms currently available rather the principle itself. This was the central feature, indeed continuity, in Wilson’s European policy over time, and it licensed his fluctuations in support for membership, which were themselves dependent upon power dynamics and strength of opinion within the Party. Wilson never viewed membership as an end in itself, it was always a means to serve other

94 Young, This Blessed Plot, p184.
objectives, taking into account the diverse demands placed upon the Party leader, necessarily different in Government and Opposition. In Office, the leadership took greater control of European policy by exploiting various governmental advantages and, where necessary, bypassing the Party’s constitutional decision-making forums and processes. In Opposition, the leader had to be more responsive to the Party’s input and sectional interests.

This returns to the point made earlier, that European questions have the ability to expose deep-seated tensions within political parties. It is the intention of this study to incorporate such constraints into a cogent explanation of the process and presentation of European policy-making, from Labour’s election victory in 1964 and culminating in the second application in May 1967. The ‘conventional wisdom’ naturally has its part to play; however it will be modified by examination of the interrelationships between domestic influences and the government’s European policy. It is not proposed to create a new model of European integration, which would require a comparative study, but simply to demonstrate the intricacies of European policy-making and to highlight some of the aspects necessary in creating a more nuanced understanding of the European policy of national governments, that accounts for its multi-dimensional nature, and acknowledges that it is formed by the arbitration between a number of competing interests, the dynamics of power within and between political parties, and conditioned by specific contemporary and historical circumstances.

Rationale for the domestic focus of European policy-making

Writing in the early 1990s, Alan Milward has reasserted the primacy of national interests in European policy-making, against a background of earlier integration theories that had accounted for the phenomenon with reference to an assortment of motivating factors, including idealism, federalism and functionalism. Milward disputes that integration signalled the subordination of nation states, instead suggesting that the

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phenomenon was created by nations to further their national interests. In the aftermath of war, discredited nations found the best way to earn allegiance from their electorates was via increased economic prosperity. Weakened European states could best achieve this by internationalising at key points. Thus, economic integration was the vehicle by which European nation-states reaped political rewards of survival and legitimacy. Milward's work informs this thesis, insofar as Wilson's Government pursued national interests via the European route, in the hope of gaining national economic and political dividends.

Narrow pursuit of purely national interests in European relations has long been a charge laid specifically against British policy-makers. As noted by Jim Buller, this is a dominant theme of academic and journalistic conceptualisations of the Britain-Europe relationship, resulting in Britain's reputation as an 'awkward partner'. According to its most obvious proponent, Stephen George, several factors contributed to British awkwardness in attitudes towards European integration in the post-war period: domestic political constraints on the positions British governments could adopt (arising from specific British political structures and circumstances); adjustment difficulties for the British economy inside the Community (arising from different trading priorities); problems for British negotiators in adapting to Community methods for bargaining as determined by the original members; and preference amongst many British political elites to favour the US over other partners. By this definition, then, British awkwardness resulted from a set of specifically national circumstances and concerns.

In George's An Awkward Partner, scant attention is paid to the second application for British membership, and what attention it does receive fails to justify British awkwardness based upon his own criteria. For instance, he outlines the broad domestic context of the 1945-1973 period – noting economic and financial difficulties

96 Milward, The European Rescue of the Nation-State, p18.
97 Milward, The European Rescue of the Nation-State, p44.
99 George, An Awkward Partner, p275.
experienced during 1964-67, as well as trade union ambivalence to Wilson’s plans for industrial modernisation\textsuperscript{100} – but fails to link this in any way to Wilson’s European policy, save for a concluding remark that exclusion from the flourishing European bloc threatened British trade.\textsuperscript{101} Additionally, he notes the extent of George Brown’s importance to the second application, as well as his sympathies with French ideas on national planning and a political role for a unified Europe.\textsuperscript{102} However, George does not explain why this failed to convince de Gaulle of Britain’s European credentials. He also states that the FO were convinced of the need for entry (without indicating why they believed this),\textsuperscript{103} therefore with senior officials and their political masters actively seeking accommodation with the Six, this hardly justifies the notion of awkwardness based on diplomatic obtuseness. Moreover, George makes no specific reference to the tension placed on Anglo-US relations prompted by Vietnam, nor French withdrawal from NATO integrated command structures in March 1966, much less to their impact on European policy. Finally, he says nothing of internal Labour Party tension over the second application beyond noting ‘Wilson’s conversion was hardly marked by enthusiasm’.\textsuperscript{104}

In total, then, despite the focus on national circumstances and concerns informing European policy, George fails to unpack the domestic level, and does not draw the links between the internal and external strands feeding into the policy process. His interest in national matters (between 1945-1973, at any rate) really centres on foreign policy matters: a ‘slow adjustment to a changed reality’, whereby Britain was no longer a world power.\textsuperscript{105} George’s work highlights a limitation of the existing literature on the second application. As noted earlier, membership has often been characterised as

\begin{itemize}
\item \textsuperscript{100} George, \textit{An Awkward Partner}, pp10-11.
\item \textsuperscript{101} George, \textit{An Awkward Partner}, p40.
\item \textsuperscript{102} George, \textit{An Awkward Partner}, pp36-37.
\item \textsuperscript{103} George, \textit{An Awkward Partner}, p37.
\item \textsuperscript{104} George, \textit{An Awkward Partner}, p37.
\item \textsuperscript{105} George, \textit{An Awkward Partner}, p39. In fairness to George, the post-war period up to 1973 provides ‘background’ to his main analysis of British membership of the Community, however this does not prevent his claim that the seeds of British awkwardness had already been sown by the time Britain gained entry (p41).
\end{itemize}
a 'valuable solution to a period of economic and political difficulty', albeit serving other personal and political purposes for the Prime Minister. Whether one comes to any definitive conclusion about the motivating factors being political or economic, both point to longer term trends in Britain's post-war status: reduction in Britain's world role and commitments, and reorientation towards Europe. This interpretation is reinforced when taken in conjunction with other significant events of 1967 signalling Britain's retreat from world power: the decision to withdraw defence commitments east of Suez, and devaluation. Together, these three occurrences – all touching upon Britain's relationship with its external environment – might imply a strategic shift in British overseas foreign policy objectives, that was the inevitable result of Britain's post-war decline. This necessarily gives a foreign policy perspective to most accounts of the second application, whilst still acknowledging that this decline was felt nationally before the prospect of membership was taken seriously.

However, such interpretations give a level of coherence to policy-making unwarranted by events. In place of strategic review, Wilson's Government undertook piecemeal changes without attention to the overall direction of British foreign policy. Hence European policy evolved in pragmatic responses to a number of immediate demands, largely in the domestic sphere – be they trade or payments difficulties, industrial or business crises, or Party or personal imperatives. Responding to short-term demands, Wilson's European policy often contained contradictory impulses. For instance, having trumpeted technological cooperation between EFTA and the EEC as part of the bridge-building exercise in May 1965, within a year the Cabinet approved plans to shelve a European multilateral technological development project on cost grounds, only to resurrect the idea of technological cooperation again to present the probe tour of European capitals in November 1966. Additionally, when in Bonn as part of the probe tour, economic straits, compounded by PLP agitation, compelled Wilson

106 Kavanagh and Morris, Consensus Politics from Attlee to Major, p106.
and Brown to raise offset costs for stationing British troops in Germany, despite their primary objective to secure German assistance in pressuring the French to allow UK entry to the Community. Without a strategic review of objectives, then, European policy was the source of frequent inconsistencies, not only in Britain’s relations with other international actors, but also over the role of sterling and its current value. By foregrounding the domestic sphere, it is possible to make some sense of these contradictions, explaining how and why the assessment of British interests reconciled within the domestic framework shaped European policy during 1964-67, and how British European policy incorporated domestic objectives, yet was also constrained by them.

Towards an understanding of the domestic influences on policy

William Wallace, writing in 1974, suggested that the change in British world status represented by events in 1967 (the EEC application, withdrawal of defence commitments east of Suez and devaluation) prompted a more inclusive understanding of foreign policy, to incorporate economic considerations as level or more important than security and defence matters.¹⁰⁹ In other words, economic realities dictated the scope of foreign policy. Moreover, Wallace noted that domestic and international economics are entwined, with much of what may appear to be foreign economic policy close to the heart of the relationship between government and industry.¹¹⁰ This reinforces the focus on the domestic level for understanding the second application for Community membership.

For Wilson’s Government, overcoming the balance of payments problem inherited in October 1964 and coping with successive financial crises necessitated short-term responses, to which manifesto pledges as well as treaty obligations were subordinated. Marcia Williams, Wilson’s political secretary throughout the period, noted that ministers ‘moved from crisis to crisis and spent so much time solving the

¹¹⁰ Wallace, ‘The Management of Foreign Economic Policy in Britain’, p254. He gives the example of government promotion of British exports and export credit guarantees to illustrate the extent of importance accorded to private interests in policy-making.
crisis as they went along that their minds were totally dominated by this'. With so much attention given to immediate demands, particularly when the Commons majority could be counted on the fingers of one hand, crisis management overrode longer-term strategy. This is not to suggest that Labour took Office bereft of policies to implement: the long stretch in Opposition allowed ample time to prepare a domestic package for industrial modernisation and national planning. However, when these proved unsuccessful Labour in Office had little in reserve, having spent its time steering a course between its domestic programme and devaluation, as well as responding to Rhodesian UDI. But throughout the first administration Wilson had been astute enough to avoid closing the door to Community membership. Turning to this option, then, offered an opportunity to fulfil domestic objectives within the European context. That the application generated such widespread support, however, indicates the coincidence of reasons for seeking membership, some long term, some short term, some political, some economic, some domestic and some international. The difficulty in pinpointing a decisive reason why Wilson sought membership certifies the complex relationships between all the influences on European policy. Thus, the purpose of this thesis is to incorporate domestic circumstances into an explanation of the second application, not to downplay external or foreign policy considerations, but to give nuance to the existing interpretations.

Having suggested that European policy is located in national interests, how are national interests to be broken down? Intergovernmental models of state activity suggest that states are coherent units capable of managing external relations, yet pluralist models of state activity offer an alternative to the monolithic interpretation of state activity, positing that national interests are determined by both external and internal influences, which can be ‘a complex and messy procedure’. External influences on British national interests in the period of this study must include the Cold War context, as well as Britain’s relations with its partners and associates in America,

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the Commonwealth and Europe. Existing accounts of the second application demonstrate that these factors played no small part in Government assessments of national interests. Internal influences, however, have received less attention (beyond the Prime Minister’s personal and political ends served by the application). Some writers have offered general ideas about where internal influence originates: Michael Kandiah noting opinions of the public, Parliament, the wider party and cabinet,¹¹³ and Jacqueline Tratt suggesting sources such as political parties, and corporatist and pressure group activity.¹¹⁴

Tratt, with reference to Macmillan’s application for membership in 1961, makes a distinction between policies that develop in response to domestic demand – where decisions are coloured by the nature of the demand and influenced by groups, parties and corporatist interests; and policy development judged to be in the national interest – where the Government determines, within the constraints of external forces and domestic political considerations, what is or is not in keeping with national interests.¹¹⁵ She suggests that, in acting largely independently of the domestic constituency, Macmillan’s Government adopted a top-down approach to European policy, reserving for itself the exclusive right to determine national interests.¹¹⁶ Tratt’s work, like other policy-making studies, concerns how domestic influences impacted on policy-making, rather than incorporating into this why governments adopted specific policies.¹¹⁷ But it is the contention of this study that the policy-making process cannot easily be separated from the sources of policy development. For instance, when Wilson began to take seriously the prospect of a second application around the time of the 1966 General

Election, he set up machinery of Government within the Cabinet Office with special responsibility for European policy. This was more than simply an administrative change; it also represented an attempt to wrest control over European policy from powerful pro-European departmental ministers and officials to contain internal pressures on European policy. This example demonstrates that isolating the process of European policy-making from those factors that helped shape it fails to provide a holistic explanation for European policy. This thesis uses Tratt’s work as a reference point, but posits that although the second application followed a similar pattern of top-down approach after Wilson committed himself to membership, prior to that point European policy was shaped by short-term crises and domestic demands. Once these factors prompted him to reassess his notion of national and domestic interests, Wilson became more open to the possibility of seeking membership, and his management of European policy changed accordingly.

A useful means for accommodating why and how European policy is made is offered by the ‘domestic politics approach’ proposed by Simon Bulmer and Stephen George.\(^\text{118}\) The central assumption of this approach is that national governments’ European policy is not simply shaped by factors in the European and international context, but rather that national governments, at the interface between international and domestic pressures, are subject to a broader range of influences in formulating European policy. This approach takes note of the specific national and domestic conditions that shape both a government’s conception of national interests, and also the most appropriate level – domestic or European – in which they may be fulfilled. Thus, European policy represents only one aspect of a national government’s activity, and it is artificial to separate European policy from domestic activity. As Bulmer notes, it should therefore be possible to explore relationships between domestic economic and political structures and European policy objectives. The domestic politics approach also

incorporates the methods by which governments develop and manage European policy, analysing the dynamics between governments and other domestic political forces (for instance political parties, interest groups or public opinion), which are dependent upon the relative strengths and effectiveness of governments, as well as the general saliency of specific policy issues within the domestic context.

To summarise, domestic politics is shorthand for national concerns that impinge on European policy, including foreign policy, which remains a matter of national interest. Although the domestic politics approach was originally proposed with reference to governments' behaviour within the Community, it is also applicable to the period of this study because it is not based on the institutions and practices of the Community. It is the intention of this thesis to broadly adopt a domestic politics approach to examine Wilson's European policy between 1964-67. This requires attention to how national interests were determined, and assumes that European policy cannot be isolated from the domestic sphere. European policy is produced by assessment of available alternatives, weighing up external and domestic commercial, economic, political and strategic interests in the analysis of national interests. Incorporated in any such assessment is the government's judgement on what is acceptable to domestic interests, depending on its power in Parliament, within its wider party and amongst interested elites, whilst always remembering that public support is the key to retaining power.

Consequently, examination of European policy-making must begin with the Government's ability to determine national interests. This reinforces the prominence of the Labour Government's wider programme, incorporating its objectives at home and abroad. These, in turn are conditioned by internal Party dynamics: the Labour Party's conception of its role, governing structures, principles (in terms of values and social priorities) and how its contemporary priorities fitted into this wider scheme. Internal Party divisions posed challenges to European policy both as it evolved and in the method by which it was managed, setting boundaries for its development and

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necessitating the use of presentational devices. Wilson, taking advantage of the prime ministerial privileges built into the British political system, and those awarded to a party leader, could exploit the divisions within the Labour Party – between its ideological factions and its rival centres of power – to claim and retain authority over European policy. His influence on the Party and hold over the policy-making process proved vital in generating acceptance for the new policy direction of an application to join the European Community, enabling him to override objections from within his own ranks by presenting the policy in terms of national interests. Tied up with assessment of national interests is the self-evident belief of political parties that they, rather than the opposition, are best placed to meet them. Thus Wilson believed that his Government was vital to fulfilling British national interests. Moreover, he believed his leadership of the Labour Party offered the best option for achieving this, so his personal and Party needs were intrinsic to his conception of national interests.

Not only do the internal dynamics of a political Party affect its decision-making, but also the political system itself impacts upon policy. The British political system in the post-war years has seen a party duopoly of Parliamentary seats and a party monopoly of the executive Government. In practice, this has perpetuated the adversarial nature of the Parliamentary system, and the extensive powers available to Governments. Moreover, many of the practices and conventions of the system, in the period of this study (and subsequently), were geared towards assisting the Government in pursuing its chosen course. Decisions were affected by the environment in which they were made and the mechanisms through which they passed in development from initial proposals through to eventual enactment or legislation. In addition, all Government business passed through the filter of the Civil Service. Whitehall’s influence on the policy-making process, although obscured, was nonetheless present. Therefore the interfaces between political parties and Government, and Government and Whitehall are important to any study of policy-making.

Beyond political parties and the formal institutions of Government, a number of factors influence assessment of national interests. Interested groups can impact on policy – either through their leverage on political parties by virtue of their relationship to them (for instance the Labour Party’s relationship to organised labour makes policy enactment that disregards trade union interests difficult to sanction); by direct lobbying from interest groups to Government members at official or ministerial levels, via formal or informal machinery; or appeals above the level of Government to public opinion, in the hope that this will influence Government policies.

Anne Deighton has highlighted the methodological difficulties of opinion polls as a source for historians, not only in terms of the language and presentation used in opinion poll surveys, but also in drawing a correlation between how opinions expressed via polls translate into Government action. The ultimate test of public opinion is voting, yet elections are not fought on single issues. Thus the public can only give assent via the crude measure of party manifestos, rather than a refined judgement on aspects of a party’s programme; nor can polls differentiate between high and low salience issues in any sophisticated way. On the subject of Community membership in the 1960s, psephologists found that opinion was imprecise, unable to differentiate between the political gains and losses associated with membership. Despite these

121 It has not been the intention of this thesis to focus primarily on groups representing agricultural and business interests by original research: they have been studied by others (such as Lieber, *British Politics and European Unity*; and specifically business interests by Rollings, ‘The Confederation of British Industry and European Integration in the 1960s’), however the impact of such interest groups is acknowledged as a factor influencing European policy-making in this thesis.


difficulties, some writers have attempted to demonstrate that public opinion affected specific aspects of European policy, for instance, Lorena Ruano argues that public opinion relating to steep food price rises was a constraint on both Macmillan and Wilson. However, it is hard to determine whether this was the direct result of public opinion, or a more general political instinct for what was publicly acceptable. Nonetheless, many writers acknowledge that favourable popular attitudes on British membership of the Community influenced Wilson’s thinking on European policy, insofar as he aligned the Party’s public position on membership more closely to that of popular opinion. Thus public opinion – whether expressed formally via polls, or in the Government’s political assessment of what will be acceptable to the electorate – may act as a resource of, or a constraint upon, policy-making.

All accounts of European policy foreground Wilson’s role, and this underlines a reading of European policy emerging as the aggregation of a number of sources. Wilson, at the centre of the policy-making network with access to all its components, was best placed to mediate between these interests. But this is not to dismiss the importance of bottom-up pressures acting on Wilson. He did not set the policy-making agenda single-handedly – large elements in the British establishment had supported entry in 1961-63, and the arguments that persuaded them then had not receded, in some cases they had intensified. When Wilson threw his weight behind the approach to Europe, it tapped into an existing body of support within and beyond the Labour Party, including political elites in opposing parties, and press, business and foreign opinion. During the earlier part of the 1964-67 period, however, when Wilson’s assessment of national interests did not coincide with British membership of the Community, these interests pressed their case nonetheless, hoping to create a more favourable environment to further their cause. Thus, Wilson’s centrality to European policy is not at the expense of other influences.

To summarise, then, given that this study assumes that Wilson’s European policy represented an assessment of British national interests reconciled within the domestic framework, this thesis has three specific concerns. Firstly, the evolution of European policy between 1964-67, taking account of both internal and external influences on assessments of British interests; secondly, management of that policy at Party level; and thirdly, the presentation of policy within the Party and to the public. This research adds to the existing literature by foregrounding the domestic sphere in the development and management of European policy. In so doing, it follows a chronological approach, integrating official Government and Labour Party source materials as well as incorporating the opinions of the wider Labour movement by use of the left press, in particular *Tribune* and *Socialist Commentary*, not only on matters directly connected with European policy, but also relating to the wider Government programme and internal Party dynamics. Through a broad understanding of the domestic factors impacting on European policy this study will to add depth to existing interpretations of the second application. Moreover, by foregrounding the domestic advantages of Wilson’s European policy, this study coincides with other recent literature on aspects on the second application, which redress the balance of many earlier accounts of the application as an opportunistic tactic, instead positing that it amounted to a ‘successful failure’.

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127 Although Michael Newman and Lynton Robins have written on Labour Party attitudes to European integration in this period, their work has not benefited from access to Government records, nor do they follow a domestic politics approach. Additionally, Anne Deighton has written on the Labour Party and the second application, but her attention primarily focuses on the development of policy after the 1966 General Election. Moreover, she offers a minimal interrogation of the Party divisions on Europe, and her work does not adopt a domestic politics approach: Newman, *Socialism and European Unity*; Robins, *The Reluctant Party*; Deighton, ‘The Labour Party, Public Opinion and ‘the Second Try’ in 1967’.

Chapter 1: October 1964 - January 1965

The British General Election of October 1964 returned the first Labour Government for thirteen years. Its first 100 days – framed by the General Election at the start, and Parliamentary by-elections in January 1965 – was fraught with Parliamentary insecurity. The public’s mandate to Harold Wilson and his team was inconclusive, and the Parliamentary majority of five ensured that the electorate would soon have an opportunity to judge the Government’s performance in another General Election.

The Labour Government was elected on a programme promising industrial modernisation. During this early period of Labour Party optimism, the Government hoped to find a ‘third way’ between devaluation and deflation to reverse Britain’s industrial decline.\(^1\) Instead of the ‘stop-go’ economic management of its predecessors, Labour would implement a ‘National Plan’ to improve industrial productivity based on state intervention, and would harness technology to the needs of a modern society. These improvements would deliver the sustained economic growth enjoyed by the UK’s industrial competitors, but denied to Britain by successive Conservative Governments’ mismanagement.

However, the new Government’s first priority, upon taking Office, was to correct the balance of payments deficit, estimated at £800 million for 1964 and left unchecked by the outgoing Tories in the pre-election period. If this could not be remedied, the next election would come sooner rather than later. Attempts to regain equilibrium were to frustrate the Government’s domestic objectives until Labour lost Office in 1970. During its first 100 days, alongside crisis measures, including the levy of a 15% surcharge to stem industrial imports, the Government set up new Whitehall ministries – the Department of Economic Affairs (DEA) and the Ministry of Technology – charged with implementing the plans for industrial modernisation.

The surcharge proved unpopular with Britain’s EFTA partners. Not only did it breach EFTA’s own trading regulations, and (of course) adversely affect EFTA exports to Britain, it was also introduced with little prior consultation with EFTA members. Only the US Government was consulted in advance – an indication that the orientation of the new Government was firmly Atlanticist. This was confirmed by Wilson’s efforts, in the form of nuclear policy, to boost Britain’s importance in Washington; and, in conjunction with manifesto pledges to revitalise Commonwealth trade, gave little comfort to those, in the Labour Party and beyond, who harboured hopes of future British membership of the European Community.

The Parliamentary context

The General Election was closely fought and resulted in an unconvincing victory, with Labour winning a majority of Parliamentary seats on a minority of the public vote.\(^2\) The Government’s working majority of five ensured that it was regularly imperilled, until the next election was called in March 1966, by literally the merest bout of illness or bad weather,\(^3\) the first such instance coming within a week of the new Parliament opening.\(^4\) Thus the prospect of another General Election was never far away, and in his own words, Wilson was ‘above all else conscious of our small majority and the utter unpredictability of even the immediate future’.\(^5\) Wilson and his closest allies were ever vigilant for the best conditions to call the election, utilising the advantages of Office to find the optimum time. It was, therefore, somewhat paradoxical that Wilson – credited as an astute political operator – would further endanger the Government’s majority by engineering ill-fated by-elections in Nuneaton and Leyton for Party reasons.

Upon taking Office, Wilson appointed Frank Cousins, leader of the Transport and General Workers Union and powerful left-winger in the Labour movement, to his

new Ministry of Technology. Cousins, however, was not an MP, and could hardly maintain his working class credibility were he elevated to the House of Lords. In addition, Wilson’s first choice for Foreign Secretary, Patrick Gordon Walker, lost his seat in the 1964 election in a racially motivated constituency campaign in Smethwick.  

This presented Wilson with a dilemma – he needed Gordon Walker’s experience at ministerial level, in his otherwise fairly junior administration, however Wilson had been the first to criticise Lord Douglas Home, who as Conservative Foreign Secretary between 1960-63 was unable to answer for the Government from the Commons’ Despatch Box. Therefore, ennobling Gordon Walker was unfeasible. The only option was to find suitable constituencies for both Cabinet members, but Wilson and his advisors misjudged the electorate’s antagonism to such overt political manipulation. The Nuneaton seat was held by Cousins with the majority greatly reduced, but in a repeat of the Smethwick campaign, Gordon Walker lost the Leyton seat to the Conservative candidate, overturning a Labour majority of nearly 8000 only three months earlier.  

By the end of the Government’s first 100 days, the majority was down to three, and Gordon Walker left the administration.

Yet Wilson turned adversity into a virtue. The long years in Opposition left Labour activists hungry for power, and this in itself was worth more (in terms of Parliamentary Party discipline) than a few extra seats to boost the Government’s majority. Indeed, Wilson took advantage of these circumstances - the heightened sense of enthusiasm, both for himself personally and the Government as a whole, and the perilous nature of the Government’s grip on power - to set the boundaries within which Government could be influenced by the PLP, and through it the Party outside Parliament. The 1964 Annual Party Conference provided a valuable opportunity to emphasise the message. The Conference Chairman, Tony Greenwood, imparted the drama of the situation:

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7 Apart from Wilson, Gordon Walker was one of only two other ministers with prior Cabinet experience. The other – the Welsh Secretary Jim Griffiths – was by now 74, and had first become an MP in 1936.

We are holding, and only just holding, the ramparts against a revival of reaction throughout the world. If we go down, reaction will have new prospects of success... History will not lightly forgive any of us who makes the task of the Government more difficult – or its life shorter. In a situation where so much is in peril none of us has a right to indulge our individual inclinations at the expense of the rest of our comrades.⁹

Thus the Party leadership contained wider Party expectations, in order to avoid excessive pressure for policies that might jeopardise the Government’s grip on power. However, Party enthusiasm would not be sustained without progress towards Labour’s domestic programme.

The Labour Government’s domestic agenda

Labour’s long period in Opposition allowed plenty of time to consider their strategy for a future government. *Signposts for the Sixties*, the Party’s policy document produced in 1961, outlined what was to become the basis of the 1964 Government’s programme: economic modernisation through indicative planning. This involved increased state intervention in a mixed economy of public and private enterprise, leading to a ‘National Plan’ for sustained growth in output, with wages linked to productivity.¹⁰ Applying these correctives would reverse Britain’s economic decline at home by rationalising industry to increase its competitiveness. The 1964 manifesto envisioned new governmental machinery for this purpose, including primarily the DEA, which would remove long-term planning from Treasury control, leaving the latter with responsibility for spending decisions.

The Labour Party’s programme contrasted starkly with what its manifesto labelled the Conservative ‘philosophy of the past’, rooted in ‘backward-looking’ practices such as ‘a 19th Century free enterprise economy’. Thus, criticism of the Conservatives’ failed attempt at Community membership fitted well with this critique

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and Labour's alternative model of planning and modernisation. Although not criticising the Community directly, the Labour manifesto saw the Conservative application for membership as a justification of the paucity of free market economics:11 having failed to provide national economic stability to deliver economic growth on the scale enjoyed in neighbouring countries, the Conservative Government 'lost its nerve and prepared to accept humiliating terms for entry into the European Common Market – in the vain hope that closer contact with a dynamic Europe would give a boost to our wilting economy'.12 Moreover, the Conservatives' inability to adapt to the changing realities of the post-war age – the end of colonialism and the new Commonwealth, world poverty and racial tensions, and nuclear technology's implications for national defence – had denied Britain economic expansion at home, and military and political power abroad.13

Although both main political parties agreed during the 1964 election campaign that Community membership was not currently in prospect,14 earlier statements by former Prime Minister Harold Macmillan – that Britain needed membership in order to exercise its 'true strength' in 'a world of giants'15 – demonstrated that the Conservatives considered membership as vital to British national interests, and this accentuated the vacuum left in their strategy. Labour, on the other hand, had never been fully committed to entry; therefore Wilson attempted to make political capital out of the first application's failure during the election campaign. Angry words were exchanged between key Conservative and Labour spokesmen. Heath (who retained his commitment to membership, despite his negotiations for British entry ending in failure in 1963) attacked Wilson's 'bitter anti-European attitude'.16 Wilson, in turn, accused

12 Let's Go with Labour for the New Britain, p256.
13 Let's Go with Labour for the New Britain, p258.
14 The Conservative manifesto noted that 'Entry into the European Economic Community is not open to us in existing circumstances, and no question of fresh negotiations can arise at present': Conservative Party manifesto for 1964 (untitled), quoted in Craig (Ed.), British General Election Manifestos 1900-1974, pp239-254 (p241).
16 Heath, 20/9/64, quoted in Butler & King, The British General Election of 1964, p131
the current Prime Minister, Sir Alec Douglas Home, of ‘sheer evasion and duplicity’ following speculation during the election campaign that the Conservative Government had decided to reopen negotiations. All Home would say on the matter was that, ‘as an election issue, the Common Market was dead’, and this admission marginalized Heath’s charge – that ‘no one was less able [than Wilson] to maintain good relations with Europe’. Thus, membership was reduced to a side issue in the 1964 election, although, through Wilson’s first actions as Prime Minister (see below), Heath’s accusation was to prove prophetic.

Upon taking Office, the Party’s agenda for industrial modernisation was threatened by the extent of the balance of payments deficit of £800 million, for which Wilson was unprepared. When he mentioned a figure of less than £400 million as the possible deficit in a speech two weeks before the election, Conservatives dismissed it as ‘scaremongering’. This trade deficit was compounded by the cost of Britain’s overseas defence commitments in Germany and the Far East. Britain was spending more than it earned, and had been for some time, allowing the deficit to accrue. According to Wilson’s biographer, Ben Pimlott, the permanent civil service officials now advising the Labour Government thought the economic behaviour of their previous Tory masters, in failing to address the growing problem before the election, ‘amounted to criminal negligence’; action to correct the deficit was long overdue.

Labour’s critique of Conservative economic performance considered demand management, or deflation, as part of the problem that prevented sustained economic growth. In addition, the balance of payments deficit was a symptom rather than cause

17 Wilson, no date, quoted in Butler & King, The British General Election of 1964, p132
18 Home, no date, quoted in Butler & King, The British General Election of 1964, p132.
20 Labour’s manifesto confessed, ‘Even now we do not know the full extent of the damage we shall have to repair after thirteen wasted years of Conservative government’, Let’s Go with Labour for the New Britain, p272.
of Britain’s failings. In the medium-term, Labour’s structural reforms affecting the supply side of the economy would break the ‘stop-go’ cycle. Thus, faced with an immediate crisis, the new Government hoped to avoid the deflationary economic lever, in favour of an immediate start on its domestic programme. However, direct action to reduce imports was the first priority.

The options worked out by Treasury officials in advance of the election – devaluation, import quotas, or an import surcharge – were presented to Wilson, his deputy and DEA minister George Brown, and the Chancellor of the Exchequer Jim Callaghan. Although often criticised for failing to devalue sterling immediately from its $2.80 level (unchanged since 1949), ideological and electoral reasons prevented it. Wilson shared the view of his economic advisor Tommy Balogh, that devaluation was a palliative rather than a cure for the underlying failings of a sluggish economy, which would only offer temporary respite. Devaluation could be viewed as a Labour Government taking the ‘easy’ way out of a crisis, rather than addressing the causes of the British economy’s weakness, and would therefore leave sterling vulnerable to speculators in the future. (Moreover, Wilson was concerned that observers would see a pattern between lowering the parity now and the 1949 devaluation carried out by the Attlee Government (of which Wilson was a part), and thus label Labour as a ‘Party of devaluation’.) Yet in Wilson’s assessment, devaluation was not an easy solution, as it would be accompanied by the severe deflationary effects produced by a switch of resources from domestic consumption to meeting the needs of increased exports. This would be tantamount to the abandonment of Labour’s commitment to the alternative economic strategy of planned expansion, which would have a negative effect on Party

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unity as well as Labour’s success in a subsequent election. Brown considered the price rises attendant upon devaluation as an attack on working-class interests. Likewise, for a reserve currency such as sterling, the effects of devaluation were not confined to the home populace, and Wilson was anxious to protect the interests of Commonwealth holders of sterling. As Tim Bale notes, Wilson and Callaghan wanted to demonstrate Labour’s willingness to ‘play by the rules’ of international finance, and this carried weight with both the Treasury and the Bank of England, neither of which supported devaluation.

Having made their decision not to devalue on their first full day in Office and without officials present, Wilson, Brown, and Callaghan then widened the circle of policy-making to include senior civil servants from the Treasury and the DEA, as well as Cabinet Secretary Burke Trend (but not yet the rest of the Cabinet: Richard Crossman’s diary reveals that they were kept in the dark about the magnitude of the crisis, for fear that a leak could jeopardise the pound). There was little resistance to the decision of the three ministers, and of this group of officials, only Sir Donald MacDougall, an outside economist brought into Government by George Brown, favoured devaluation over other methods to control imports.

Reducing imports through the imposition of quota restrictions (the second option proposed by officials) was also ruled out, again because it clashed with the Government’s domestic objectives of industrial modernisation. Even though quotas were a legal provision of international trade law for governments in times of disequilibrium, Wilson feared their negative effect as a disincentive to industrial

33 Brittan et al., ‘Symposium: 1967 Devaluation’, pp46,47.
efficiency and productivity improvements. Moreover, quotas required an elaborate administrative structure that would take time to establish, whereas the extent of the payments deficit demanded immediate action.

The only feasible alternative was a selective import surcharge. Ministers agreed to set the surcharge at 15% on manufactured imports, for a temporary but unspecified length of time. Not only would it deter imports, but, in raising their prices, it would also have a mild deflationary effect, thus making it a useful tool for domestic economic management. Furthermore, by excluding foodstuffs, it bore less damage for domestic consumers. Therefore, the surcharge was the 'least damaging to the home economy of the three proposals'.

Alongside the import surcharge, Wilson (with Brown, Callaghan and now also Douglas Jay, the President of the Board of Trade) proposed a package of measures incorporating Labour's manifesto commitments. This included the establishment of a Commonwealth Exports Council, to plan and promote commerce between Commonwealth countries and reverse the trends of recent years that had seen intra-Commonwealth trade decline. On the domestic side, the main features of the package were an export rebate scheme (i.e. a tax incentive to exporters); and a commitment to begin consultations between unions and industry to reach agreement on productivity and incomes, which was vital to the planned economy. In addition, it promised a review of Government expenditure, starting with 'prestige projects' such as Concorde. These measures were put to the full Cabinet, with little opportunity to consider their implications, or to object. Crossman said the Cabinet 'simply had to accept the fait accompli or resign'.

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By restricting imports, the surcharge amounted to a move towards protectionism in Britain's external trade. The main victims were Britain's industrial trading partners in EFTA and the European Community, and to a lesser extent Commonwealth countries. This was, however, somewhat incongruous with other British commercial objectives. The 'Kennedy Round' of multilateral international trade talks (ongoing since May 1964), aimed to liberalise trade between participating nations and trading groups. British goals in the talks were to secure reductions in the Community's Common External Tariff (CET) to offset the negative competitive effect when the Community's internal tariffs were abolished. Therefore, on the one hand the Government was erecting tariff barriers (albeit temporarily) to rectify the British balance of payments deficit, whilst on the other seeking to reduce them, in order to safeguard British export markets. Yet this contradiction in British external trade policy was the result of an unforeseen level of economic crisis, and driven by the need to protect Labour's domestic programme. The surcharge was the least worst option for the new Government, and demonstrates the primacy given to the Government's domestic programme.

Notwithstanding the economic difficulties inherited by the new Labour Government, Britain's EFTA partners were outraged by the surcharge, which contravened the EFTA Convention. To add insult to injury, the Government had sought approval in Washington for its plans two days before informing its EFTA partners, which, when exposed during a Parliamentary Question in the Commons, caused some embarrassment to the unfortunate FO Minister, Walter Padley, answering for the Government. However, Callaghan argued that this affront to EFTA members' national

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43 Public Record Office (hereafter PRO) FO371/178909, (W)(64)5(Revise), Board of Trade Brief, 'Washington Talks: December, 1964 The Kennedy Round', 26/11/64.
44 Hansard, House of Commons Debates (hereafter HC Debs) Vol. 704, Cols. 25-26, 14/12/64. (Brittan says that European capitals were informed by diplomatic telegrams arriving on Saturday (24/10/64 – two days before the surcharge took effect), when the Foreign Offices were reduced to duty officers: Brittan, Steering the Economy, p298.)
interests, as well as the formalities of diplomatic relations, was necessary to prevent an influx of imports before the surcharge took effect.\textsuperscript{45}

What the new Government perhaps underestimated was the extent to which the import surcharge would damage the already-fragile EFTA. The 1961-63 application for Community membership from three EFTA countries highlighted the limitations of the Association in meeting its members' needs. It was tacitly accepted that the Association in its current form could not satisfy the members’ interests indefinitely,\textsuperscript{46} and Austria's ongoing negotiations for association with the Community was concrete evidence of this. Indeed, Government ministers at the November 1964 meeting of the EFTA Ministerial Council were disconcerted by the hostility from EFTA colleagues over the import surcharge, culminating in threats of retaliation, and were forced into agreement that by the next meeting, in February 1965, they would present a timetable to reduce it.\textsuperscript{47} (It was in recognition of this growing discontent that the Cabinet, in a reversal of their earlier priorities, then put the political imperative of maintaining EFTA cohesion ahead of the economic advantages of retaining the surcharge at 15\%.)\textsuperscript{48}

Wilson was determined not be thrown off course by the trade deficit or the slim majority. He planned to enact Labour manifesto commitments to social redistribution, against pressure for deflation, but he likewise (in the first 100 days at least) planned to avoid political opportunism and would not shy away from unpopular measures necessary to restore economic health.\textsuperscript{49} Callaghan’s first budget statement in November 1964 reflected both these elements, announcing enhanced social benefits, alongside

\textsuperscript{47} Wilson received a phone call from a distressed Gordon Walker in the middle of the night, seeking authority to agree to this EFTA demand: Wilson, \textit{The Labour Government 1964-70}, pp62-63. See also PRO FO371/182314 Cohen to Gordon Walker, ‘European Free Trade Association: Annual Review for 1964', 11/2/64.
\textsuperscript{48} PRO CAB128/39 CC(65)11(2), 22/2/65, EFTA Ministerial Meeting.
\textsuperscript{49} Wilson, \textit{The Labour Government 1964-70}, p42.
fiscal measures to pay for them. However, the international financial community, disappointed that the balance of payments deficit had not induced the Government to trim expenditure, reacted with heavy selling of sterling, despite Wilson’s unqualified support for the parity. Within days, the Bank of England’s reserves to sustain the pound were dwindling, and even raising the bank rate by 2% still failed to settle the markets. Only a $3000 million international loan, organised on Wilson’s private threat to the Governor of the Bank of England to call an election and float sterling (which would have a destabilising effect on the whole fabric of international finance), prevented the crisis escalating. From this episode, Wilson learned that domestic economic policies ‘were no longer to be regarded ... as decisions for Parliament alone’. In other words, the need to restore confidence in sterling forced the Government to diverge from its domestic programme in order to placate financial speculators. Moreover, the dependence on international creditors that this produced further constrained the Government’s ability to act independently. For example, in a gesture to offset their burden over the import surcharge (and thereby dampen their demands for its abolition, or prevent the retaliation that they threatened), ministers considered relaxing normal import duties applied to EFTA countries. However, the French, considering that this would be discrimination in favour of EFTA and to the detriment of other countries, in turn threatened to cut off the Government’s access to future IMF support for the pound. Therefore, the boundaries of the Government’s external relations were set on the one hand by the domestic economy’s weakness and dependence on international creditors, and on the other by the constraints such dependency dictated.

50 These included plans to abolish prescription charges and raise old age pensions; to be paid for by increasing income tax and duty on petrol with immediate effect, and through corporation and capital gains taxes, the outline of which was sketched by Callaghan in November 1964, for implementation in the spring 1965 budget. 

51 Pimlott, Harold Wilson, p353, notes Wilson’s Guildhall speech on 16/11/64, where he restated support for a strong pound in ever-greater terms.


54 PRO CAB128/39, CC(64)8(4) Import Charges, 12/11/64.
The Labour Government’s disregard for European sensibilities was not confined to the surcharge. As part of the initial economic measures instigated upon taking Office, a review of Government expenditure was announced, which included the Anglo-French Concorde project. However, at the same time that the French were notified of the ‘review’, Gordon Walker privately informed the Americans that the Government had decided to scrap Concorde, telling the French that an expenditure review was necessary as a prelude to breaking off the project.\(^{55}\) Callaghan and Brown, the two economic ministers (who were most directly conscious of the economy’s vulnerability), advocated cancellation on cost grounds, and were supported by Frank Cousins, the Minister for Technology, who argued in a Cabinet Committee that concentrating resources on Concorde had a detrimental effect on the economy as a whole.\(^{56}\) Gordon Walker’s Washington talks proved to be indiscreet, however, when ministers were informed that cancellation would involve a breach of Treaty obligations (and therefore Britain could not withdraw from the project without compensating their French partners, the estimated costs for which would be almost as expensive as continuing with the aircraft’s development). They therefore backed down, and Concorde survived.\(^{57}\) According to Roy Jenkins (the non-Cabinet Aviation Minister), had the Government handled this more skilfully, it may have been possible to take advantage of similar French reservations over spiralling costs, and thus agree a mutual halt to the project.\(^{58}\)

\(^{55}\) PRO FO371/178907, Record of Conversation between Gordon Walker and Rusk, State Department, 26/10/64, 10 a.m.

\(^{56}\) Crossman, *The Diaries of a Cabinet Minister: Volume One, 1964-66*, entry for 16/11/64, p58. (Although, as Richard Coopey suggests, supersonic travel was one of a number of highly visible examples of achievement in the early 1960s appealing to ‘a political party placing itself in the vanguard of progress and modernity’, as John Young argues, Labour’s technological priorities were based on commercial merit rather than prestige. Consequently, Concorde’s enormous costs could not be justified in terms of the limited return, so it became a prime target for Government’s spending cuts: R. Coopey, ‘Industrial policy in the white heat of the scientific revolution’, in Coopey, Fielding & Tiratsoo (Eds.), *The Wilson Governments, 1964-1970*, pp102-122 (p112); J. Young, ‘Technological Cooperation in Wilson’s Strategy for EEC Entry’ p99)


(Defence Minister Denis Healey confirms this – he later learned that if the Government had held out for a further ten days, agreement could have been reached with the French to cut the project.59) The maladroit handling of this episode, however, was directed by a desire to find swift spending cuts that would have the least impact on the Government’s domestic priorities.

**Foreign policy considerations**

As Pimlott has argued, the state of the domestic economy and Britain’s foreign relations were not distinct: Government’s ability to defend sterling rested, in particular, on US support, which in turn depended on the Government continuing to serve US foreign policy interests as a reliable ally.60 This was one reason for Wilson’s close husbandry of the ‘special relationship’, yet, like all other British premiers since 1945, he was equally convinced of the need to maintain Britain’s world role, which also required close cooperation with the US. Important symbols of Britain’s ‘great power’ status were its worldwide defence commitments and its nuclear weapons programme. In Office, Wilson was not disposed to give either up.61 Nonetheless, these aims were to generate conflict within the Labour Party over the coming years, as well as exacerbating existing economic difficulties.

US involvement in Vietnam ensured that Washington would not encourage the Government to relinquish the east of Suez defence role; indeed, Wilson was pressed by US President Johnson to extend British commitments in the region to provide physical support for the American troops fighting the Vietcong. However, Labour Party hostility to US actions, as well as economic stringency, prevented Wilson from complying with Johnson’s wishes, yet the Prime Minister was unable to dissociate from the American

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Vietnam campaign – as the Party’s critics demanded – because of dependency on the US as Britain’s main financial creditor.62

A recurrent difficulty for Wilson throughout the 1964-70 administrations arose from reconciling the Government’s defence and foreign policy interests (including supporting NATO and European defence, the nuclear role and east of Suez commitments) with Britain’s economic means.63 Wilson hoped that nuclear policy could hold the key to both reducing expenditure on European defence, and also to maintaining Britain’s importance to the Americans. Labour’s nuclear policy had been fraught with battles over unilateral disarmament in the recent years, and in the 1964 election, Labour had criticised Conservative nuclear policy.64 Moreover, the manifesto pledged to renegotiate the 1962 Anglo-US Nassau agreement that licensed a specifically British nuclear deterrent, whilst establishing a multilateral NATO directorate for nuclear control (the MLF).65 In Office, however, Wilson and Healey recognised that ceding outright control over the British nuclear programme would amount to a British demotion in Washington’s counsel.66 Consequently, Wilson’s alternative scheme for nuclear sharing arrangements – the Atlantic Nuclear Force (ANF) – offered multiple benefits for the Government: it proposed to cede control over Polaris nuclear weapons

62 An explicit bargain – of US support for sterling in exchange for British physical support in Vietnam – was regularly denied by Wilson and his colleagues. However, Johnson made this offer to Wilson in no uncertain terms, at their meeting in Bonn, 25/4/67: PRO PREM13/1480, Palliser to MacLehose, 28/4/67.
63 PRO CAB128/39, CC(64)11(5) Defence and Oversea Policy, 26/11/64.
64 Let’s Go with Labour for the New Britain, p271, argued that maintenance of a British independent deterrent, and the scenario of unilateral action against the Soviets that was the only justification for it, undermined the NATO alliance.
65 The Nassau agreement between Macmillan and US President Kennedy, provided Britain with Polaris missiles, and committed (with qualifications) the British to a future US-sponsored NATO Multilateral Force (MLF). The US MLF plan hoped to contain German demands for greater nuclear control, as well as assimilating the national nuclear programmes of Britain and France, thereby contributing to non-proliferation. In practice, it would include a mixed-manned surface fleet of 25 ships, armed with Polaris missiles, under multilateral control. The Macmillan Government gave only qualified support, reserving the right to withdraw from the MLF if ‘supreme national interests’ required it. (With thanks to John Young for this information).
to NATO for the lifetime of the organisation, but if NATO ceased, then Polaris would revert to UK command. This would satisfy Labour Party demands to scrap the independent deterrent in the short term, whilst retaining the possibility of British control over its nuclear programme at a future point. Moreover, Wilson hoped that the ANF proposal, by fostering an acceptable alternative to the MLF, would earn the Government respect, thereby strengthening Britain’s role within NATO. In addition, Wilson hoped that the ANF would satisfy West German and American desires to reach a nuclear accommodation, whilst reducing the need for British conventional defence expenditure in Europe.

Wilson succeeded, during his trip to Washington in December 1964, in getting the ANF proposal accepted as an alternative to be considered alongside the MLF project. Despite Johnson reserving his position, he agreed to let the ANF plan go forward for discussion. Progress towards resolution of European and NATO nuclear arrangements was to be deferred for a number of years, however. Nonetheless, Wilson claimed a victory in having successfully scuttled the MLF programme (and with it, the maintenance of a specifically British deterrent) – in line with Labour’s objectives when in Opposition – whilst retaining the future option of a national nuclear programme, and with it, the British world role. Such gains buoyed Wilson’s confidence in his own international diplomacy after the disappointments over EFTA and Concorde, and again reinforced the notion that cooperation with the US was more fruitful than closer relations with Britain’s European neighbours. In public and Labour Party forums, he claimed that the Labour Government was restoring Britain’s world role, devalued by thirteen wasted years.

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67 Wilson hoped ANF could eliminate or at least cut down the additional expenditure necessary for the mixed-manned element of MLF, and lead to a reduction in Britain’s existing conventional defence expenditure in Europe. (With thanks to John Young for this information.)

68 With thanks to John Young for this information.

69 Labour History Archive and Study Centre (hereafter LHA) PLP minutes, 17/12/64; R. Pryce, ‘Seen from Brussels’, Socialist Commentary, May 1965, pp7-8.
Attitudes towards Europe

When Paul-Henri Spaak, the Belgian socialist and a founding father of the Community, first proposed discussions for political unity in a Western European Union (WEU) forum in September 1964, he received little encouragement from the Labour Party representatives present, that if Labour won the forthcoming election they would be interested in political union. The Labour representatives thought that such developments would only solidify Cold War divisions between East and West. They also suggested that a future Labour Government would not be interested in Community membership on the basis of the terms currently available.70 (By the end of 1964, this was made more difficult by the agreement between the French and Germans on cereals prices, which created the foundation of the Common Agricultural Policy (CAP), and prompted Crossman to conclude that ‘our last chance of joining has gone’.)

The early actions of the new Government confirmed this assessment, indicating that the new Government was little interested in European sensibilities, nor making efforts to smooth the path towards eventual UK membership of the European Community. Within its first 100 days the Labour Government had pushed EFTA to crisis point, upset the French Government, with both a crude attempt to renege on Concorde and discriminatory proposals to contain the damage to EFTA inflicted by the import surcharge. The Government had also proposed plans to revitalise the Commonwealth through strengthened trading links, and had reaffirmed the British commitment to Anglo-American relations, for economic and political reasons. These actions demonstrated that the Labour Government did not see Europe as vital to its domestic agenda of revitalising the British economy via planning, whereas boosting intra-Commonwealth trade and reliance upon US financial support did have a role to play in the plan. This led to ‘loose talk’ of the UK turning its back on Europe,72 and did not bode well for British desires to be included in the talks on European political unity.

70 PRO FO371/178952/WV1074/126, FO minute by Hugh-Jones, 11/9/64.
72 PRO FO371/178954, Caccia to Henderson, 14/12/64.
currently underway amongst the Six. The British hardly looked like reliable partners, given their readiness to place national interests ahead of international obligations.

Nonetheless, in Office, Wilson and Gordon Walker stressed that Britain must be included in discussions on European political unity, not because they approved of supranational European defence and security policies (which, in any case they considered de Gaulle unlikely to accept), but because they were concerned that if the remaining Five were willing to appease de Gaulle with political institutions in Europe constituted on French lines, this could jeopardise the Atlantic Alliance and European security, given both de Gaulle’s criticism of NATO and US influence in Europe, and his obstructionist tactics in internal Community negotiations. Thus the Government, by inclusion in political union discussions on the same basis as the Six (in other words, without privilege accorded to participants of supranational economic integration), hoped to preclude this scenario, masking fundamental opposition to supranational European political unity by noting that Britain could go at least as far as the French towards it: British objections to supranational political institutions were no more of an obstacle than similar French fears, and therefore did not justify British exclusion. In talks with Walter Hallstein, the European Community’s Commission President, Wilson challenged the Six’s authority to determine political integration without Britain, considering Europe wider than simply the Six. Similarly, Gordon Walker, warning the WEU Council that the Government ‘should be disturbed if discussions began without us’, hoped that the forum could be strengthened as a basis for improved Anglo-Community relations. (However, Gordon Walker did not foresee any prospect of early UK membership of the

73 PRO FO371/182299, O’Neill to Gordon Walker, ‘Annual Report of the European Communities for 1964’, 2/1/65, notes a French ultimatum, issued on 21/10/64, ‘that France will not participate in the Common Market if agreement is not reached on common cereals prices by December 15’. (The deadline was duly met.)
74 PRO FO371/178954, FO Brief, ‘Secretary of State’s Talks with Monsieur Spaak – December 2’, no date, circa 1/12/64.
75 PRO PREM13/306, Record of conversation between Wilson and Hallstein, 4/12/64.
76 PRO PREM13/306, Gordon Walker to O’Neill, Record of Conversation between the Foreign Secretary and Professor Walter Hallstein, 4/12/64.
Community; instead he hoped for improved coordination of industrial standardisation and patents between Britain and the Community.\textsuperscript{77}

There was little domestic pressure on Wilson and his Government for a more constructive attitude towards Europe. The right-wing inclination of the last Labour Government (under Attlee), as well as the seniority of right-wingers remaining from Gaitskell's seven-year tenure as Party leader, was still reflected in those on the Labour benches with previous governmental experience and Party stature. Wilson was forced to call upon their knowledge and seniority regardless of their position on the political spectrum. Despite the large right-wing element in Wilson's first Cabinet, however, George Brown (who had led the Party's pro-Europeans during the first application) was the only pro-European figure of significance in the October 1964 Cabinet. He had been made head of the Government's new economic planning ministry, with a primarily \textit{national} scope of responsibilities. In the first 100 days (as well as on subsequent occasions), he accorded priority to the Government's domestic agenda – for instance, supporting withdrawal from Concorde to make better use of Britain's financial and physical resources – over maintaining good relations with European countries in the interests of future Community membership. Other senior right-wingers in the Cabinet, for instance Gordon Walker and Healey, adhered closely to the Gaitskell line of opposition to membership, in favour of closer Atlantic and Commonwealth relationships.\textsuperscript{78} Therefore, the starting line up in Cabinet, to a great extent reflecting Gaitskell's close allies, largely ignored the significant minority of supporters of membership within the Labour Party in 1962.

\textsuperscript{77} PRO PREM13/306, Gordon Walker to O'Neill, Record of Conversation between the Foreign Secretary and Professor Walter Hallstein, 4/12/64.

\textsuperscript{78} Gordon Walker was considered to be a 'Commonwealth man'; his experience serving in the Attlee Government had undoubtedly influenced this. When Gordon Walker returned to Cabinet in January 1967 (after a temporary absence from Government following the loss of the Leyton by-election in January 1965) he was, according to Robert Pearce, destined to return to the Commonwealth Relations Office (a portfolio he had covered for the Attlee Government between 1950-51). However, Brown (by now Foreign Secretary, 'did not want Gordon Walker to plead the Commonwealth case and so slow down Britain's entry into the EEC': Pearce, \textit{Patrick Gordon Walker: Political Diaries 1932-1971}, p48.
Further limiting any potential pressure from Cabinet ministers (such as Brown) to reconsider Britain’s relations with the Community, Wilson was keen to retain control over the Government’s strategic direction. As he said to Gordon Walker when appointing him shadow Foreign Secretary in March 1963, ‘Foreign policy is made by the Prime Minister and the Foreign Secretary. It can’t be made by the Cabinet’. Therefore, Wilson himself was to be the primary arbiter of the Government’s European posture, which, at this stage, was a by-product of the economic situation and the early decision to maintain the value of sterling, and conditioned by the political and security implications of a French-dominated European Community, hostile to the Atlantic Alliance. Such strategic decisions were taken outside full Cabinet, by small committees, which Wilson dominated. For instance, the initial decision to avoid devaluation was taken by Wilson, Brown and Callaghan; and Wilson, Gordon Walker and Healey made the nuclear decisions. Remaining Cabinet members were largely excluded from the nucleus of strategic policy-making, and Crossman complained in his diary, just six weeks into the administration’s lifetime, that, by not discussing the big issues, the Government lacked control and direction. However, this was a factor of Wilson’s management style, whereby he controlled decision-making processes by limiting access to them.

The pro-Europeans in the Parliamentary Party were concentrated in the Labour Committee for Europe (LCE), a reconstitution of the previous Labour Common Market Committee, which had supported the first application for membership in 1961-63. The LCE, however, had little direct impact on Government attitudes towards Europe in this early period of Wilson’s administration. LCE members included academics and trade unionists, in addition to MPs, however all but three of the dozen LCE officers’ posts were filled by MPs, thus giving the group a distinctly parliamentary orientation. Its

80 Hennessy, The Prime Minister, pp289-290.
81 Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entries for 3/12/64, p80, and 6/12/64, p88. (This was to be a recurrent complaint from Crossman over the next three years.)
current membership in the new Parliament included up to 56 MPs, who were largely of the generation that had missed serving in the Attlee administrations. Consequently, they were represented in the Government at junior levels, by the likes of Roy Jenkins, Walter Padley, John Diamond and William Rodgers; and outside Cabinet, their influence on the direction of Government policy was restricted.

At the LCE’s first meeting of the new Parliamentary session (which only eight members attended), the group did not take this opportunity to reaffirm its general aim of British membership of the Community, nor did it discuss broader European issues such as the import surcharge, relations with EFTA and the EEC, or nuclear policy. There was no attempt to reconcile the Labour Government’s domestic objectives with British membership of the Community, nor any plan to lobby Government directly to modify its attitude towards Europe. Instead, the LCE hoped to exploit the attraction of a Labour Government to forge greater links with continental socialists, with the aim to recruit ‘opinion formers’ from the British Labour movement within Parliament, academia, the press and trade unions. The LCE’s quarterly journal, *Europe Left*, expected ‘constructive proposals’ to come from the Queen’s speech on the opening of Parliament in November 1964, which promised that ‘Government will continue to play a full part in the European organisations to which this country is a member and will seek to promote closer European co-operation’. However, given the import surcharge a week earlier, this section of the Queen’s statement had a somewhat hollow ring.

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83 There is no consensus on the number of Labour MPs on the LCE at this time. Anne Deighton notes 53 Labour MPs as members of the LCE in 1964 (Deighton, ‘The Labour Party, Public Opinion and ‘the Second Try’ in 1967’, p42). Roger Broad puts the figure at 56 MPs (by the winter of 1964-65), yet says that Wilson gave Government posts to 20 LCE members – ‘half its parliamentary membership’, implying that only 40 MPs were members in October 1964 (Broad, *Labour’s European Dilemmas*, p57). It may be the case that the discrepancy arises because the LCE’s attempt to recruit new members was successful, and these figures (above) indicate membership numbers over a later period during Wilson’s first administration, rather than specifically October 1964.

84 Harvester Microfiche, LCE minutes, 8/12/64.


Neither did the Conservative Opposition apply much successful pressure on the Government to modify its European policy. The Conservatives, in disarray since their defeat, managed some Parliamentary criticism of the import surcharge. Arthur Dodds-Parker criticised the new Government for its ‘[lack of] urgency and emphasis, in view of the vital need to improve our accord with Europe’.

Fellow Tory MP Peter Emery, who regretted the damage done to UK relations with the Europeans over the import surcharge, joined him in criticising the Government. Beyond these complaints (which were easy to dodge – the import surcharge was worked out by officials in preparation for the previous Tory Chancellor, and, the Conservatives, not supporting devaluation, would have had little alternative but to follow the same course as Labour had chosen) there was no pressure within Parliament to improve British relations with European countries.

Likewise, there is little to suggest that Wilson or the Government were exposed to a great deal of pressure over their European attitudes from extra-Parliamentary sources. Trade union and business leaders were engrossed with the domestic sphere, agreeing a package for productivity, prices and incomes. The left-wing weekly, Tribune, was focused on the opportunities for the Labour Government in establishing a socialist alternative for economic management. Where it did address European affairs – in nuclear policy – concern was for the larger picture of Cold War relations. Tribune cautioned against both MLF and ANF, which were considered ‘political’ proposals to restore NATO unity, rather than practical solutions to calm East-West tensions.

The centre-right journal Socialist Commentary urged Government to foster better relations with West Germany, not only with regard to nuclear planning, but also in recognition of

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87 Crossman noted that they had decided to replace Home as leader, but as they had not yet done so (presumably expecting another election sooner rather than later), they were left weakened: Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 20/12/64, p108.
88 HC Debs, Vol.701,cols 590-592, 3/11/64.
90 M. Barratt Brown, ‘How to get Britain out of the red’, Tribune, 11/12/64, p8.
the fact that the Community could instigate inward-looking policies harmful to UK interests, despite the UK’s exclusion. 92 Gordon Walker shared this opinion, 93 but as noted earlier, his hopes for improved British relations with the Community extended only as far as technical coordination on minor trade matters.

However, Gordon Walker’s officials, particularly those based in the British embassies of the Community countries, took a different view on long-term relations between Britain and the Six. Although they recognised there was no prospect of early negotiations for UK membership, there was ‘virtually complete agreement on the need to state publicly that membership of the E.E.C. remains a long-term objective of British policy’. 94 Officials noted the economic benefits of the EFTA, as well as its purpose as a ‘source of some, though limited, political influence in Europe’. 95 Other EFTA members regarded the association as a step towards ‘wider European integration’, 96 in other words a staging post towards accommodation with the Community. UK interests were to maintain the advantages gained from EFTA (industrial free trade with EFTA members, without the additional burden of trade agreements on agriculture), however these advantages were threatened by the possibility that the other members might be more attracted to the Community than to EFTA itself, and in particular Denmark’s agricultural industry was vulnerable to the lure of the Community. 97 Thus, FO officials were anxious to keep open the door to UK membership, not least to prevent EFTA members seeking association agreements with the Community, as the Austrians were currently doing. Moreover, they were also concerned about Community developments that could harm British interests, and thus European policy was a vehicle for pursuing British goals of liberalised trade and shaping European political developments within

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94 PRO FO371/177374/M1093/115, Minute by Keeble, 14/10/64.
95 PRO FO371/177328, Draft paper on European Economic Organisations, 28/9/64.
96 PRO FO371/177328, Draft paper on European Economic Organisations, 28/9/64.
97 PRO FO371/177328, Draft paper on European Economic Organisations, 28/9/64; PRO FO371/177372/M1093/70, O’Neill to Butler, ‘Britain’s Future Relationship with the E.E.C.’, 25/7/64, paragraph 12 makes explicit the need to maintain a positive attitude towards the Community to prevent the Danes deserting EFTA for association with the Community.
the Atlantic framework. For many FO officials, this boiled down to a clash between Britain and France to influence Western Europe – on Atlanticist (outward-looking) or Gaullist (inward-looking) lines, as in the European political union talks and nuclear policy. For the new Government to show indifference to the integration processes ongoing in Europe was to ‘concede final victory to the French’. 98

Conclusions

As noted earlier, the Labour Government did indeed take an interest in European political union, but its economic policy showed little regard for official assessments of the strategic importance of EFTA. Instead, the economic crisis dictated the Government’s European policy. Ministers were taken by surprise by the extent of the economic crisis. Devaluation was ruled out for electoral and ideological reasons: it would harm Labour’s chances in a forthcoming election, moreover it did not feature in Labour’s critique of Conservative economic failure, nor the solutions the Government planned to enact to address it. Concentration on resolving the financial crisis meant decisions were taken by economic ministers, largely without full consideration to their political implications. Nor did Labour’s methods to address the crisis – although made with an eye to international financial opinion – acknowledge the extent of interdependency between national economies. The initial economic decisions were informed by internal political imperatives – the domestic programme and the electoral situation. The import surcharge was the best platform from which to launch Labour’s domestic programme, given the restrictions imposed by the £800 million deficit.

Economic dependency on the US (as Britain’s main creditor) reinforced an existing predisposition towards an Atlanticist orientation for the new Government. The British world role was licensed by US financial and political support. Ministers, believing that the US shared similar concerns to Britain arising from worldwide defence commitments and maintaining a reserve currency, considered that the US would help

98 PRO FO371/177374/M1093/115, Minute by Keeble, 14/10/64.
support sterling in the meantime, whilst the Government’s domestic economic strategy to strengthen the British economy bore fruit.99

The Labour Government’s first 100 days revealed four points relevant to its subsequent European policy over the next three years. Firstly, for the Government, and Wilson personally, the value of sterling was paramount. The more it came under threat, the more Government was forced to reiterate its support in ever-stronger terms, Wilson linking his personal reputation to the $2.80 peg. This made altering the parity at a later date even harder. Secondly, the economic situation, and sterling’s vulnerability, demonstrated that economic sovereignty was a limited concept: the vagaries of the system of fixed exchange rates constrained domestic economic decisions. Eventually, defending the pound would wreck the Government’s domestic programme, and, in conjunction with the impossibility of national economic sovereignty, would undermine Labour Party objections to Community membership on the grounds that it hampered national economic control.

Thirdly, the Government was hostile to attempts to forward European political integration, if this implied a break with the Atlantic Alliance. However, Britain’s exclusion from the Community left it marginalized in political union discussions, and thereby less able to affect the future political structures that could govern European security arrangements, affecting Britain regardless, even without Community membership. Whilst there was no appetite amongst Cabinet ministers for a politically unified Europe, and there was no prospect that Britain could lead such an organisation, the Government would come to realise that British foreign policy interests could be conditioned by events beyond purely national control, thereby weakening Party objections to membership based on the right to determine an independent foreign policy.

Fourthly, in Labour’s first 100 days in Office Wilson directed strategic policy decisions outside of full Cabinet. Only when decisions had been worked out did he present them to his ministers. Therefore his Cabinet was not a decision-making forum

on the larger questions, and functioned more as a rubber stamp. When Wilson subsequently became more disposed to membership of the European Community in 1966/67, by planning his tactics in advance, he could retain control over a divided Cabinet, and secure support for his chosen policy.

In the first 100 days, the newness of Government was both a resource and a constraint: in terms of the major policy decisions, it was a resource enabling Wilson to direct decision-making, whilst his ministers concerned themselves with mastering their departmental briefs. Yet it was also a constraint on his domestic agenda. Government needed to prove its credentials to Labour Party supporters and the electorate, however the social redistributive measures to do this alarmed international financial opinion, causing the pressure on sterling that was likely to precipitate another election. Hence, there were divergent pressures on Government from its domestic audience and international creditors.

Labour's European policy was predicated on domestic needs, however calling it a policy is stretching the reality; it was a series of ill-thought-out measures, crudely handled, and the outcome of domestic and national interests, in place of any clearly considered basis for relations with European countries, either with EFTA or the Community. This demonstrated that, as yet, European relations were not a major factor in Wilson's notion of British national and domestic interests. Moreover, there was little domestic pressure for him to modify this view, except from Tory critics in the House of Commons, and from civil servants anxious to reverse the idea that the UK was turning its back on Europe. Nonetheless, the initial economic decisions, and the circumstances they engendered – both in terms of EFTA disruption and continued doubts about the pound's strength – were to prompt the Government to reassess the importance of European organisations. Rather than sacrificing good relations with European neighbours for the sake of the domestic programme, Government, over the coming years, was to adopt a more sophisticated approach whereby Europe became the route towards fulfilment of domestic and national objectives. In little over another hundred days, Wilson was to present the first example of this: the Vienna bridge-building initiative of May 1965.
Chapter 2: January – July 1965

With its Parliamentary majority cut to three following Patrick Gordon Walker’s defeat at the Leyton by-election, the Labour Government was plunged into a new crisis. In addition to the problems of enacting the Party programme within the constraints of the balance of payments deficit, pressure on the pound intensified as a result of speculation that the Government could not survive in power. The Government now needed to strike a popular note with the electorate and its supporters, in order to boost its chance of securing a larger majority in a forthcoming election. This focused attention on to the Party’s internal relations, and Labour’s manifesto pledges of improvements in the domestic sphere. However, populist measures made for political gain would not further the Government’s quest for economic stability and confidence in the pound. Rather, foreign creditors demanded deflationary measures and financial rectitude.

To reconcile these contradictory demands, the Government sought ways to boost British advantages in trading relationships. However, the method chosen by the Government in its first 100 days – the import surcharge – created political difficulties for the Government’s relations with British trading partners in the European Community and the Commonwealth, and endangered EFTA cohesion. Moreover, it brought threats of retaliatory measures to redress the balance of advantage it gave to Britain. To overcome the conflict between economic advantage to retain the surcharge, and political demands to cut it, Wilson proposed the bridge-building initiative at the Vienna meeting of the EFTA Ministerial Council in May 1965. This plan to promote functional links between EFTA and the Community would satisfy a number of short-term needs for Wilson. Firstly, it would seek ways to overcome obstacles to European trade; secondly, it would allow a continued advantage to be derived from the surcharge, whilst also rehabilitating Britain’s reputation in European circles; and thirdly, it would satisfy a growing interest in British relations with the Community amongst politicians and officials in Westminster and Whitehall, without Wilson conceding control over the general direction of European policy. However, whilst signalling Wilson’s readiness to seek a commercial accommodation with the Six, the initiative did not imply that he was yet willing to agree to eventual membership of the Community in its current format.
The initiative was simply a method to fulfil domestic and national objectives through a European framework.

The Parliamentary context

The Labour Government's first 100 days in Office demonstrated that its priorities lay within the domestic sphere, subject to one defining commitment – defence of the pound. The November 1964 financial crisis had been weathered by Government representatives’ reiteration of the importance of sterling's strength, and more importantly, a $3000 million international loan. The Government and the markets now needed a period of calm. However the Parliamentary situation prevented this. Before the Leyton by-election, financial journalists predicted an early General Election, in June or autumn 1965; the likelihood that the Government could continue in any effective way after Leyton was greatly reduced. The financial markets reflected this political uncertainty, thus the strength of sterling was never far from ministerial minds. The next six months (indeed the next 14 months until the 1966 election) would be dominated by these interlinked factors: the health of the economy and the Government's delicate grip on the reins of power.

From the outset, the Labour Government was under pressure from two contradictory impulses: firstly, the need to enact popular policies, in line with its manifesto pledges, to prevent further demoralisation within the Party and ensure that the next election returned a strengthened Labour Government. Popular measures included the house-building programme, and increases to personal allowances and living standards in general. However, such behaviour incensed the Government's second masters: the foreign creditors who funded the UK's balance of payments deficit. Having given precedence to defending sterling whilst also avoiding deflationary Government expenditure cuts, ministers had to find other ways of increasing British industry's competitiveness. The Government's two instruments – prices and incomes policy, and the National Plan – had had little effect thus far. Resistance to voluntary

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wage restraint from both sides of industry undermined the former, and progress within the DEA towards the latter was held up by Brown’s concentration on incomes policy.²

With these structural reforms yet to reach fruition, the Chancellor and his officials sought approval for deflationary measures in the spring budget, yet this brought Callaghan and the Treasury into conflict with Cabinet ministers such as Castle,³ who resisted cuts to Government expenditure.⁴ Brown recognised that a switch from private to public consumption was vital to the Government’s objectives of planned industrial expansion and boosting exports,⁵ but would, nonetheless, be electorally unpopular. He therefore urged that the Government should hold an early General Election.⁶ With the majority secure, Government could then make swifter progress towards its economic restructuring programme, implementing necessary although unpopular deflationary domestic price increases, when the electorate’s opportunity to punish the Government had passed.

Yet Wilson and the Chief Whip, Ted Short, favoured persevering until 1966, when Labour could show some domestic advantages from its time in Office.⁷ Consequently, the Chancellor’s April 1965 budget relied primarily on the tax reforms he had outlined the previous November, as well as limits to overseas investment and abolition of certain aircraft development projects, to balance the conflicting needs of the Labour Government’s economic objectives. However, the fiscal reforms proved unpopular with the City, at a time when the Government required their confidence to maintain the value of sterling.⁸ Moreover, ministers were frustrated that the budget

⁶ Short, Whip to Wilson, p134.
⁷ Short, Whip to Wilson, p134.

(Crossman suspected that the Corporation and Capital Gains Taxes were pledged in November 1964)
measures were presented to Cabinet with opportunity neither to influence them, nor to
debate the conflicting impulses they were designed to satisfy. In Crossman’s opinion,
Wilson failed to give a coherent strategic direction to the Government’s economic
policies, and this coincided with officials’ assessments that, with a Parliamentary
majority of three, the Government was less likely to resolve this dilemma, thereby
making devaluation ultimately more likely in the longer term.

**Developments within EFTA**

The quest for a middle course between expansion and deflation led the
Government to seek an improved trade balance to maintain popular measures
domestically and satisfy international financial opinion. It was, therefore, vital to
maintain the current advantage of the import surcharge, which was helping, in the short
term, to strengthen the balance of trade (although Callaghan admitted that it had been
less effective than he had hoped). However, Government ministers at the November
1964 EFTA Council meeting were forced, by the strength of EFTA hostility, to agree
that a timetable for removing the surcharge would be presented at the forthcoming
EFTA Ministerial Council meeting in February 1965. Yet without the surcharge,
imports would inevitably rise, adversely affecting the balance of payments and therefore
resulting in speculation hostile to sterling.

Against the economic advantage of retaining the surcharge, political pressures
dictated that it be reduced. The surcharge impaired EFTA cohesion, which the
Government now had to restore, or risk disintegration of the Association and with this,
disruption to Britain’s trade with EFTA members. Already, the Austrians sought
association with the Community, and if EFTA momentum could not be regained, other

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under pressure from Brown, in order to placate the trade unions and secure their collaboration on a prices
and incomes policy. Callaghan’s memoir confirms this was the case: J. Callaghan, *Time and Chance*,


members would come under strong domestic pressure to transfer to the Community. In preparation for the EFTA meeting, Cabinet considered the commitment to reduce the surcharge. Callaghan said that, despite a slight improvement in the balance of trade, a ‘substantial deficit’ was expected to continue throughout 1965. As ministers were obliged to reduce the surcharge, the economic advantage lay in a minimal cut of 2.5%. Nonetheless, for political reasons, it was generally agreed by the Cabinet that it be reduced by 5%. Thus, in a reversal of their earlier rationale, the Cabinet now subordinated the economic gains of a larger surcharge, to the political gain of maintaining some sympathy from the other EFTA partners. However, it was the longer-term threat to British trade interests from increased isolation in Europe that informed this decision, rather than a newfound interest in European unity. Moreover, shrewd political calculations underpinned this move. A cut of 5% now could mitigate further pressures from EFTA to abolish the surcharge completely, with the slender Parliamentary majority providing a reason to leave it at 10% for the time being, to be reviewed by the new Government following the British General Election that was widely expected sooner rather than later.

The EFTA partners agreed reluctantly that the surcharge would remain in place at 10% for the moment, yet it was accepted in Whitehall that it could not continue past the 1966 budget. EFTA’s Secretary General, the seconded Treasury official Frank Figgures, warned that progress towards strengthening EFTA unity could not be made

14 PRO CAB128/39, CC(65)11(2) EFTA Ministerial Meeting, 22/2/65.
15 PRO PREM13/306, Stewart to Wilson, 12/2/65. Stewart argued that ‘in present circumstances we must hold on to those organisations which we ha[ve], with EFTA as our principle instrument of economic policy in Europe’.
until the surcharge was completely abolished. Moreover, the need for EFTA unity was given greater urgency by the Community's December 1964 agreement on agricultural prices, which paved the way for a fully operational customs union in agricultural and industrial goods by July 1967. At this point, British and EFTA exports to the Community would be subject to its CET, and this obstacle could push individual EFTA members to seek accommodation with the Six, to the detriment of EFTA and British interests. Thus, British trading relations were jeopardised by Community developments, over which the Government had no control, demonstrating the Community's increasing ability to determine European relations, even beyond its external borders. In these circumstances, FO civil servants favoured an official-level review of British relations with the Community now, rather than 'awaiting the pressure of events two years ahead'. As Wilson's foreign affairs advisor observed, 'industrially and commercially we shall have to earn our living in Europe'. However, Wilson was as yet unwilling to concede an exclusively European solution to the problems of Britain's trading relationships.

Rising saliency of Britain's relations with Europe

January 1965 afforded Wilson his first opportunity as Prime Minister to meet with European Heads of State, at the funeral of Winston Churchill. In bilateral talks with General de Gaulle and Federal German Chancellor Erhard, Wilson outlined the limited extent of his willingness to reach accommodation with the Six. Discussions with de Gaulle revealed a common acceptance that British Community membership was not currently in prospect, and Wilson was unequivocal that, in his opinion, membership was 'irreconcilable' with Britain's Commonwealth ties. In view of this, Wilson hoped

18 PRO FO371/182314, Frank Figgures, 'European integration and the state of EFTA, Spring, 1965', 26/3/65.
19 PRO FO371/182366, Keeble's comments (dated 26/1/65), on O'Neill's second despatch from Brussels, 26/1/65.
20 PRO FO371/182366, Marjoribanks' comments (dated 27/1/65), and Keeble's comments (dated 26/1/65), on O'Neill's second despatch from Brussels, 26/1/65.
21 PRO PREM13/316, Wright to Wilson, 'Haute Politique', 12/2/65.
22 PRO PREM13/306, Record of conversation between Wilson and de Gaulle, 29/1/65.
to develop closer bilateral links between Britain and France, even though these were unlikely in the field of economic integration. With Erhard, the following day, Wilson's emphasis was slightly different, stressing the need for closer contacts between Britain and the Six, economically through progress in the Kennedy Round, and politically by participation in talks on European political unity. (This reflected the fact that a recent meeting between Erhard and de Gaulle had cleared the way for discussions amongst the Six on political union, whereas Wilson was anxious that the Germans should not agree to European political arrangements dominated by the French and to the detriment of the Atlantic Alliance.) These two meetings demonstrated that Wilson saw no prospect of UK membership of the Community, but was interested in establishing closer links, bilaterally with France in technological projects, and with the Community as a whole in trading relations. He was also concerned about political and defence developments in Europe, from which Britain was excluded. However, no specific proposals were forthcoming from these discussions with Erhard and de Gaulle, beyond invitations to Wilson to make visits to Bonn and Paris in the near future.

Nonetheless, a rising saliency in Britain’s relations with Europe in spring 1965, fuelled by speculation about an imminent British General Election, stimulated Wilson to modify his public attitude towards the Community over the coming months. Tory leader Alec Douglas-Home began to develop a public policy of closer interest in Europe, supporting European unity between the Six and EFTA in economic, political and security matters. This reflected the fact that the pro-European Edward Heath had taken charge over Conservative policy in preparation for an election. Gerald Kaufman, writing in the *New Statesman*, considered that this was 'a desperate scraping around for

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23 The record of their conversation does not give any examples of the type of links Wilson envisaged, but the two countries were engaged in a number of joint technological development projects, including Concorde and ELDO.

24 PRO PREM13/306, Record of conversation between Wilson and Erhard, 30/1/65.

25 PRO PREM13/317, FO brief for Wilson's talk with de Gaulle, sent under cover of Ledwidge to Wright, 29/1/65.

a viable election issue’. Nonetheless, public opinion polls demonstrated that the electorate was receptive to the prospect of future membership, a poll in March 1965 showing some 65% in favour of entry. This created a dilemma for Wilson: he was not well-disposed towards membership (which was not, in any case, in prospect), yet he did not want to give the Conservative Party a lead with the electorate, when an election could be forced at any time. Moreover, the Labour Party would be sensitive to any moves that indicated that the Government was reviewing its European policy to consider future membership.

Matching the Conservatives’ stance of closer links between EFTA and the EEC, and reflecting, to some extent, his conversations with Erhard and de Gaulle in January 1965, Wilson stated in the House of Commons that membership was not in prospect, yet he also referred to hopes for the future development of functional links within Europe, to improve relations between EFTA and the EEC. This went a little further than his talks with Erhard and de Gaulle, where Wilson had noted the need for British bilateral links with France and the Six, yet under pressure from the Conservatives, Wilson had admitted the possibility of such links being developed through EFTA rather than nationally. For the moment, however, these hopes were without substance – they were not backed by any practical proposals to give them reality.

The Labour Committee for Europe detected a softening in Wilson’s European attitudes from this, and issued a press statement welcoming the Government’s commitment to closer cooperation within Europe. However, Wilson’s comments did not satisfy PLP right-wingers Woodrow Wyatt and Desmond Donnelly, who wrote to The Times, advocating immediate accession to the Treaty of Rome, with the terms of membership to be worked out after entry. This was unfeasible, and simply forced

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27 G. Kaufman, ‘Anyone for Europe?’, New Statesman, 19/2/65, p266.
30 Harvester microfiche, LCE minutes, 16/2/65.
31 PRO FO371/182377, Wyatt and Donnelly’s letter published in The Times, 18/2/65.
Wilson to defend the Party’s five conditions and repeat that membership was not a current option. Nonetheless, this episode highlighted that the Tories could exploit Labour Party divisions over attitudes towards Europe in the forthcoming election, and Labour therefore needed to at least equal the Conservatives’ willingness to improve cooperation within Europe, in order to limit the damage this could do to Labour’s electoral fortunes. Better still, a public gesture in the direction of generating cooperation within Europe would go some way towards turning this potential electoral difficulty into a gain, but only if it was managed without unleashing a Labour Party row.

Wilson’s visit to Bonn in March 1965 offered an opportunity for finding a solution to the dilemma. His talks with Erhard revealed that both Britain and Germany shared common concerns about the barriers to trade developing between EFTA and the Six, as well as a common goal of increased functional cooperation within Europe, and in particular, work to reduce the tariff barriers between the two trading blocs. Indeed, the Germans themselves had recently suggested to their EEC partners various methods of cooperation between EFTA and the EEC, and were therefore a receptive audience to Wilson’s parallel concerns. A couple of days later, Stewart proposed the idea of functional cooperation to the WEU, and with the exception of the French representative, ‘who adopted an uncooperative attitude throughout the proceedings’, spokesmen for the other governments responded favourably to the suggestion that they should collaborate with the British Government in seeking to establish closer functional links between the EEC and EFTA. As yet, however, ministers had not specifically canvassed EFTA

32 PRO FO371/182377/M10810/13, Johnston’s notes (dated 5/3/65) on O’Neill to Stewart, 1/3/65. FO officials noted that a ‘sign now, negotiate later’ approach questioned the Government’s credibility, in the light of the recent import surcharge: if the Government could break the EFTA Convention when it suited British interests, then it could do the same with the Treaty of Rome. (However, a modified version of this approach surfaced again after the probe tour was announced in November 1966.)
34 PRO PREM13/306, Record of conversation between Wilson and Erhard, Bonn, 7/3/65, evening.
opinions on such links, nor fleshed out proposals with practical examples of functional cooperation.

**Developments in Whitehall**

The Bonn discussions prompted Wilson to establish an ad hoc Cabinet committee of ministers, known as MISC 48, to examine ways of improving links between EFTA and the EEC. Membership included himself, Brown, Callaghan, Jay and Stewart (with Agriculture and Commonwealth ministers each attending one of this committee’s two meetings). In preparation for the first meeting, Cabinet Secretary Burke Trend briefed Wilson that progress should be informed by a decision on whether the Government’s eventual aim was full membership of the Community.\(^{36}\) In other words, the primary task should be to establish the broad direction of Government policy. At the first meeting on March 25\(^{th}\), Wilson set in hand studies to facilitate such a decision, but declined to give any indication of his own opinion. Nonetheless, the discussion revealed a ministerial divergence of views. Foreign Secretary Michael Stewart (who had taken over the position in January 1965, when Gordon Walker left the Government) considered there was no prospect of early UK entry, and that anything short of full membership would be counter to British interests. He recommended that the Government should pursue cooperation with the Community or its individual members through existing international forums (such as WEU and the Council of Europe), or on joint technological projects. Against this, it was argued (the committee’s minutes do not reveal by whom, but it was surely Brown) that there were economic and political disadvantages to staying outside the Community; therefore the Government should now investigate the possibility of a renewed application. Consequently, two papers were commissioned: one from Jay, giving a quantitative assessment of the balance of advantage of Community membership to UK trade, and the other from Brown assessing the general political and economic advantages expected to flow from entry.\(^{37}\)

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\(^{36}\) PRO PREM13/306, Trend to Wilson, 24/3/65.

\(^{37}\) PRO CAB130/227, MISC 48/1 Links Between EFTA and the EEC, 25/3/65.
As Helen Parr notes, FO officials were in favour of British membership, however they saw no benefits from pushing at a closed door, particularly when ministers were unwilling to accept the supranational elements of membership. Stewart’s stance at the MISC 48 meeting reflected this. Brown, on the other hand, had already instigated studies of Britain’s economic relations with EFTA and the EEC through the interdepartmental official committee on External Economic Policy (EEP), chaired by Brown’s top civil servant at the DEA, Eric Roll.

As a result of the work set in hand by the MISC 48 committee, Wilson reclaimed control over the direction of European policy from the EEP committee under Brown’s direction. (Although the EEP committee continued its consideration of European policy, much of its work would now be channelled into supplying papers for the specific initiatives of the MISC 48 ministerial committee.) However, from the MISC 48 committee’s first meeting, no specific proposals on links between EFTA and the EEC – the explicit remit of Wilson’s new committee – were forthcoming.

Reassessments of British relations with the EEC were ongoing in the corridors of Whitehall, at official and ministerial level, however they were concealed in the statements made in European diplomatic exchanges as well as in public. Wilson’s oral and written answers to Parliamentary Questions kept up interest in discussions on ways to reduce barriers between EFTA and EEC, but he was careful to note that there was no prospect for another UK application. He reaffirmed the Labour Party’s five conditions

39 Although Gerald Kaufman, writing in the New Statesman, described Stewart as a ‘sceptic’ on British membership of the Community (Kaufman, ‘Anyone for Europe?’, p266), many of Stewart’s Cabinet colleagues agreed that he was a pliable minister, willing to take up his department’s cause rather than stamping his own mark on it. For instance, Healey suggested he ‘perhaps lacked the drive and imagination the job needed’ (Healey, The Time of My Life, p297). Stewart himself admits that when he joined the FO he was ‘persuaded to take a more favourable view of British membership’ of the Community than he had previously held (Stewart, Life and Labour, p146).
40 PRO CAB132/1771, EEP(65)3rd meeting, 29/1/65.
on a number of occasions,\textsuperscript{42} and made no reference to the papers commissioned for the MISC 48 committee. In private talks with de Gaulle in Paris in April (after the MISC 48 studies were commissioned), Wilson restated the difficulties of British entry into the Community resulting from national and Commonwealth interests,\textsuperscript{43} although in less bold terms than he had done at their previous meeting in January. Therefore, the studies requested in the MISC 48 committee implied no commitment from Wilson on eventual future Community membership; they were simply a review of one possible option for pursuing British national interests.

The Government required a way to reconcile the conflicting objectives of maintaining the value of sterling, and avoiding Government expenditure cuts. Boosting British industry by expanding exports was a method to satisfy both these aims. Although Wilson accepted that British Community membership and links with the Commonwealth were exclusive options,\textsuperscript{44} greater harmony between EFTA and the Community would not jeopardise the advantages to Britain of cheap Commonwealth supplies of food and raw materials. Notwithstanding the studies commissioned by the MISC 48 committee, Wilson therefore looked towards the Commonwealth as a route to fulfil British trade expansion objectives, rejecting official advice that this would yield little result.\textsuperscript{45} Simultaneously, his attention was focused on initiatives within both EFTA and the Commonwealth towards expanding trade. Exploiting Britain’s links with both groups offered the best hope for resolving the British requirement for increased export activity in the short term. Consequently, in June 1965, Wilson presented proposals to the Commonwealth leaders’ Conference for greater trade coordination amongst its members,\textsuperscript{46} whilst a month earlier, he launched the bridge-building initiative at the

\textsuperscript{44} PRO PREM13/306, Wilson’s handwritten comments on Stewart to Wilson, 3/3/65. In Wilson’s opinion, the Community in its current format was ‘inimical’ to British Commonwealth interests.
\textsuperscript{46} Wilson, \textit{The Labour Government 1964-70}, pp160-161.
Vienna meeting of the EFTA Ministerial Council. Both schemes were evidence of the Government’s need to boost British exports in whatever forums were available.

The Vienna bridge-building initiative

The Whitehall studies on the broad direction of European policy were incomplete when, following a meeting of European Socialist leaders at Chequers in April, Wilson announced a major forthcoming initiative on European cooperation. He received approval from his Socialist colleagues, including those representing governments within the Community and EFTA, for British proposals for ‘bridge-building’ between the two groups to be made at the next EFTA Ministerial Council meeting at Vienna in May. To demonstrate the importance of the initiative, he suggested that it be held at heads of Government level.

Building on recent contacts with Erhard, de Gaulle and within the WEU, Wilson proposed plans to promote functional links between EFTA and the Community, in order to mitigate the trading divisions within Europe. The gains to British interests envisaged were in reduction of tariff barriers to trade between EFTA and the Community (and with progress towards the Community’s CET now in prospect, this was an important consideration). In addition, functional cooperation on technological projects could enable the Government to sustain expensive development programmes whereas nationally, the costs were too great a burden on Government resources.

In presenting the initiative to the MISC 48 ministerial committee’s second meeting, Wilson outlined the difficulties for British interests created by the trading divisions in Europe. He noted that the Government would like ‘closer political and economic unity in Europe in some form in which the UK can play a full and integral part’. This only seemed feasible ‘based on the inclusion of the UK and EFTA countries

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48 With this factor in mind, British representatives had pressed the French to agree that an Anglo-French Concorde technical mission should visit Bonn and Rome to discuss possible German and Italian participation in this project (PRO PREM13/306, Record of conversation between Wilson and Erhard, Bonn, 8/3/65, 10am). Given British concerns about Concorde’s costs, this was obviously a means of sharing the burden, rather than widening participation for the sake of better European relations.
… in a Community based on the Treaty of Rome but developing and adopting policies acceptable to us’. However, this was ‘still difficult to envisage’, therefore the ‘problem is one of keeping up hope and direction at a time when it is not possible to make major initiatives to merge the two groups’. Although this implied he would be willing to accept future Community membership, this fudged the issue of the overall objective of British European policy (which Trend had advised was the key factor), because it did not address what sort of Community would be compatible with wider British interests, nor the conditions that would bring this about. In essence, Wilson proposed a limited number of possible measures to link EFTA and the EEC, for discussion within EFTA at Vienna, including reductions in tariff barriers, functional cooperation on technological projects, and institutional arrangements for consultation between EFTA and the EEC. Wilson’s proposals (with minor amendments) were approved by full Cabinet in advance of the Vienna EFTA meeting, without review of the eventual aims of British European policy beyond references to reserve the Government’s freedom for the future, both to agree to possible future Community membership, as well as to remain outside.

The EFTA Ministerial Council at Vienna welcomed the British plans for closer functional links between the EFTA and the Community, and charged its permanent representatives (officials) to examine and report to the next Ministerial Council in October 1965, on what procedural arrangements for contacts between the two groups might be made. However, the Community’s empty chair crisis was to stall practical progress towards resolving barriers to cooperation between the two groups.

Nonetheless, despite this failure (for which Wilson could not take any blame), the bridge-building initiative secured a number of short-term gains – economic, political, partisan, Party and personal – for Wilson and his Government, demonstrating that the initiative was as much a vehicle serving domestic needs, as a method to ‘keep up hope’ towards a final solution to the economic and political rifts in Europe. The Government’s aim for bridge-building was a reduction in tariff barriers to intra-

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51 PRO CAB128/39, CC(65)30(5) Links between EFTA and the EEC, 13/5/65.
European trade, yet the initiative held little promise in this respect, at least in the short term, as specific European proposals would undermine the ongoing international Kennedy Round trade talks.\textsuperscript{52} Even Wilson's proposals acknowledged that the scope for new, mutually beneficial arrangements between EFTA and the EEC was limited, given the differing interests of the EFTA countries (including the neutrals, who were attracted to EFTA's loose institutional framework), and the political dynamics within the Community. Indeed, the official record of the Vienna EFTA Council meeting reveals just how little Wilson was offering: on the subject of improving links between EFTA and EEC, 'he said that his Delegation had no specific plans to put before the Council, either on the institutional context in which the meetings with the Six might take place or on the policy arrangements, the actual links that might be considered'.\textsuperscript{53}

Yet bridge-building offered the economic benefit to Britain of maintaining the import surcharge at 10\% in the short term, by deflecting criticism and thereby allowing its continuation. A telegram from Wilson to Stewart revealed that this had been a motivating factor for Wilson: the proposals for bridge-building had the 'added advantage of sublimating Bock's surcharge obsession'.\textsuperscript{54} Bock, the Austrian trade minister hosting the Vienna meeting of EFTA, was under pressure from Austrian industrialists who were adversely affected by the import surcharge.\textsuperscript{55} As Chairman at Vienna, he was well placed to press British ministers to abolish the surcharge. However, once the meeting was upgraded to heads of Government level and an important new initiative on wider European unity was trailed, Bock would be obliged to work towards the meeting's success, and therefore subdue his criticism.\textsuperscript{56} At Vienna, although he was still the strongest opponent of the surcharge, the official communiqué

\textsuperscript{52} PRO CAB129/121, C(65)73 'Links Between EFTA and the EEC', Memorandum by the Prime Minister, 11/5/65.
\textsuperscript{53} PRO PREM13/308, Official record of the EFTA Ministerial Council Meeting, 24/5/65. (Official record dated 3/8/65)
\textsuperscript{54} PRO PREM13/306, FO to Prague, Tel. No. 243, 24/4/65.
\textsuperscript{55} PRO PREM13/307, Vienna to FO, Tel. No. 171, 24/5/65. (The surcharge had effected a 14\% drop in Austrian exports to Britain.)
\textsuperscript{56} PRO PREM13/307, Vienna to FO, Tel. No. 163, 21/5/65.
issued after the meeting reflected the EFTA Council’s preoccupation with bridge-building.57

Politically, bridge-building would give EFTA a focus, and counter criticisms that it risked disintegration arising from the import surcharge and the Labour Government’s apparent disregard for Europe, in favour of US and Commonwealth links. By revitalising EFTA, Britain would keep open the option of future UK membership of the Community, and thereby prevent other EFTA members, for instance the Danes, transferring to the EEC. Moreover, with the Government forwarding constructive proposals to overcome barriers within Europe, the Six’s exclusion of Britain from discussions on European political unity was made more difficult. The initiative demonstrated that claims that the Labour Government was turning its back on Europe were now ill founded. Therefore, there was less justification for excluding London from European political developments.

The bridge-building initiative also demonstrated to the domestic British audience that Wilson was interested in Europe, thus preventing the Conservatives monopolising the issue in the event of a General Election. Indeed, Wilson approached Europe’s problems in a manner that showed him acting within the realities of the situation in suggesting pragmatic proposals to maintain dialogue between EFTA and the EEC, unlike the Tories, who, absolved from accepting the realities of Office, still proclaimed their desire for British entry to the Community whilst admitting that this was not currently possible. If Europe became an election issue, Wilson could claim a more practical policy than the Conservatives. The Conservatives, although showing some interest, used the opportunity to demonstrate the distance between their own pro-Europeanism and this token overture to Europe from the Labour Government.58

57 PRO PREM13/307, Vienna to FO, Tel. No. 172, 24/5/65.
However, they could hardly criticise a gesture towards Europe that bore the hallmarks of their own previous policies.59

Moreover, bridge-building offered an approach to Europe to satisfy domestic interest in the subject, which did not, however, exacerbate the Labour Party’s European divisions in a pre-election period. Throughout the spring, Wilson monitored the PLP’s attitudes to Europe through the Chief Whip.60 Divisions within the Party were apparent, and therefore posed a potential problem for Wilson’s initiative.61 However, bridge-building provoked no backlash against Europe from the PLP, and was, indeed, shortly followed by a new PLP ‘Wider Europe Group’ (WEG), espousing similar objectives of finding solutions to the divisions in Europe, extending beyond a bilateral agreement between Britain and the Six.62 (WEG was set up by Peter Shore, Wilson’s PPS, indicating that the Prime Minister himself had sponsored its aims.) Although, according to Lynton Robins, the WEG was ‘fairly inactive’,64 it prevented a polarisation between the Party’s pro and anti-Marketeneers, leaving Wilson free to conduct European policy without being tied by the Party’s factions.65

59 The similarities between the bridge-building proposals and the Conservative European Free Trade Area proposals of 1958 were noted, both in Government (PRO PREM13/306, Stewart to Wilson, 18/3/65) and by the Conservatives in the House (HC Debs, Vol. 713, Cols. 1510-1514, 1/6/65).
60 LHA Liaison Committee minutes, 17/3/65. (This was a standing committee of the PLP officers, the Chief Whip, the Leader of the House, and Party officers from Transport House. Its main focus was consideration of matters affecting the PLP, including organized PLP groups, discipline and PLP meetings.)
61 LHA Liaison Committee minutes, 17/3/65. PLP Chairman Manny Shinwell – the veteran anti-Marketeeer and self-styled custodian of the Party’s five conditions – warned the Liaison Committee that the Anti-Market Group was intending to reform to counter the activities of the LCE.
63 Evans, *While Britain Slept*, p63.
65 In the Commons, the PLP expressed little real interest in bridge-building, with only one supplementary Parliamentary Question welcoming the initiative (HC Debs, Vol. 713, Cols. 1510-1514, 1/6/65). Had
Thus, the initiative re-established Wilson’s control over European policy, mediating between Stewart’s desire to give policies ‘as ‘European’ a slant as we can, short of suggesting that membership of the EEC is a real practical issue’, 66 and Brown’s enthusiasm for membership, pursued at official level through the committees his department chaired. The papers commissioned for the MISC 48 ministerial committee, on the overall aims of British European policy, were rendered redundant by the Vienna initiative. Wilson did not want to address the deeper question of future British Community membership, which was sure to undo the Party accord over bridge-building, and so directed that the papers produced by Jay and Brown be kept in ‘cold storage’, 67 and the MISC 48 committee did not meet again. The initiative, despite failing to achieve its stated aims, had served Wilson’s economic and domestic short-term needs.

Conclusions

Traditional explanations of Wilson’s European policy have viewed Wilson’s attempts to link EFTA and the EEC in May 1965 as evidence of Wilson’s gradual awakening to the difficulties of maintaining British independence; and part of an inescapable logic driving Britain towards Community membership, following the same pattern as Macmillan in the years preceding the first application. 68 Parr, on the other hand, citing the advantages to British foreign policy interests of disrupting progress amongst the Six towards European political union, suggests it was a pragmatic response to events within the Community. 69 By foregrounding the economic and domestic difficulties facing Wilson, this reading of events concurs with Parr’s assessment. However, it also demonstrates a range of additional factors equally as important as the political gains, and arguably (given his penchant for short-term tactical manoeuvres) of more potential immediate benefit to Wilson.

Wilson’s proposals generated any real controversy within the Party, a greater level of attention would have been generated.

66 PRO PREM13/306, Stewart to Wilson, 12/3/65.
67 PRO PREM13/904, Wilson’s comments on Jay’s memorandum to Wilson, 15/5/65.
68 Northedge, Descent from Power, p347; Greenwood, Britain and European Cooperation Since 1945, p92.
Wilson's overarching concerns in this period were the health of the economy and his Government's grip on power. The Parliamentary situation dictated that the Government enact popular policies to improve domestic circumstances in terms of living standards. Moreover, with explicit deflationary measures likely to find disfavour with the public and Labour Party alike, disillusion with the Government would offer a boon to the Opposition. Wilson was, therefore, forced to seek alternative methods to satisfy the international financial opinion that exerted such control over the economy, and through this, the Government's fortunes. The bridge-building initiative - as a method to maintain existing economic advantages to Britain from EFTA membership, and perhaps establish new gains in trade with the Community - was a step in this direction.

Wilson was reacting to a number of stimuli: the need to secure advantages for British exports; the current parlous state of EFTA, and the attraction of the Community to certain of its members; and developments towards European political unity between the Six. Moreover, the Conservatives' electioneering, and a need to limit potential embarrassment caused by the Tories drawing attention to Labour's divisions on Europe, conditioned Wilson's interest in bridge-building. In formulating a response that incorporated these multiple national and domestic objectives, he went beyond a simple reflex action. (This foreshadowed the probe tour of European capitals in 1967, in that it fulfilled several objectives, only some of which directly related to Britain's European relations.)

The bridge-building exercise was a European policy based on short-term requirements, albeit reserving options for future membership of the Community if this were subsequently to meet British needs. Wilson's Government undertook it without clear objectives about the future direction of European, and by default, global policies. Wilson avoided ministerial consideration of the long-term objectives. Refusal to take the MISC 48 papers when ready, and to consider the eventual direction of European policy - i.e. record a decision on whether ministers wanted eventual membership - kept ministerial attitudes towards Europe fluid, therefore maximising future options for Britain. Such a decision could have cut off future choices for the Government - either to seek membership or to retain current relationships. Nor did he want to invite the
attention to the overall direction of European policy such a Cabinet discussion would bring.

Parr has argued that in promoting the initiative, Wilson ‘accepted … that he would eventually have to take Britain into some sort of European Community’.\(^{70}\) Whilst she notes that, with a majority of three and over half the Cabinet opposed to Community membership, Wilson was not prepared to pay the economic price of loosening Commonwealth ties in agricultural trade that Community membership dictated, this needs further qualification. In the short term, Wilson required a healthier balance of trade to maintain his domestic policies against the deflation demanded by creditors. To this end, he sought improved trading relations with Europe, with both EFTA and the Community, as well as making attempts to boost British exports to the Commonwealth. Whilst he recognised the necessity for broader European economic and commercial relations, these could not be at the expense of the advantages Britain derived from preferential Commonwealth trading arrangements, which kept British costs of living and production down. Membership of a European Community that was unable to accommodate these needs would further jeopardise already-uncompetitive British industries, in turn aggravating the balance of trade by raising production costs of British exports.\(^{71}\)

Thus Wilson’s European policy, in pursuing the bridge-building initiative, did not envisage the moulding of new arrangements for the long-term settlement of European political and trading divisions, which would refashion the Community to become an organisation able to fulfil British objectives. Rather, it was a method of mitigating these divisions and preventing new ones developing, to enable Britain to


\(^{71}\) However, trade liberalization as an answer to Britain’s balance of trade problems was not shared by all. Wilson’s economic advisor Tommy Balogh recorded his frustration at the failure of his repeated efforts to draw attention to the fact that, due to Britain’s uncompetitive position vis-à-vis other industrialized states, non-discriminatory trade liberalization could result in damage to British industry as more competitively priced foreign imports gained freer access to British markets, unless it was accompanied by a sterling devaluation: PRO PREM13/307, Balogh to Wilson, 11/5/65; PRO PREM13/307, Balogh to Wilson, 18/5/65; PRO PREM13/904, Balogh to Trend, 14/6/65.
maintain its current EFTA and Commonwealth advantages. Wilson knew that the Commonwealth and the Community were exclusive options, and he was unwilling to forego the advantages of the former for the sake of the latter. Nor was he prepared to loosen Atlantic ties. In other words, bridge-building implied no change in the direction of his wider foreign policy interests: no reorientation away from the Commonwealth and the US towards Europe. Commitment to a concept of Europe – incorporating Britain’s national and Commonwealth interests within the Community framework – that was not on offer was as much in the realms of fantasy as Wyatt and Donnelly’s proposal that Britain should sign the Treaty of Rome without first negotiating the details of membership. Therefore, to say that Wilson was reconciled to future membership of the European Community, albeit it an altered format, is to overplay Wilson’s objectives. He was committed to finding the best opportunities to pursue his pragmatic assessment of British national and domestic interests, and for the moment, in his view, Community membership did not offer this. Although pro-Europeans, at ministerial and official level, could take Wilson’s bridge-building initiative as a step in the direction towards eventual membership, without a corresponding willingness to accept that British interests would have to be modified in order to allow British entry, this was a step that could very easily be reversed. Not until internal Community changes, and alterations in Britain’s relations with both the US and the Commonwealth occurred, did Wilson revise his concept of national and domestic interests.

Bridge-building may have yielded little material success, either in terms of institutional progress towards reducing European trade barriers, or practical joint projects, but it nevertheless achieved its domestic objectives. It prevented the Tories exploiting weaknesses in Labour Party unity on Europe, and upstaged their pro-European predisposition with a sophisticated approach reflecting contemporary realities in European relations. Moreover, it rehabilitated Britain’s reputation with EFTA countries, without foregoing the import surcharge, which, in the event, remained in place at 10% until November 1966, well beyond the expectations of British officials. In addition, it channelled the growing interest in European relations within Government, from ministers and officials, towards a policy that Wilson was personally in control of. That the Community’s empty chair crisis prevented it from achieving any material
benefits in the longer term demonstrated the superiority of the Community in determining the pace of events towards economic harmonisation in Europe.
In common with the previous nine months, Wilson’s problems in the second half of 1965 continued to be the health of the economy, and orchestrating the best conditions for another General Election to increase his majority. In the short term, the Government still struggled to overcome the effects of the balance of payments deficit, whilst waiting for the longer-term structural reforms of the economy to take effect. The immediate problem of speculation against sterling necessitated domestic deflation, including defaulting on electoral pledges and squeezing private consumption. The repercussions, in terms of Government popularity amongst its own supporters and the electorate, did not make for the most fortuitous climate in which to hold another election; yet with the Parliamentary majority reduced, temporarily, from three to one, an election could not be far away. Moreover, the deflationary measures dictated a level of economic dependency on the US, which was resented within the Labour Party for the obligations – both economic and political – it compelled on the UK.

Added to this, the Government was faced with Commonwealth disputes, politically damaging to the organisation as a whole and to Britain specifically as Commonwealth leader. These international difficulties brought home to Government that independence in foreign policy was as much a myth in the interdependent world of the 1960s as was economic autonomy. Nonetheless, this did not lead Wilson (at least initially) to consider the Community empty chair crisis, which framed this period from July 1965 to January 1966, as an opportunity to review Britain’s external relations and recast Britain’s European policy in favour of membership of the Community. Instead, Wilson still regarded a greater degree of independence as achievable once the British economy was rationalised through national planning. Thus, the Government’s priority remained improving British economic performance, which would increase the Government’s strength and therefore options in external relations, as well as its standing with the domestic audience.

The Government’s neutral response to the empty chair crisis limited public pressure to engage in a reassessment of British relations with Europe, instigated by Wilson’s now-stalled proposals for EFTA-EEC functional cooperation. This was convenient for Wilson: notwithstanding his skilful presentation of the bridge-building
initiative (which minimised Labour Party divisions over Europe), Edward Heath’s promotion to leader of the Opposition could otherwise have exerted powerful pressures on the Government to modify its attitude towards the Community.

As the Community crisis progressed, support for British neutrality waned in the FO, where the crisis was increasingly regarded as an opportunity for Britain to influence the future course of European integration, and refashion the Community in a manner better suited to British national interests. However, FO assessments of national interests were by no means universally accepted within Whitehall or amongst ministers, therefore Wilson, as arbiter of European policy, resisted FO demands for British intervention in the Community crisis. Nonetheless, the crisis and FO pressure to reassess European policy did result in Wilson refocusing some attention towards European relations, and he considered the kind of Community of which membership would be compatible with Labour’s objectives. Whilst that Community (outward-looking and based on looser institutional controls) did not yet obtain, changes to EEC arrangements embodied in the Luxembourg Compromise ending the empty chair crisis, went some way towards mitigating Labour reservations over British membership of the Community. Moreover, they coincided with a range of other reasons, domestic and international, economic and political, to begin a reassessment of Britain’s relationship with its external environment and in particular to the European Community.

**Ongoing economic and financial difficulties**

The perennial problem of the balance of payments dogged the Government, permeating all its decisions on domestic and international policies. The import surcharge was reduced from 15% to 10% on April 26th 1965, six months after it was first imposed. As a consequence, imports rose and, when this appeared in the published monthly trade figures, it gave rise to fresh fears of devaluation or deflation in July 1965.1 In addition, the Government was resisting pressure from its foreign creditors to

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cut public expenditure and deflate the economy.\(^2\) For electoral and ideological reasons Wilson was anxious to avoid devaluation and deflation. In the short term, he hoped to boost exports to the Commonwealth and between EFTA and the EEC, but his efforts towards this achieved little success. Far from being revived by the Commonwealth Prime Ministers’ Conference in June 1965, the organisation came under intense economic and political strain when the long-expected Rhodesian Unilateral Declaration of Independence (UDI) was announced in November 1965. Disunity dashed any hope of revitalising intra-Commonwealth trade. The European bridge-building initiative, although never likely to achieve extensive gains in intra-European trade, held out no prospect of reducing the trading divisions in Europe once the Community’s empty chair crisis broke out in July 1965. In addition, Labour’s longer-term solution to economic problems – structural reforms of British industry – was still to bear results. Resistance to prices and incomes policy continued unabated, despite the Governmental machinery (the Prices and Incomes Board) set up to administer it, and George Brown encountered obstruction from business leaders to his National Plan for economic expansion.\(^3\)

Ministers were frustrated that the balance of payments deficit restricted their ability to enact the socialist policies pledged in Labour’s manifesto.\(^4\) However, most of the Cabinet were not fully apprised of the magnitude of the financial crisis developing in July 1965 until they were presented with an emergency package of deflationary measures just hours before Callaghan announced it in the House of Commons.\(^5\) The gravity of the situation had been forced on Wilson four days earlier when his economic advisors submitted a paper to him advocating devaluation.\(^6\) Wilson had previously set himself against devaluation, and recoiled from it now. Nor was this course favoured by the Governor of the Bank of England, or, in Wilson’s opinion, by industrialists or

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\(^3\) Brown, *In My Way*, pp104-105.


financiers. Both Callaghan and Brown considered, independently of each other, the prospect of devaluation at this juncture: Brown discussing it with his close Cabinet colleagues Roy Jenkins and Tony Crosland, and Treasury officials putting to the Chancellor their contingency papers on devaluation.

If, as Government economist Alec Cairncross now believed, Brown was converted to devaluation rather than the deflationary package being prepared by officials, he did not press this in Cabinet. Brown, Callaghan and Wilson jointly presented the deflationary package to their Cabinet colleagues, asking for savings including cuts in public investment, measures to restrict cheap mortgages, and the postponement of a minimum income guarantee for the poorest members of society. The measures amounted to the abandonment of a number of electoral pledges from the 1964 manifesto, a matter taken very seriously by Wilson, for the manifesto was the most obvious benchmark against which to judge the Government’s performance.

The cuts created tension in Cabinet, not only over the Government’s overall strategy, but also the fact that the package was presented to Cabinet as a fait accompli. Cabinet ministers pressed for greater control over the direction of Government policy, as well as consideration of alternative methods to manage the economy in future, including import restrictions and defence cuts. Beyond Cabinet, the deflation created dejection within the Parliamentary Party and fury in the Party’s NEC.

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8 Cairncross, The Wilson Years: A Treasury Diary, 1964-1969, entry for 26/7/65, pp72-73. (This work had been prepared in a secret official committee, unknown even to the Chancellor, referred to as FU: ‘Forever Unmentionable’: Morgan, Callaghan: A Life, p213.)
The package was badly presented, with contradictory signals from Wilson and Callaghan in the weeks preceding it, indicating that the Government was reacting to speculation, rather than in control of events.16 Deflation was a crisis measure, forced on Government at the last moment, rather than a considered step in the long-term strategy for economic stability.17 Mishandling of the Government’s announcement demonstrated that there was no overall strategy, and therefore did not resolve the financial speculation it was designed to assuage. According to the Governor of the Bank of England (as recounted by Cecil King), what the markets and Britain’s creditors demanded was effective wage restraint.18

Under pressure from the US Treasury, which organised, in September 1965, another international loan to support sterling, the Government broached the subject of a statutory (as opposed to the current voluntary) prices and incomes policy. This would give Government both authority to refer any proposed rise in prices or wages to the Prices and Incomes Board, and the power to enforce the Board’s decisions.19 Although Wilson denied that the US-led international loan was dependent upon a statutory incomes policy, Tommy Balogh confirmed that Callaghan had made ‘firm commitments’ to the Americans on incomes policy, in order to secure their support over sterling.20 With some difficulty, Brown obtained the TUC’s acquiescence to the new element of the policy,21 despite its challenge to the trade union principle of free

20 Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 1/8/65, pp316-317. Kenneth Morgan confirms that there was no doubt that the US Administration sought guarantees about how the US loan would be used: Morgan, Callaghan: A Life, p228.
21 Brown, In My Way, pp106-107. Crossman thought that the TUC General Secretary George Woodcock supported the prices and incomes policy, not only because it strengthened his role as TUC leader, but also because of the policy’s national importance: Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 1/12/65, pp397-398.
collective bargaining. The support package for sterling was then announced, the run on
the pound abated, and much of the Bank of England’s recent losses were replenished. 22

Events during this period demonstrated clearly that the vulnerability of sterling
would hamper the Government’s domestic policies, and that economic sovereignty was
a limited concept. If Wilson and his Government had learned, from their first encounter
with speculators after the November 1964 budget statement, that fiscal and social
policies were no longer to be regarded as decisions of Parliament alone, then the
financial crisis of July 1965 demonstrated that the impact of speculators permeated even
as far as to prescribe the nature of the Government’s relations with its own supporters in
the Labour movement. Neither the deflationary cuts, the brewing difficulties with the
unions, or the discontent amongst Party supporters boded well for the Government’s
electoral prospects.

During the summer of 1965, with the economic crisis reaching its worst point,
brief attention was given to Community membership as a possible remedy to British
economic failings. A report from the OECD proposed two options for Britain:
unemployment and deflation, or entry to the Community. 23 The response from the
Labour left in Tribune, whilst accepting the OECD’s assessment of economic decline,
rejected both remedies, the former because it was incompatible with Labour’s objectives
of planned economic expansion; and the latter due to the federal implications, in
addition to the rise in food prices, attendant upon Community membership. 24 Tribune
contributors favoured a third alternative – import controls to protect British industry
from overseas competition, whilst retaining Commonwealth preferences in agriculture
and raw materials. 25 This amounted to a form of ‘British Gaullism’, and was supported
to a greater or lesser extent by some of Wilson’s closest allies, including Balogh, Castle,
Shore and Benn. In effect, this had been the Government’s response when first faced with the £800 million deficit in October 1964: the import surcharge restricted industrial imports, whilst both the manifesto and the 1965 Commonwealth Prime Ministers’ Conference raised hopes (albeit short-lived) of boosting intra-Commonwealth trade.

However, as the surcharge contravened international trade arrangements, the Government was forced to admit that it was a temporary expedient prompted by the severity of the deficit, rather than the first step in a British retreat from liberalised trade policies. If the Government switched now to positively embrace import controls, it would be accused of misleading Britain’s trading partners, and the inevitable retaliation could spark an international trade war. Moreover, Wilson was beginning to acknowledge that he could rely on neither enthusiasm nor loyalty from the Commonwealth in policies designed to further British trade interests. In addition, British Gaullism was dependent upon an alternative to the world role Britain was historically used to playing (even if, in practice, the remnants of Britain’s current world role afforded little independence, politically or economically), one that included neither worldwide defence commitments nor the international obligations of sterling’s reserve currency status. Thus, the anti-Market Labour left’s option, although partially deployed by the Government in extreme circumstances, ignored the reality of contemporary trade patterns and arrangements, and the political difficulties of voluntarily scaling back British world status. It therefore failed to offer a long-term solution palatable to Wilson.

Labour’s pro-Marketeers likewise rejected deflation, and were critical of the Government’s performance to date. The import surcharge protected home industries rather than forcing them to modernise and improve competitiveness; higher taxation increased costs whereas Government had pledged to control them; higher interest rates amounted to deflation similar to that of the previous Conservative administrations; and the Government’s target of a 25% increase in economic growth between 1964-70

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already looked impossible to achieve and would become harder still when the Community achieved its goal of a full customs union. They also rejected inward-looking Gaullism, of both the French and British kind, and argued that British accession to the Rome Treaty would reverse the Community’s current insularity, as well as providing the economic stimulus necessary for the growth envisaged in the National Plan. In other words, British membership would provide a method to deliver on the Government’s domestic agenda, in addition to preventing a Gaullist stranglehold over the Community. This assessment was not shared by Wilson, however, who not only thought the political price of supranationalism too high, but also retained faith in structural reforms to raise the competitiveness of British industry in the longer term. The differing views on the needs of the domestic economy held within the Labour Party, relating to Britain’s relationship with its external environment, pointed in opposing directions. For the moment, Wilson hoped to steer a path between these two poles, trusting that longer-term industrial restructuring would deliver the economic strength to resist both. In the meantime, he reluctantly acquiesced to deflation to avoid devaluation in the short term, and pleased few in his Party in the process. Moreover, the range of attitudes towards British Community membership contained within the Party promised that any modification of Government’s European policy would be accompanied by internal controversy.

With the short-term crisis temporarily averted, attention turned to the Government’s longer-term strategy for economic management. The National Plan was finally ready for publication in September 1965. Seeing the Party’s economic plan put into action could revive Party morale, especially coming just before Labour’s Annual Conference, where leaders expected a hostile response to news of impending legislation on incomes policy. However, the July cuts had threatened the Plan, even before its publication, by casting doubt on the Government’s commitment to planned expansion when faced with a balance of payments deficit. Ministers and officials considered postponing its publication, as its targets for growth (dependent upon planned

investment) would be difficult to achieve now that deflation restricted Government expenditure. Nonetheless, publication went ahead as scheduled, and the Plan received a generally favourable reception from the press and the Party, despite ministerial, official and industrial reservations during its preparation. Yet having set a precedent for accepting deflation in order to protect the pound, the Plan was, according to one Cabinet Office economist, ‘stillborn’; and with the sterling crisis the following year, in July 1966, prompting much harsher deflation, Labour’s experiment with indicative planning was at no time accorded the priority necessary for its success. The balance of payments deficit, and the Government’s initial response to it – maintaining the strength of sterling – thwarted Labour’s domestic plans for industrial modernisation and planned expansion. In summer 1965, however, ministers remained confident that when the longer-term industrial modernisation plans took effect, the economy would be strengthened, and therefore freed from the short-term shackles of the balance of payments deficit. The deficit, and the dependence it created, was also to restrict the Government’s options in external relations.

**The Government’s external relations**

Alterations in the dynamics of the Labour Government’s relations with the US and the Commonwealth occurred because British economic reliance on foreign, especially American, support for sterling prevented political independence. This restricted Government control over domestic matters, such as incomes policy, as well as conditioning the British Government’s response to external events. Although Wilson remained a loyal ally to Washington, this created increasing domestic difficulties for the Prime Minister, as his Party criticised US involvement in Vietnam ever more vocally. His only option was to maintain a muted support for the US in public, whilst trying to work for peace initiatives in private.

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Britain's relations with Commonwealth countries were also changing. At the Commonwealth Prime Ministers' conference in London in June 1965, Wilson had, in Crossman's opinion, narrowly averted a damaging split over impending Rhodesian UDI, by diverting attention to a botched Commonwealth peace mission to Vietnam.\textsuperscript{32} The British plans for reviving intra-Commonwealth trade put forward at the conference yielded little success; indeed Wilson was 'acutely disappointed' that there was 'virtually no willingness' from his Commonwealth counterparts to take up the British proposals.\textsuperscript{33} The new Commonwealth countries showed more interest in aid programmes than trade initiatives, and the old Commonwealth countries were diversifying regionally. According to Paul Foot, changing trade patterns were inevitable, as modern capital realigned itself with geographical and technological realities.\textsuperscript{34}

Although Wilson's was the first British Government to raise Overseas Development to a Cabinet post, the economic situation prevented (in the opinion of its minister, Barbara Castle) allocation of adequate resources.\textsuperscript{35} Without the financial clout to influence developing countries via aid programmes, the Government had less political power, and this was brought home by the Kashmir border conflict between India and Pakistan in 1965-66. Wilson admitted that his own intervention merely inflamed the tensions between the two countries,\textsuperscript{36} and it was left to the Soviets to resolve the crisis in January 1966, to prevent a further escalation of tension in the South East Asian region. This demonstrated that even its own members had little faith in the political merit of the Commonwealth, much less in British leadership of it.

However, above all, Rhodesian UDI questioned the value of the Commonwealth, politically and economically, to Britain. The illegal Rhodesian regime

\textsuperscript{32} Crossman, \textit{The Diaries of a Cabinet Minister: Volume One, 1964-66}, entry for 27/6/65, p255.
\textsuperscript{34} Foot, \textit{The Politics of Harold Wilson}, pp246-247.
\textsuperscript{35} Crossman recorded that when, in Cabinet, Wilson argued for greater resources for Castle's department after spending plans had already been agreed, he was savaged by Brown and Callaghan for trying to alter the existing allocation of resources: Crossman, \textit{The Diaries of a Cabinet Minister: Volume One, 1964-66}, entry for 20/7/65, pp281-282.
generated hostility throughout the Commonwealth, dividing developing and developed countries on racial lines. Wilson judged that a military response would not be acceptable to domestic public opinion: the illegal regime was still made up of British citizens, after all. Moreover, a war could, in the opinion of a Cabinet Office economist, prompt a ‘torrential outflow of foreign exchange of the kind that halted the Suez operation in 1956’.

Government attempts, firstly to avoid UDI, and then to defeat it without military force, found little sympathy with the African Commonwealth countries, and attracted close scrutiny from the Labour Party left, anxious that Wilson should not make concessions to the racist Ian Smith. Wilson, however, could take some comfort that his handling of the situation generated much sympathy with the British public, and the Conservative Party’s three-way split on UDI threw Wilson’s performance in maintaining Labour unity and popular support into sharper relief.

Nonetheless, UDI damaged the already-delicate UK economy. African Commonwealth countries insisted upon oil sanctions as a bare minimum in retaliation to UDI, yet, British officials warned, they would do more harm than good, thanks to South African solidarity with Smith’s racist regime, and the risk of Rhodesian retaliation against neighbouring countries.

If, for instance, Rhodesia cut off electricity supplies to neighbouring Zambia, this would disrupt supplies of raw materials (notably copper) to the UK, and the National Plan’s production targets – already strained by deflation – would suffer further.

Wilson’s attempts to prepare for the financial repercussions of UDI were frustrated by the Bank of England Governor, Lord Cromer. Cromer’s first loyalty was to the holders of sterling, despite their ability to undermine the pound, and when


38 For instance, Rhodesia and the British Government’s response to UDI, dominate Barbara Castle’s published diary in November and December 1965. Her main preoccupation was that Wilson’s personal diplomacy might exceed Cabinet’s agreement on constitutional arrangements that could be offered to Smith: Castle, *The Castle Diaries, 1964-70*, entry for 16/11/65, p68.


directly questioned by Wilson, he refused to reveal the extent of Rhodesian holdings and finances. In the event, Rhodesian reserves were virtually completely withdrawn from the Bank of England in October and November 1965, under the (correct) expectation that after UDI any remaining Rhodesian sterling reserves would be frozen by Britain.

Left with little option but to promote oil sanctions against Rhodesia, for the sake of Labour Party unity and to prevent Commonwealth meltdown, as much as in response to UDI, Wilson sought US assistance on his trip to Washington in December 1965: British sanctions would be meaningless if not supported by oil producing nations.\textsuperscript{42} In Crossman's opinion, Wilson only secured American backing for oil sanctions on the understanding that Britain would maintain its east of Suez defence commitments.\textsuperscript{43} For the moment, however, whilst Wilson recognised the long-term inevitability of British withdrawal, the US attitude simply confirmed his own sense of responsibility for Commonwealth defence commitments in the immediate future. Nonetheless, the expenses incurred in overseas defence were a heavy burden on the UK balance of payments, and therefore were unpopular with the Labour Party, even before deflation in July 1965. After then, sections of both the left and right of the Party objected more strenuously: the left on ideological grounds,\textsuperscript{44} the right on cost grounds.\textsuperscript{45} Yet dependency on the US prevented Wilson finding savings east of Suez that would placate his Party and improve the balance of payments, even if he had been minded to cut commitments. Instead, the Government considered savings in European defence

\textsuperscript{42} Wilson, \textit{The Labour Government, 1964-70}, pp244-245.

\textsuperscript{43} Crossman, \textit{The Diaries of a Cabinet Minister: Volume One, 1964-66}, entry for 21/12/65, p418. (Crossman had earlier recorded Wilson's opinion that pressure from Labour's left-wing and the Conservative Party right-wing to withdraw from east of Suez created options: either the Government could withdraw and save the money, or it could use domestic opposition to extract the highest possible price from the Americans for retaining the role: Crossman, \textit{The Diaries of a Cabinet Minister: Volume One, 1964-66}, entry for 19/10/65, p354.)

\textsuperscript{44} Wayland Young (a Labour peer) described British east of Suez forces as 'neo-colonial troop concentrations': W. Young, 'The East of Suez delusion', \textit{Tribune}, 17/9/65, p16.

expenditure in January 1966, although with de Gaulle’s well-known antipathy to NATO repeated regularly, this idea had little mileage: 46 British withdrawal from Germany could destabilise European security based around the Atlantic Alliance. Therefore, the Government was forced to retain current commitments east of Suez and in Europe, not only on their merit, but also under pressure from the US. Paradoxically, because the UK economy was weak and could not risk foregoing US goodwill and support for the pound, the Government was compelled to maintain expenditure commitments, however unfeasible in the long term and despite the damage caused to the domestic programme by diverting scarce resources overseas. Economic dependency on the US demonstrated that both economic and political sovereignty were limited concepts in the interdependent world of the 1960s. Even Britain’s remaining world role was a measure of the Government’s inability to act independently.

The Parliamentary context

The slender Parliamentary majority exacerbated the Party management problems experienced by Wilson as a result of his Government’s external and domestic difficulties. His colleagues favoured an early election to increase the majority, so that the Government would not be held to ransom by its own disaffected MPs (as in the case of steel renationalisation). 47 However, Wilson, in June 1965, announced there would be no election this year, and the July financial crisis underscored this: an election coming so soon after the deflationary package was unlikely to boost Labour’s electoral standing, and indeed Labour’s popularity in public opinion polls plummeted over the summer months. 48 By October Labour regained the lead over the Conservatives in the polls, and


47 Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 22/9/65, p332. (The Government’s 1964 manifesto pledge to renationalize the steel industry was undermined in May 1965, when two right-wing PLP rebels threatened to oppose the Government in a Parliamentary division.)

48 Stewart, The Jekyll and Hyde Years, p60. (Paradoxically, the effects of deflation on the electorate were inadvertently mitigated by the ineffectiveness of the incomes policy: Brittan, Steering the Economy, p323.)
to insiders such as Cairncross, the Tories looked ‘correspondingly weak’. But by now, unless a General Election was forced by defeat in the House of Commons, an election would have to await spring at the earliest. Nonetheless, Wilson’s ‘Kitchen Cabinet’ began preparations for the next election manifesto and Party campaign in September 1965.

Doubts about the Government’s ability to remain in Office followed the death of the House of Commons Speaker in September. If Wilson had to promote a Labour MP to this non-voting position in place of the late Tory Speaker, the majority of one would make governing impossible. In the event, a Liberal MP was willing to take up a non-voting Commons position and Labour’s majority remained unaffected. The episode demonstrated the Government’s fragility, and led to speculation from Liberal leader Jo Grimmond that his Party could hold the balance of power in the Commons. In this event, the Liberals would expect Government to modify its policies, for instance on Europe or nationalised industries. Wilson dismissed this, although not before Gerald Kaufman’s survey of PLP attitudes towards a ‘Lib-Lab’ pact revealed little enthusiasm for it. Yet although a formal pact was ruled out, the Government was still aware that it might require Liberal support in the Commons, and ministers therefore considered tailoring Labour’s policies accordingly: when Cabinet discussed the Queen’s Speech for November 1965, they agreed to omit steel renationalisation, and Crossman noticed a

50 Not since 1935 had a British General Election taken place as late in the year as November, and to date, 1935 is still the last occasion it occurred. Wilson himself noted the additional burden placed upon the electorate in the winter months by seasonal unemployment and cold weather, which cautioned against governments holding elections then: Wilson, The Labour Government, 1964-70, p260.
52 Short, Whip to Wilson, pp169-173.

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‘very sinister phrase’ about entry to the European Community (which he eventually removed). 55

On the eve of the new Parliamentary session, the Government faced another crisis when the death of the Labour MP for Hull-North necessitated a by-election in a marginal constituency. When Labour won this seat with a large swing at the end of January 1966, Wilson had already begun planning for a March election. 56

Problems looming on the domestic economic horizon would make it impossible to carry on any longer: prices and incomes policy was ‘near to breaking-point’, with unions ready to challenge the Government before the policy became legally enforceable 57 and Frank Cousins desperate to resign his Cabinet post before compulsory wage restraint reached the statute book. 58

Moreover, UDI was putting a strain on the pound, and this coincided with Callaghan telling his colleagues he needed further deflation in the order of £200 million 59 – the same amount as Treasury estimates of the cost of UDI. 60 On this basis, a March election became more likely, as a deflationary budget in April 1966 was hardly the best platform from which to launch an election campaign. 61

One more reason for calling the General Election sooner rather than later was provided by Wilson’s new opponent as leader of the Opposition, Edward Heath. Although Conservative leader since July 1965, some five months later he had largely

55 Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entries for 12/9/65, pp322-323, and 28/10/65, p365. Wilson was absent from this Cabinet meeting, thus Crossman did not record the Prime Minister’s attitude to the reference to Community membership in the draft Queen’s speech.


In the event, the deflation was achieved in stages, with a consumer credit squeeze taking place in February 1966, ahead of the General Election in March, and followed by fiscal changes in the budget in May.
failed to establish himself, either within his own Party or with the electorate.\textsuperscript{62} Like all leaders, Heath would, in Crossman's opinion, improve,\textsuperscript{63} so the sooner the General Election, the less chance he would have to mount an effective challenge against Wilson.

Heath's main area of interest and expertise was British membership of the European Community, thus his election as Tory leader raised the profile of Europe in domestic debate. Heath was now in a position to steer the Conservatives towards the more favourable European policy he had nurtured personally, since his maiden speech in the Commons, and given substance through his role in the 1961-63 negotiations for Community membership. This formed a central feature of the policy document Heath launched at the Conservative Party Conference in October 1965.

Heath's attitudes to British membership of the European Community created a dilemma for Wilson. As noted back in November 1964 by a Socialist Commentary columnist, Heath's pro-Europeanism 'would be a splendid stick to beat Labour with, ... [and] it might try the loyalties of Labour members more seriously than any other issue'.\textsuperscript{64} On the one hand, partisan arguments suggested Labour should create a bold alternative to the free enterprise principles that informed Heath's pro-Europeanism, based on the planning and reform agenda the Labour Government had already begun. In Crossman's opinion, Labour should meet Heath head-on: 'We must have socialist planning in order to live outside Europe'.\textsuperscript{65} However, political arguments pointed in the opposite direction. Heath's leadership of the Conservatives consolidated a rekindling of interest in British membership of the Community within the domestic arena. Business interests, newly reconstituted as the Confederation of British Industry, commenced a survey of business attitudes on British membership of the Community in September


\textsuperscript{63} Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 23/12/65, p422.

\textsuperscript{64} Catalpha, 'Only Four', Socialist Commentary, November 1964, pp10-11.

\textsuperscript{65} Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 17/10/65, pp351-352.
1965, under its new Director-General John Davies – 'a passionate European'. From August 1965, Cecil King (Chairman of the International Publishing Corporation, which included the Mirror Group of papers) thought the British priority ought to be achieving Community membership, and was disappointed that the Government showed no appetite for this now or in the near future. Moreover, public opinion increasingly favoured British entry throughout 1965. Transport House’s Research Department analysis for the NEC noted that Heath was popular amongst Liberal voters, by virtue of his personal commitment and links with British membership of the EEC. (These floating Liberal voters were exactly the group who could determine the result of the next General Election.)

These factors pointed towards modifying Labour’s European policy in order not to lose support at the next election over this issue. Yet against this, the risk of exposing Labour’s internal divisions over British entry had to be weighed. By January 1966, Crossman thought pro-Marketeers in Cabinet outnumbered those opposed to membership. Even if this was an overestimation of the support for entry in Cabinet, this balance was not representative of the wider Party. The Labour Committee for Europe expected that if membership became an electoral issue in 1966, Wilson would

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68 Durant, ‘Public Opinion and the EEC’, Table 1, p246. The Gallup polls show public approval for British membership ranging from 47-66% throughout 1965. Durant does not comment on why a low point of 47% in August followed Heath’s election as Conservative leader, although public approval for membership had rallied to 55% by the following month. Perhaps Conservative voters were temporarily split between Party loyalty and a genuine desire for entry.
70 In December 1965, the Transport House poll analysis considered the results of recent municipal and by-elections, and suggested that many voters who chose Liberal in the 1964 General Election now appeared to be ready to switch back to either Labour or Conservatives: LHA Transport House Research Department, ‘The State of the Nation: Opinion Polls IX’, Res.55/Dec 1965, presented to the Home Policy Sub-Committee of the NEC HO/2 6/12/65, and found in the files of NEC4/1965/66, 15/12/65.
support his Party’s anti-Europeans. For this reason, the LCE hoped to keep the issue off the hustings. With Heath’s impact on the domestic European debate polarising opinions within the Labour Party, then, managing Labour’s European policy would become increasingly difficult for Wilson, and risked undoing the careful handling of European policy during his bridge-building initiative.

The European Community’s empty chair crisis

Wilson had skilfully managed to combine national and domestic objectives in the bridge-building initiative in May 1965, without unleashing any great dispute within his own Party. Yet his initiative was short on practical ways of putting the sentiment of bridge-building into practice, and EFTA officials were charged with presenting proposals on this at the next meeting of the EFTA Ministerial Council in October 1965. However, the gravest dispute the Community had yet faced began little over a month after the Vienna EFTA meeting; the empty chair crisis therefore put paid to any notion of building bridges between the two European blocs.

This is not the place to recount at length the events and developments leading to and occurring throughout the Community crisis – it is well covered by other sources. To summarise, a critical situation developed on July 1st 1965 when French representatives withdrew from Community institutions following failure by the Six to reach agreement on a package of measures put forward by the Commission, which included financial arrangements for agriculture; plans to make provision for the Community’s own resources, to replace the existing system of member states’ own contributions to Community funds; and for the European Parliament to exercise some control over the Community’s budget. French representatives to the Community were recalled to Paris, and the remaining five member states proceeded with Community business, leaving an empty French chair. However, they were scrupulous in avoiding

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taking any decisions in the absence of the French, which might then be disputed after the crisis was resolved. Public pronouncements from the French in October escalated the crisis further, when they attacked Community plans to institutionalise supranationality through the extension of majority voting in the Council of Ministers. This was foreshadowed in the Treaty of Rome, and was due to take effect from January 1966. It had long been expected (in the British Foreign Office⁷⁴) that de Gaulle would find a way to dispute majority voting, yet the Five remained unified in their opposition to the French, thus creating the impasse.

As the crisis developed into a game of brinkmanship between France and the Five throughout autumn 1965, British policy on Europe could have a direct influence on the path of Community development. Resolution of the crisis on French terms would mean high levels of agricultural support and a loosening of the Community’s supranational ties. Alternatively, if the Five overruled the French, a greater impulse would be given towards supranationality, and less priority to agricultural subsidies. The attitude of the Labour Government could prove decisive in settling the dispute, by strengthening one or other concept of the future development of the Community. If the crisis could not be resolved between the Six, and the Five were willing to continue without the French, then siding with the Five might offer Britain the best opportunity to join the Community. However, in order to strengthen the position of the Five, the Government would have to make a clear declaration accepting the Treaty of Rome, and state a willingness to accept supranational institutions. This presented obvious difficulties for Wilson, given the Labour Party’s five conditions on entry (that in effect contained the Party’s divisions over Europe), and Labour’s criticisms of the Conservative attempt to gain membership, in the 1964 General Election manifesto.⁷⁵ Alternatively, supporting the French might ensure a Community more in keeping with Labour’s preference for intergovernmental over supranational institutions, yet it offered little guarantee that de Gaulle would permit British entry on terms acceptable to British interests, in particular national economic control, agricultural costs and Atlantic ties.

⁷⁴ PRO PREM13/306, FO note sent under cover of letter from James to Wright, 11/2/65.
⁷⁵ See Chapter 1, pp38-39
Either way, if the Government were to take sides in the Community dispute, it would require a clear Cabinet decision on the direction of European policy, which risked exposing Party divisions in a pre-election period. As neither scenario fully suited British national interests as defined by Wilson and the Party’s five conditions, and both depended upon the Six being willing to give up the gains they had already achieved, the prospect of securing acceptable terms for British membership was fairly remote to a Government as yet unwilling to compromise on its national and domestic interests.

It was uncertain how the French and the Five would react to the deadlock provoked by their conflicting interests when, on July 8th, Michael Stewart gave a brief report on the situation to his Cabinet colleagues. He advised that the Government should adopt a neutral position, and ‘refrain from appearing to derive any satisfaction from the present situation’ (in which Britain might, conceivably, hold the balance of power). He noted that ‘it was not impossible that circumstances would now develop in such a way that the question of UK participation in the Community might be reopened; and we should be prepared for this possibility’. The Cabinet minutes do not record any discussion of Stewart’s report: neither how the Community crisis might prove opportunistic for British interests, nor the implications of the crisis for Wilson’s bridge-building initiative – thus implying the minimal expectations for real progress invested in the initiative by Cabinet. Despite Stewart’s indication that the Government should be ready in case the question of British Community membership arose, ministers did not charge him or any other Cabinet member to prepare information on this.

Wilson concurred with Stewart’s recommendation for neutrality: given the Party and electoral, economic and foreign policy implications of a move towards entry, this was the only feasible course open to the Government at this time. Wilson told the Commons that the Government would neither take sides, nor express opinions on what was an internal Community matter. A neutral British position allowed Wilson breathing space to avoid a public re-evaluation of European policy, which Heath’s

76 PRO CAB128/39, CC(65)36(2) Oversea Affairs, 8/7/65.
77 Wilson to the House of Commons, 19/7/65, quoted by Camps, European Unification in the Sixties, p176.
election as Conservative leader might otherwise have prompted. Heath, too, adopted an impartial stance, refusing to side with the Five or the French. Neutrality also served the tactical purpose of keeping a lid on the question of UK membership amongst the Labour Party for the time being. In addition, because an approach from EFTA to the Community on bridge-building might now look at best insensitive and badly timed, and at worst interference or wrecking (the Six could not respond whilst the crisis was unresolved), the Community crisis prevented any prolonged attention to bridge-building, which might reveal that it was really a gesture with limited scope for practical results, but serving a number of domestic needs. Further supporting the Government’s neutral attitude, the empty chair crisis was a peripheral matter for the Government, at this time struggling with the more urgent problem of the economy and the July 1965 deflationary cuts. Advice from overseas posts in August coincided with the Government’s position of neutrality.80

The empty chair crisis, then, did not immediately fire the imaginations of Government ministers to cast a new foreign policy for Britain. They were far too heavily engaged in maintaining the old one – retaining parity with the dollar, being allies to the Americans and maintaining the integrity of the Commonwealth. With Rhodesia taking up half the Prime Minister’s time, and about one third of Callaghan’s time, the Mirror ran a page one article criticising Wilson for giving too much attention to foreign affairs at the expense of the domestic economy. Wilson’s political secretary Marcia Williams agreed; but Wilson’s opinion was that the domestic economic situation depended on his handling of UDI, because disruption to supplies of raw

78 Camps, European Unification in the Sixties, p178. Camps suggested that this was a practical calculation on Heath’s part: as membership was impossible without rapprochement with the French, siding with the Five would likely worsen the prospects for eventual British entry.
79 An article in The Times later suggested the bridge-building initiative was ‘just a political gimmick’. PRO FO371/182349/M10723/208, W. Clark, ‘European Integration in a State of Flux’, The Times, 1/11/65.
80 PRO PREM13/904, Marjoribanks’ despatch to Stewart, 2/8/65.
82 King, The Cecil King Diary 1965-1970, entry for 8/12/65, p43.
materials threatened domestic employment and production levels. In other words, to Wilson the political, economic, domestic and international factors were interlinked. His attitude on foreign issues was conditioned by his mindfulness of the domestic economy’s requirements. This also applied to European relations, and not until it became clearer that the Community crisis could damage British economic interests, and that membership might mitigate domestic and political problems, did Wilson become better disposed to reconsidering European policy.

The Cabinet discussed the empty chair crisis, in a debate on wider foreign policy, in September 1965. Stewart told his colleagues that resolution on French terms would be harmful to British interests, as ‘a Community wholly subservient to France would inevitably become progressively more inward-looking and less satisfactory as a partner in our politico-military policies in Europe’. He also suggested that Cabinet must ‘try to define more closely the concept of closer European integration and the conditions which would make its realisation possible’. In other words, Stewart wanted Cabinet to consider its general attitude towards European integration, and agree the terms upon which progress towards it might be made. Discussion following Stewart’s presentation focused on the economic effects of European and global policies – the Commonwealth no longer offered adequate compensation for exclusion from tariff-free access to the larger Community market; yet this was countered by reference to the doubling in trade with Community countries since the EEC was set up, despite British non-membership. There was general agreement that now was not an appropriate time to seek to renew negotiations for British membership, thus avoiding any necessity for anti-Market ministers to register their objections in principle to British membership. Summing up the discussion, the difficulties of reconciling the Labour Party’s five conditions with the free market principles of the Community were noted. The Cabinet minutes record no mention of explicit links between Community membership and political developments in Europe – either through NATO or via European political unity (that the Six had discussed before the Community crisis, but was obviously now stalled). Cabinet

85 PRO CAB128/39, CC(65)49(3) Foreign Policy, 23/9/65.
members, therefore, did not share Stewart's preoccupation with the political aspects of European integration, and when considering the European Community, they were primarily concerned with its economic rather than political functions, and its impact upon Labour's domestic programme. There was no attention given to the effects of the Community crisis on British trade interests – either through bridge-building or the Kennedy Round trade talks: at this stage, Wilson and other Cabinet ministers continued to regard the empty chair crisis as an internal Community matter.

In trying to force the pace of Cabinet consideration of European policy, Stewart reflected his department's increasing frustration with the attitude of neutrality towards the crisis. FO officials, resentful that the DEA had been given the lead on European policy\(^6\) (by virtue of its chairmanship of the EEP committee), used the crisis to try to assert control over European policy, as to their minds the economics of Community membership were subordinate to the politico-military aspects. A DEA-chaired interdepartmental group of officials had, in August, circulated a paper to ministers, concurring with the Government's 'passive role' in the crisis, as it was as yet unknown how the situation would develop between the Six.\(^7\) The paper also argued that ministers should resist developments in EFTA – both progress on bridge-building at the October EFTA meeting, and any proposals for steps to strengthen EFTA now that bridge-building was hindered – which could limit the Government's options in future relations with the Community.\(^8\) Notwithstanding FO participation in the interdepartmental group producing the paper, in the opinion of senior FO officials the paper was 'anodyne', and inadequate by virtue of its failure to recommend contingency

\(^6\) PRO FO371/182379/M10810/150/G, FO minute by C. O'Neill, 10/11/65.
\(^7\) PRO PREM13/904, Report by a group of interdepartmental officials on the present situation in Europe, 9/8/65.
\(^8\) In the event, Ministers at the Copenhagen meeting of the EFTA Ministerial Council reaffirmed their desire to remove barriers to European trade, but did not press the Community members, individually or collectively via the Commission, for a response to the bridge-building initiative. EFTA officials were to continue examination of suitable methods to overcome differences in European trading arrangements in the meantime.
planning to ministers. Throughout the summer, FO officials therefore brought up to date their own departmental contingency planning on a possible British role in the Community conflict, but their unilateral approach – with its direct challenge to the DEA’s authority as lead department – created resentment with DEA officials.

French statements in September and October 1965, adding majority voting to the list of French concerns about Community procedures, further polarised opinion in Whitehall. The DEA regarded the escalation of the crisis as a prompt to begin consideration of the implications for UK interests of a settlement on French lines, with the likely constitutional changes of looser Community institutions and weaker ties between the Six. By contrast, the FO judged that the development added urgency to their own contingency plan that Britain should consider intervening on the side of the Five, to prevent the outcome the DEA seemed to accept as inevitable. The FO assumptions were bolstered, not only by US Government officials’ support for a British intervention, but also by private hints from sources within the Five that they would welcome external help in the Community crisis. This was not a concerted effort from the Five, however, who disagreed about the purpose of a British initiative now. The Germans thought an approach from EFTA following its October meeting (scheduled to discuss bridge-building), could force the French to come back to the negotiating table and reach a settlement with the Five. Alternatively, Belgian Foreign Minister Spaak looked further forward, that if the French could not meet the Five’s demands, a

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90 DEA official William Nield complained that a unilateral paper ‘would get everyone’s backs up and… would be counter-productive’. Moreover, it would lead to a ‘Departmental and Ministerial divergence of views’: PRO FO371/182379/ M10810/148/G, FO Minute by Hancock on his talks with Nield, 4/11/65.
91 PRO FO371/182379/M10810/148/G, Roll to Gore-Booth, 20/10/65.
93 PRO FO371/182379/M10810/131, ‘British Policy Towards Europe’, Note of a meeting, 18/5/65.
94 PRO FO371/182348/M10723/184, Bonn to FO Tel. No. 1096, 14/10/65; PRO FO371/183249/M10723/201, FO minutes, various authors and dates from 1-8/11/65.
statement of British readiness to accept the Treaty of Rome (and step into the vacant French place) could ‘reap a rich harvest’. 95

FO officials resisted attempts for Whitehall departments to work collectively, and continued with preparation of a unilateral FO paper advocating British intervention, 96 which went eventually to Stewart in November and (with his minor amendments) to Wilson on December 10th. The existence of the FO’s unilateral work, especially when approved by the Foreign Secretary, effectively blocked DEA officials’ continued efforts to progress, on an interdepartmental basis, towards an assessment of the likely situation following settlement of the crisis on French lines. The unilateral FO paper was sent to Wilson only, rather than, as Stewart’s junior ministerial colleagues at the FO had advised, also to Brown. 97 Consequently, Brown was excluded from the consideration of European policy, reproducing at ministerial level the FO officials’ intention to wrestle control over European policy from the DEA.

In his secret minute to Wilson accompanying the FO paper in December, Stewart urged that policy should be deliberate, rather than the inadvertent result of no considered Cabinet attention. (In Cabinet discussions of the Community crisis in July and September 1965, Stewart highlighted the necessity for ministers to re-examine European policy, but this was not taken up; there was no specific paper on the crisis put to Cabinet.) Whilst he agreed that neutrality had been the correct course thus far, Stewart now proposed that ‘we should clarify, and indeed change, our present policy towards the European Community’. A Government declaration of intention to join the Community, in December or January, would succeed in ‘stiffening the Five’ against the French during the Community crisis, thereby offering an alternative option to continuing subservience to the French. Stewart dismissed the Labour Party’s five conditions of entry, formulated in 1962, as no longer an obstacle to UK membership. In

95 PRO PREM13/904, Brussels to FO, Tel. No. 36, 29/10/65.
97 PRO FO371/182379/M10810/151/G, Joint minute by Padley, Thomson and Lord Walston to Stewart, 1/12/65.
conclusion, Stewart had ‘domestic political factors firmly in mind’ in sending the paper exclusively to the Prime Minister.98

**Wilson's reaction to the FO paper**

Stewart did not elaborate on the ‘domestic political factors’, but Wilson was well aware of the Party’s potential for internal strife: a new initiative in European policy could well exacerbate existing Party tensions over the prices and incomes policy and the Government’s support for US intervention in Vietnam. In August Wilson had had an indication of the Party tensions likely to arise from a change in European policy. In a Parliamentary Question, Shirley Williams (the Chair of the LCE) asked if the Government would make a statement of ultimate intention to join the Community. (The LCE had arrived at a similar conclusion to the FO: French attempts to weaken the Community’s supranational institutions should be resisted.99) FO Minister Walter Padley replied that the Government would not take sides in the Community dispute, but did go further (in sentiment if not substance) than Stewart had done previously in minimising the Labour Party’s conditions of entry. His statement – ‘the five conditions are not the Ten Commandments’ – infuriated PLP Chairman Manny Shinwell, who went on to challenge Padley’s authority to alter the decisions of the Labour Party Conference.100 The following day Wilson smoothed over the conflict, underplaying Padley’s comments and adding that the CAP made British membership impossible ‘without its having a most serious effect on Commonwealth imports into this country, and upon our balance of payments’.101 Although he also admitted that some of the five conditions might now be ‘less applicable’ than in 1962 (in particular the safeguards for EFTA countries), his tone was much more negative than that coming from the FO. On this occasion, the actions of pro-Europeans backfired, forcing Wilson to restate the obstacles to British membership, and the LCE learned not to press the issue too

98 PRO PREM13/904, Stewart to Wilson, 10/12/65.
99 Harvester Microfiche LCE minutes, 20/7/65.
Moreover, Wilson had forewarning that a Party clash on the issue would accompany any policy change.

In addition, Stewart, speaking at the Labour Party’s annual conference in September, stressed his notion of Europe as inclusive and functional rather than exclusive and supranational. He was critical of those (e.g. Wyatt and Donnelly) who would rush for membership:

In view of the difficulties now within the Common Market and in view of the other important considerations that have been discussed very ably and lengthily at earlier conferences [the five conditions] we cannot talk airily of (as some people put it) ‘going into Europe’ without defining what that means.

Therefore, a declaration of intent to join the Community now, in December, might invite the observation that little had changed in the three months since Conference to mitigate the Party’s five conditions. With a General Election likely to be called at the first favourable opportunity, unleashing a Party row, along with the risk of accusations of misleading or excluding Conference, hardly provided the best basis for a successful Party campaign. Moreover, Stewart’s proposed declaration of British interest in membership now contradicted recent reports to the House from himself and the Prime Minister: when pressed by Conservatives (although not Heath) in November that the Government should issue a statement of intent, they both reiterated the Government’s policy of neutrality, giving no hint that such action garnered much support within the Government. Reversal of the policy of neutrality now might look dangerously like capitulation to Conservative pressure.

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102 LCE Deputy Chairman Norman Hart urged pro-European Conservatives to keep the issue off the electoral agenda, otherwise Wilson could adopt a more negative attitude in response to anti-entry sentiment within the Labour Party: PRO FO371/182298, 9/11/65, report by R.J. O’Neill on a recent seminar organized by the Federal Trust for Education and Research.


Balanced against this, however, and of particular importance in electoral terms, was the Conservative position on Europe. FO Minister Lord Walston, in a minute to Stewart, noted the electoral implications of Labour's current European policy, which was out of step with much of public and Parliamentary opinion. Given Conservative and Liberal support for British Community membership, 'it would be hard for us to sustain the impression of a dynamic and forward-looking Government if we had to fight the next Election either in opposition to our entry into Europe, or without having made up our minds'. Moreover, in November on a trip to Paris, Heath was boosted by warm comments from de Gaulle, after the former pledged his support for British membership of the Community when the present crisis was resolved. Heath's accomplishment was reflected by subsequent opinion polls that showed greater confidence in the Conservatives rather than Labour in handling European and Community matters. With the French Presidential elections less than two weeks away, FO officials considered de Gaulle's friendliness as posturing for French domestic consumption, as well as to confuse the Five during the empty chair crisis. Nonetheless, domestic confidence in Heath's European attitude alarmed Wilson, and he therefore tried to undermine it by exposing Conservative divisions over Britain's role in the Community conflict (which mirrored the tactical differences amongst pro-Europeans in Whitehall and, indeed, the Labour Party) on neutrality or a declaration of intent to strengthen the Five.

The Government could hardly rely upon its economic management and industrial reform to promote its dynamism. Deflationary measures in July 1965

105 PRO FO371/182379/M10810/149/G, Walston to Stewart, 10/11/65.
106 'Certain signs indicate that the conditions which have previously been obstacles to a rapprochement between Britain and continental Europe are in the process of weakening. The problem seems to be ripening slowly, in a positive sense. If this evolution should take more precise form it would be considered by France with sympathy': PRO FO371/182297, no date, circa December 1965, FO Speaking Notes and Background Notes prepared for the Council of Europe Committee of Ministers.
109 PRO FO371/182379/M10810/133, Extract from Reuters, 24/11/65.
damaged the domestic programme of planned investment, undermining the National Plan even before its publication. An incomes policy that failed to link wage increases to productivity gains further threatened growth targets, and the Rhodesian conflict put an additional strain on the economy, necessitating further deflation and threatening jobs. Attempts to boost trade achieved meagre results: 111 Commonwealth countries had little sympathy for the needs of the British economy; the Community crisis stalled what little chance the bridge-building exercise held for increased intra-European trade; but more worryingly, the crisis prevented progress on the Kennedy Round of trade liberalisation. UK objectives in the multilateral trade talks were to secure concessions on industrial tariffs with the Community, thereby maintaining access to the Community market to mitigate discrimination from its common external tariff. However, with the Kennedy Round now in doubt, and the consequential threat to British exports to the Community, business interest in British accession increased. 112 Therefore, an approach to the Community might offer the best option for overcoming the obstacles to intra-European trade, and preventing a decline of British exports to Community countries. However, Labour had fought the 1964 election saying Community membership was the Conservatives’ answer to economic failure. Any change in Labour policy now (notwithstanding Walston’s comments to Stewart) would attract painful comparisons.

The FO paper also presented an administrative dilemma for Wilson. Departmental lead for European policy had been ascribed to the DEA when, in March 1965, the MISC 48 ministerial committee asked Brown to prepare information on the balance of advantage of UK Community membership (which the DEA coordinated via the EEP interdepartmental officials’ committee). Now the FO had submitted an unsolicited paper, outside the interdepartmental framework of earlier consideration of European relations and without the basis of a Cabinet or Prime Ministerial decision, promoting a supranational concept of the European Community, which was, for the Labour Government, still politically unacceptable. Moreover, as it recommended an urgent declaration of intent, before the Six met in January 1966 in Luxembourg to try to

111 The only success in this area was the conclusion of an Anglo-Irish free trade treaty on 14/12/65.
resolve their differences, it amounted to the Prime Minister being bounced into an immediate policy change, without time to consider its implications, or lay the groundwork for a possible policy change with Cabinet or the wider Party. Thus the FO paper challenged not only the ministerial allocation of subjects (in effect, trying to establish European relations as a political matter, whereas the existing DEA control located it in the economic sphere), but also Wilson’s control over the direction of policy.

Although Stewart’s FO paper advocating an early declaration of intent was sent on December 10th, Wilson took over two weeks to comment on it. In the meantime, he discussed the balance of PLP opinion on Community membership and the activities of the pro-Marketeers with the Chief Whip, Ted Short. In Short’s assessment, ‘the Party became rather badly polarised’ during the first application, but since then ‘there has been a considerable change of opinion in the Party on the question of Europe and the danger of a deep cleavage no longer exists’. Wilson, on the other hand, discounted his Chief Whip’s opinion, replying ‘the other side [the PLP’s anti-Marketeers] are only too ready to swing into action’.

Wilson’s response to the paper, eventually sent to the FO on December 28th, was unsympathetic to the FO’s assumptions and analysis:

There is a lot I find hard to swallow. Why should we find the acceptance of French conditions ‘dangerous’: since they reject supranationality, play down the Commission and oppose majority voting. These ought to help us – and also minimise the danger of an exclusively ‘European’ foreign policy, and an ultimately European deterrent. On agriculture and Commonwealth there seems to be no analysis of the cost to our balance of payments – all the figures I have seen would seem to be ruinous of our already vulnerable balance of payments. It is still a recipe for high prices, therefore high wages and high

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113 PRO FO371/182379/M10810/163/G, FO minute by Gore-Booth, 22/12/65, noted that the Prime Minister had not yet considered the FO paper.
114 PRO PREM13/440, Short to Wilson, 16/12/65.
115 PRO PREM13/440, Wilson’s handwritten comments on Short to Wilson, 16/12/65.
industrial costs. On planning I am sure that had we been in the EEC last year we would have had to accept full deflation – as Italy was forced by EEC to do.\textsuperscript{116}

Thus, Wilson’s objections broadly reflected the Party’s five conditions (with the exception of safeguards for EFTA, which he had already publicly accepted was no longer an obstacle). They also demonstrated that Labour’s domestic programme of national planning would be jeopardised by the higher costs involved in membership. (This was not the same as a principled rejection of membership on the grounds that planning was incompatible with the Treaty of Rome’s free market ethos, but that membership would compromise achievement of the Government’s National Plan targets.) Moreover, Wilson’s comments revealed that his understanding of the kind of Community that would suit British interests was far closer to that of de Gaulle, than the supranationalism favoured by the Five. Therefore, Wilson was more in sympathy with DEA rather than FO thinking on Europe during the Community crisis.

Troubled by the FO paper, Wilson refused permission to circulate it to any other ministers or officials before he discussed it personally with Stewart.\textsuperscript{117} Consequently the paper was stalled for a further three weeks, until the two could meet on January 19\textsuperscript{th} after Stewart’s return from a two-week overseas trip. As FO official Con O’Neill conceded, Wilson’s comments revealed ‘a rather fundamental antipathy to the concepts on which our paper is based’,\textsuperscript{118} which Stewart hoped to overcome by reframing the FO’s arguments to take closer account of the concerns similar to those held by rank and file Labour Party members during the first application.\textsuperscript{119} The FO thus began preparing a response to Wilson’s criticisms, with Stewart’s instruction to pay closer heed to ‘political aspects’ of European policy, including the misgivings of some Labour Party

\textsuperscript{116} PRO PREM13/904, Wilson’s comments on Stewart to Wilson, 10/12/65, subsequently communicated to FO in Reid to MacLehose, 28/12/65.

\textsuperscript{117} PRO PREM13/904, Wilson’s comments on Stewart to Wilson, 10/12/65, subsequently communicated to FO in Reid to MacLehose, 28/12/65.

\textsuperscript{118} PRO FO371/182379/M10810/164/G, O’Neill to Gore-Booth, 29/12/65.

\textsuperscript{119} Roger Broad provides a comprehensive catalogue of the concerns motivating both pro- and anti-Market sides within the Labour Party during the first application: Broad, \textit{Labour’s European Dilemmas}, pp45-46.
members that the Community was a ‘rich man’s club’; ‘suspicion of a capitalist-competitive economy’; and fear that British membership might make ‘an understanding with Eastern Europe more difficult’.  

The FO reply, however, took little cognisance of Stewart’s guidance, beyond noting that French dominance of the Community could lead to a European nuclear deterrent, and the attendant US withdrawal from European security would increase tensions with the Soviet Union. Addressing Wilson’s economic criticisms of the original FO paper, the Prime Minister was informed that the Treasury were preparing a paper on balance of payments costs of entry. This point in particular jarred with Wilson. Faced with the possibility of a joint assault to get Britain into the Community from the two most powerful Whitehall ministries – the FO and the Treasury – he vented his anger: ‘What is this new T[reasury] paper – is this a secret committee or can anyone join in?’ Wilson’s officials made enquiries, and reported back that it was a continuation of work commissioned in the EEP committee by Brown early in 1965, in preparation for Wilson’s MISC 48 committee on links between EFTA and the EEC. They reassured Wilson that ‘work has been going on at a pretty leisurely pace and … no dramatic results are expected to emerge from it’.  

Wilson was too wily a politician to be bounced into an early declaration of intent, which would alter the direction of European policy as well as unleash a damaging Party row on the eve of a General Election. Moreover, indications were

120 PRO FO371/182379/M10810/164/G, FO minute by Gore-Booth on his meeting with the Secretary of State, 30/12/65.
122 PRO PREM13/904, Wilson’s comments on letter from James to Reid, 7/11/66.
123 PRO PREM13/904, Reid to Wilson, 13/1/66. In fact, an interdepartmental group of senior officials in November 1965, chaired by DEA Permanent Under Secretary Eric Roll, had agreed that the papers prepared by the Treasury and the Board of Trade for the MISC 48 committee should be brought up to date: PRO FO371/182379/M10810/131, ‘British policy towards Europe’, note of a meeting, 18/11/65.
coming from France that de Gaulle might be willing to drop the veto to British entry, \(^{124}\) and if so, following the FO’s advice to isolate the French – on the questionable prospect that the Five would substitute Britain for France\(^ {125}\) – might be foolish. However, the positive French signals were, in the FO’s opinion, a tactic to prevent the UK aligning with the Five in the run up to the Luxembourg meeting of the Six on 17/18\(^{th}\) January.\(^ {126}\) Nonetheless, Wilson’s preference for de Gaulle’s concept of loose institutional Community arrangements led him to consider a fruitful relationship with de Gaulle as the key to improving Britain’s standing with the Community.\(^ {127}\)

However, Wilson was not ready to dismiss membership outright: pressure building up in Whitehall was unlikely to abate, given the growing public and business support for British entry. If he did not concede at least a review of policy then the FO might undermine his control. (Already, a public speech by Con O’Neill infuriated Wilson by implying that the Government accepted the CAP and was ready to seek entry into the Community.\(^ {128}\)) In addition, membership of the right sort of Community, and on the right terms, could mitigate problems experienced by British industry, whereby the CET and the breakdown of the Kennedy Round threatened export markets in Europe, and trends towards regional trade prevented new markets being developed in Commonwealth countries. The Chief Whip’s assessment that the PLP were becoming

\(^{124}\) PRO FO371/188327/M10810/2, Paris to FO, Tel. No. 40, 14/1/66: The British Ambassador to Paris reported that Pompidou indicated to the press that de Gaulle was ready to admit a United Kingdom that favoured a rapprochement with Europe and could accept Community rules.

\(^{125}\) PRO FO371/188327/M10810/19, Garrant to O’Neill, 19/1/66: Helmut Schmidt, of the German Social Democratic Party, considered that a European Community without France, even if it included Britain in place of France, was not politically acceptable to Germany.

\(^{126}\) PRO FO371/188327/M10810/4, FO minute by Campbell, 26/1/66, suggesting that French friendly gestures to Britain were accompanied by increasing hostility to Germany.


\(^{128}\) PRO FO371/188327/M10810/17, O’Neill’s speech in The Hague to the Committee for Belgian-Netherlands-Luxembourg Cooperation, 14/1/66. Subsequently, Wilson issued a gagging order on officials’ speeches (PRO PREM13/893, Wilson’s comments on Wright to Wilson, 19/1/66), but his economic advisor, Tommy Balogh, considered it ‘the first shot in the [FO’s] proposed campaign to ‘dish’ the French’ (PRO PREM13/893, Balogh to Wilson, 17/1/66).
more open to membership suggested that, with a larger majority and the right Party preparations, Wilson might carry the Party in a new bid for membership. In other words, Wilson was willing to consider membership whilst not committing to it – in order to contain the Whitehall pressures amassing for a reassessment, and as a medium-term solution to the problems of British industry, but this would depend on the outcome of the Community crisis, and his Parliamentary majority.

To manage his dilemma on Europe, Wilson passed the FO papers to his economic advisor, Tommy Balogh, who, credited with formulating much of the Labour Party’s economic policy, could provide an alternative source of information on UK membership that was more sensitive (than FO briefs) to the Party’s objectives and political difficulties over membership. Assembling a war book was a useful exercise, preparing Wilson for balancing the pro- and anti-Europeans in the Party and Whitehall.

In noting the contradictions of a Labour Government engaged in indicative planning entering a Community based on free market principles, Balogh considered that ‘the impact on the basic social philosophy of the Labour Party is entirely ignored’ by the FO paper. However, this overlooked the fact that official Party policy was support for UK membership, qualified by the Party’s five conditions. Wilson, whose guiding principle was pragmatism, could therefore use Balogh’s ideological critique either as a weapon against pro-Marketeers, or, if future advantage lay in British entry, dismiss it as detached from official Party policy and likely to exacerbate Party divisions.

However, Balogh’s assessment of the short-term implications of early entry confirmed Wilson’s decision against the FO’s proposed course of action. Community membership would reduce the Government’s levers of control over the domestic economy, and in view of current British economic and industrial difficulties, Balogh considered this would be ‘suicidal’, necessitating a ‘drastic’ sterling devaluation alongside steps to redistribute national income from consumption to exports and

129 PRO PREM13/904, Balogh to Wilson, 13/1/66.
131 The Treaty of Rome would disallow the import surcharge, export rebates, and controls of capital movements.
investment, thereby incurring a sharp drop in real wages; or severe deflation incorporating enormous cuts in public expenditure, on domestic welfare and economic development, as well as overseas military commitments.\textsuperscript{132}

Additionally, Wilson consulted Brown, whose Government seniority and pro-membership views made his exclusion from the FO paper look like a deliberate slight.\textsuperscript{133} Wilson and Brown’s ‘off record’ talk resulted in agreement to commence ‘some very quiet work … at top official level and without any fuss’ on British present and possible future relations with Europe, under Eric Roll’s direction.\textsuperscript{134} This would divert FO pressure for a declaration of intent, whilst avoiding ministerial consideration and therefore the inevitable and damaging Cabinet divide.

Brown’s participation in policy decisions was vital for two reasons: firstly, to reinstate the departmental division of responsibilities determined by the MISC 48 Committee in March 1965, where the DEA assumed the lead on European policy. Moreover, DEA control indicated that the economic aspects of membership were central to ministers, and DEA opinion, more than FO views, on the outcome of the Community crisis more closely reflected Wilson’s personal stance. Secondly, relations between Wilson and Brown had lately been strained, with Brown tendering resignation on two recent occasions, due to his perceived exclusion from policy decisions.\textsuperscript{135} Wilson refused to accept Brown’s resignations from Government: although he was, at times, difficult and unpredictable, and Wilson would be pleased to dispense with this powerful

\textsuperscript{132} PRO PREM13/904, Balogh to Wilson, 13/1/66.
\textsuperscript{133} Stewart’s junior ministerial colleagues at the FO had urged him to send the paper to Brown (PRO FO371/182379/M10810/151/G, Joint minute by Padley, Thomson and Lord Walston to Stewart, 1/12/65), but in the event, it went only to Wilson. Wilson’s subsequent refusal to allow the FO paper to be circulated exacerbated the tension in Whitehall, as other departments knew of its existence and had been promised a copy of it once Stewart sent it to the Prime Minister. Gore-Booth wrote to Roll, following the latter’s repeated requests for the paper: ‘The embarrassment of the Foreign Office increases daily. But there is nothing we can do’ (PRO FO371/188327/M10810/8/G, Gore-Booth to Roll, 14/1/66).
\textsuperscript{134} PRO PREM13/904, Brown to Wilson, 18/1/66.
\textsuperscript{135} Brown offered his resignation in November 1965 (Short, \textit{Whip to Wilson}, pp185-186), and again the following month (Hennessy, \textit{The Prime Minister}, pp300-301).
rival, his energy and negotiating skills were vital to the Government, especially at a
time of difficult relations with its own supporters in the trade unions. Losing Brown at
any time would damage the Government’s standing (without his drive, national
planning would slip further under Treasury orthodoxy), however on the eve of a General
Election the impact on sterling caused by the deputy’s resignation would be fatal (and
by January, Wilson was virtually set on March for the election). Thus, Brown could not
be excluded from such a major re-examination of European policy, and handing Brown
responsibility might rehabilitate relations between the two when unity was paramount
for electoral purposes. This was, perhaps, the source of the rumoured pact between
Brown and Wilson, noted by Stephen George: Brown stayed loyal to Wilson in return
for an assurance that he would lead a reassessment of British European policy, and
make progress towards British membership once the majority was secured.

At Wilson’s meeting with Stewart to discuss the FO paper the Prime Minister
reasserted his control over European policy. Rather than slam the door, he was ready
to consider the possibility of eventual British membership, but only based on an
evaluation of the economic costs and benefits, rather than simply the FO’s political
assessment. Whilst continuing to prohibit circulation of the FO paper to ministers,
Wilson would allow it to be seen by a limited number of senior officials – to carry out
the ‘quiet work’ he and Brown had agreed upon the previous day. Rather than make a
declaration of intent as the FO wanted, Wilson suggested instead that a ‘prominent
person’ from British political life should tour the capitals of the Six to probe attitudes
held there to UK Community membership. This would, Wilson hoped, avoid the
‘political repercussions from so precise a commitment to a new policy’, whilst
achieving ‘a good deal of what we hoped to get out of a declaration of intent’. In other
words, Wilson wanted to retain his options, hoping to derive benefit amongst the Six by
implying that policy revisions were ongoing, whilst avoiding not only the Cabinet

137 George, An Awkward Partner, p37.
138 PRO PREM13/905, Stewart to Wilson, 21/1/66.
discussion necessary to put any new approach into practice,\textsuperscript{139} but also any definite commitment to membership. He gave the pro-Europeans some cause for hope – they could study Europe, even make an approach at Government level – but this did not yet commit him or the Government to seeking membership. Any public move would have to await the outcome of the next election. After the election, Wilson could reassess his options on membership in the light of British interests, the size of his majority, and developments in the Community.

Stewart reserved his position on the idea of a probe tour from Wilson, and came away from his meeting with the Prime Minister with the promise of an interdepartmental review of European policy at official level. However, the FO had lost the initiative over policy: the official study, chaired by the DEA, would be subject to Wilson’s political direction, which was at odds with the FO’s concept of the kind of Community the Government ought to try to bring into effect. As for the tour of capitals, Stewart wrote again to the Prime Minister a few days later, urging that the probe be carried out quickly. He also observed that to achieve any success it must be implied to the Governments of the Six that ministers were reconsidering Britain’s relationship with the European Community.\textsuperscript{140}

Before Stewart approached Wilson again on the subject of a probe tour, the empty chair crisis was resolved by the Luxembourg Compromise on January 30\textsuperscript{th}, thereby removing the impetus for urgent action: the FO’s proposed declaration of intent was designed to prevent the Five and France reconciling their differences. Stewart reported to the Cabinet at its next meeting that the Five came off a little better in the settlement than the French, whose threats of withdrawal were shown to be empty.\textsuperscript{141} Nonetheless the French did secure the face-saving concession that a member state could

\textsuperscript{139} There had already been indications that a ministerial row was brewing over the FO paper, as Jay and Peart (who must have learned of the FO paper through their officials) began to canvass support from Crossman, a powerful Cabinet performer whose anti-Market credentials might be useful in scotching any manoeuvre towards UK membership: Crossman, \textit{The Diaries of a Cabinet Minister: Volume One, 1964-66}, entry for 31/1/66, p443.

\textsuperscript{140} PRO PREM13/905, Stewart to Wilson, 26/1/66.

\textsuperscript{141} PRO CAB128/41, CC(66)5(2) Oversea Affairs – EEC, 3/2/66.
retain a veto in the Council of Ministers in matters affecting its ‘vital national interests’, however this had never been in doubt, as none of the Six would agree to be overruled in such circumstances. Stewart observed that there was now no immediate chance of closer relations between the EEC and the UK. Paradoxically, whilst removing the stimulus prompting the FO to advocate an urgent declaration of intent, the Luxembourg Compromise, which formalised a national veto, actually made Community membership more acceptable to those in Britain who opposed it on grounds of national sovereignty.

**Conclusions**

In one of the first academic assessments of British European policy in the 1960s, Miriam Camps criticised the Government for not taking advantage of the empty chair crisis to promote British membership of the EEC, and perhaps influence the Community’s future institutional development. It is hard to see, however, how the Labour Government could have foregone a policy of neutrality during the crisis, given the Parliamentary situation and electoral timetable, the Labour Party’s internal divisions over membership, and the manner and timing of the FO’s proposal as well as Wilson’s fundamental disagreement with the outcome it hoped to promote. For most of the period of the Community crisis, Wilson personally and the Government as a whole were absorbed with other issues: steering the domestic economy away from devaluation, launching the showcase Labour strategy of national planning, persuading both sides of industry to comply with wage restraint, and seeking an acceptable solution to Rhodesian UDI. Moreover, the Government was subject to the Parliamentary pressures of a majority reduced (temporarily) to one. With such insecure Parliamentary circumstances, Wilson could not risk pursuing the FO’s proposal. Reactions from PLP anti-Marketeers to public speculation about European policy changes (in August 1965) promised that they would exploit the slender majority to enforce their understanding of the Party’s position on membership: a basically negative interpretation of the 1962 statement and the five conditions on entry. In a period when a General Election could be forced at any moment, exacerbating Party tensions was to be avoided wherever

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possible. Moreover, Community membership, from Britain’s current position of economic weakness, risked devaluation and or deflation – neither of which were palatable to Wilson for electoral reasons, and nor were they acceptable to the Party, nor compatible with the domestic programme of planned economic expansion.

Additionally, the manner of the FO initiative – wrong-footing the Prime Minister by proposing a major policy change, the success of which depended upon urgency, without having first had a Cabinet instruction for it or even interdepartmental official agreement – looked very much like bouncing Wilson into approving the declaration of intent. With similar proposals recently urged by Conservatives in the House of Commons yet publicly resisted by both Wilson and Stewart, the FO’s proposal overlooked the political difficulties of policy reversal.

More importantly, perhaps, Wilson appears to have considered the empty chair crisis as an internal Community matter. The Government’s European relations had greatly improved since their nadir in the aftermath of the imposition of the import surcharge in October 1964.144 Intervening in the Community crisis offered little tangible compensation for risking the reversal of improved European relations. Siding with the Five, although offering the possibility of Community membership with lower agricultural subsidies, depended upon not only a degree of supranationalism unacceptable to Wilson and many of his Party colleagues, but was also contingent upon the Five’s readiness (by no means guaranteed) to break with France and substitute Britain in its place. Wilson’s personal preference for Community institutional arrangements was far closer to de Gaulle’s ‘Europe des Patries’, with looser institutional ties, and greater national control. If recent French hints at willingness to reach an accommodation with the UK were sincere, then perhaps European arrangements that suited some, if not all, British interests were evolving. Thus, the FO’s proposal and tactics paid scant regard to the gulf between the department’s thinking on European relations and that of the Labour Government, nor to the extent of change necessary, both domestically and within the Community, before Wilson could contemplate British membership.

Yet there was a perceptible shift in Wilson’s attitude towards the Community following the FO’s unilateral paper in December 1965. Helen Parr has identified the political and security issues informing the Government’s response to the crisis, notably that Wilson’s willingness to initiate a Whitehall study was motivated by de Gaulle’s threat to withdraw from NATO integrated command, which signalled his readiness to provoke simultaneous Community and NATO crises that could undo the whole basis of European unity.\(^\text{145}\) However, whilst such political considerations were undoubtedly a prime factor in FO assessments, Wilson’s concern for the political implications is less certain, as he continued to consider British European policy as an economic matter and downplayed the political implications of European economic integration. For instance, when the Cabinet considered its attitude to European security and the Community crisis in September, the discussion (according to the Cabinet minutes) centred exclusively on the economic implications of British European policy. Additionally, Wilson gave control over the official study of British European policy to the DEA rather than the FO, and gave no indication that he would accept either a diminution of the special relationship, or an early end to commitments east of Suez. And crucially, in December and January the Government threatened to withdraw British troops stationed on the Rhine if the Germans did not make a greater contribution to offset British foreign exchange costs. If the Government’s prime concern was future European unity, rather than protecting the domestic economy from the additional cuts the Chancellor sought at this time, this was a risky tactic given the French threat to NATO, even if only intended as a bargaining position to extract greater German financial support.

Ultimately, the shift seems to have been conditioned by domestic political and economic factors, as well as Party and Whitehall concerns. Public opinion polls increasingly favoured British Community membership, and the gap between Labour’s generally cautious attitude and the Conservatives’ pro-entry stance could enable Heath to pick up support from pro-European voters uncommitted to either main party. Additionally, business opinion displayed a growing interest in Europe; more so because the empty chair crisis dashed hopes of reducing barriers to European trade, in both the

bridge-building initiative and the Kennedy Round trade talks. If markets contracted irreversibly, no amount of Government-inspired reforms to restore industrial competitiveness would boost British exports. Moreover, Wilson's response reflected his need to impose control, to demonstrate that he, rather than individual departments or ministers, would determine European policy.

To reassert his position as arbiter of European policy he employed various tactics, including delaying decision-making on the FO's proposal, which was only valid in December and January until the Six resolved their differences. He also limited information, to embarrass the FO as well as avoid wider momentum building up in support of a reappraisal of the Government's position. He was careful to keep discussions with his ministers bilateral, playing Stewart and Brown off against each other in order to prevent a coalition of support for an approach to the Community developing between them, and thus avoiding the possibility that together they might outflank him.\(^{146}\) In addition, such a tactic offered protection against any leaks that might generate public pressure and force the pace of a reappraisal, for he would instantly know their source. Agreeing to study membership in a secret official committee channelled Whitehall pressures for a policy review, whilst avoiding ministerial consideration of European policy, and with it the likelihood of a damaging Party row. It would also provide a more balanced assessment of British-European relations than the FO's unilateral paper. The outcome of this study could inform Wilson's longer-term options: from a position of economic strength produced through industrial restructuring, Britain would be better placed to reconsider its European choices, either to survive outside the Six's CET, or to negotiate acceptable terms for Community membership. In other words, Wilson initiated the official study to maximise opportunities, with no commitment to its outcome; and for him, the strength of the domestic economy was a large determinant in European policy.

\(^{146}\) Although John Young has argued that Stewart's approach to Wilson in December 1965 had Brown's support (Young, *Britain and European Unity, 1945-1992*, p88), it was axiomatic to Wilson's response that he exploited the differences and rivalries between their two departments to prevent irresistible pressure building up in Whitehall for an approach to the Community.
Chapter 4: January – March 1966

Upon taking Office in October 1964, the Labour Government’s primary objective was to promote an alternative means of economic management to break the ‘stop-go’ cycle of its Conservative predecessors. Based on the assumption that Government intervention in the economy would overcome the inequities of the free market, Labour’s alternative strategy involved initiating structural economic and industrial modernisation to increase the competitive position of British industry to allow gains in domestic living standards linked to increases in productivity. The success of Labour’s structural reforms, restoring economic viability, would enable the Government to harness British world power to achieve relief from Cold War tensions, and to mitigate the inequalities between rich and poor nations.

By March 1966, on the eve of the General Election, little of this agenda had been achieved. Although domestic living standards were rising, this was not accompanied by adequate productivity gains; Government ministers had reluctantly embraced deflation in order to safeguard the value of sterling, and Britain was further indebted by the huge international loans that the pound’s vulnerability necessitated. Loans frustrated economic sovereignty, forcing Government to tailor its domestic policies – on public expenditure, taxation and industrial relations – to the demands of financial creditors and speculators, rather than the needs of its modernisation programme. Moreover, reliance upon international financial support created political dependency, compelling the Government to maintain policies, for instance, on east of Suez defence, which ran counter not only to large sections of Labour Party opinion, but also to economic logic. The Government had achieved little impact in easing East-West tensions, and attempts to revive the Commonwealth economically and politically yielded little success.

By the end of Wilson’s first administration, opinions within the Labour Party – in relation to the Government’s objectives, and the best means to fulfil them – were shifting. The realities of Office demonstrated the discrepancy between Labour’s desire for independence in domestic and external affairs, and the scope for British autonomy in practice. Disappointment with Labour’s economic and political performance combined with a range of other developments, domestic and external, to raise the saliency of
British membership of the Community. The secret official study commissioned by Wilson in January 1966 (and reporting in April, after the General Election), reflected the increasing interest in Britain's relations with Europe. In 1964, Labour's objectives were not dependent upon closer British participation in European integration within the European Community. Labour's official policy on membership had not changed since the 1962 Party Conference, where Gaitskell outlined five conditions of entry that required fulfilment before the Labour Party could accept British entry. Gaitskell's policy was a study in ambiguity, with the interpretation given to acceptable terms to satisfy the five conditions effectively licensing the opposing attitudes towards Community membership held within the Party.

In the run-up to the 1966 General Election, many voices were heard arguing that Labour's objectives in 1964 could now best be achieved within a European context; and that the Party's five conditions no longer presented the obstacle to Community membership that they had done in 1962. During Wilson's first administration, neither Cabinet, Parliament or the Party's NEC, had directly debated a motion that Labour should now be ready to embrace membership, yet the legacy of Gaitskell's equivocal official Party policy in 1962 facilitated the inclusion in Labour's 1966 General Election manifesto, of Labour's readiness to accept Community membership if essential national and Commonwealth interests were safeguarded. This decision was ultimately determined by Wilson, and reflected the contemporary realities of March 1966. Nonetheless, fragmented Party opinion, as well as his own personal reservations, would lead Wilson to retain a cautious stance towards eventual British Community membership, which, in keeping with official Party policy, centred on the terms of membership available reconciled with his assessment of domestic and national interests.

**Economic considerations**

Economic considerations were a prime factor in the timing of the 1966 General Election. Labour's success at the marginal Hull by-election in January 1966 prompted renewed speculation in the press and at Westminster that an early election was in the

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1 See Introduction, p10-11.
offing.\textsuperscript{3} According to his own record, Wilson had, by this point, reluctantly come to the conclusion that an election should be held in March.\textsuperscript{4} It had been his preference to continue in Government until the effects of Labour's policies – for instance on cheap mortgages, or the municipal house-building programme – were feeding through to the electorate. However, as well as a condition of the international loan organised by the US in September 1965 to support sterling, an effective incomes policy was vital to the Government's industrial reform programme: wage claims above the agreed norm of 3-3.5% would prevent businesses planning for investment, expenditure and output. Although the Government made clear that the alternative to planning was a return to indiscriminate deflation and ultimately unemployment, the wider implications of wage inflation were lost at the local level, when rank and file trade unionists felt the pay squeeze in their pockets and employers were willing to settle at levels above the pay norm to keep their businesses in production. Notwithstanding the TUC's acquiescence to the statutory element, its challenge to trade union autonomy was hugely unpopular, and, in the opinion of TUC General Secretary George Woodcock, potentially unworkable.\textsuperscript{5} NEC members reported union and Party opposition to the proposed legislation.\textsuperscript{6} With the incomes policy likely to be hamstrung by the Parliamentary majority of three, the prospect of a damaging Party row threatened to undermine the confidence in Labour indicated by the Hull by-election result. Limping on with such a precarious majority\textsuperscript{7} also harmed sterling, with speculators sensitive to the slightest rumour from Westminster. With some reluctance, then, Wilson announced the polling day as March 31st.

The Government's ongoing economic problems disappointed many in the Party. The pro-European right-wing now pressed the economic case for British membership,

\textsuperscript{3} Butler & King, \textit{The British General Election of 1966}, p22.
\textsuperscript{5} Brown, \textit{In My Way}, p107.
\textsuperscript{7} Little over a week after the Hull by-election, Labour's majority dropped back to two following the death of another Labour MP: Short, \textit{Whip to Wilson}, p218.
building on earlier criticisms of the Government's domestic performance. Roy Hattersley, writing in *Socialist Commentary*, noted that Community membership offered potential trading benefits to Britain, its EFTA partners and the Commonwealth. Despite conceding that membership was not a practical option at present, his article was intended to assist the process of revising Britain's economic policies to ensure that 'the economic and commercial gulf between Britain and the Six' was not widened. Labour's left-wing, although equally disappointed with the Government's economic performance, repudiated membership of a morally objectionable 'rich man's club of a few hundred million West Europeans'. Tribune contributor Michael Barratt Brown remained suspicious of the Community's free market ethos and its impact on the Government's regional policies, fearing that free movement of capital and labour could give rise to unemployment in the UK. He concluded that 'nationalism' was the best means for economic planning and democratic control, and advocated devaluation, defence cuts, import controls and greater Government intervention in economic affairs to boost Britain's flagging economic fortunes. Tribune's editorial policy rejected devaluation as harmful to lower income groups, yet the rest of this programme concurred with left-wing advice to Wilson from members of his 'Kitchen Cabinet', that indiscriminate trade liberalisation would not serve national economic interests as British industry required protection until Labour's structural reforms took effect.

Accepting neither economic course wholeheartedly, Wilson hoped to steer a course between his Party's right and left extremes, although his earlier optimism for increased exports faded as initiatives with the Commonwealth and within Europe yielded little success. Hopes for the Kennedy Round trade talks, which could mitigate discrimination against British exports to the EEC, were also still in doubt. Stalled for

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8 See Chapter 3, pp89-90
13 *Tribune* editorial comment on Hughes & Barratt Brown, 'A crash plan for Britain's economy', p5.
14 See Chapter 2, p80, footnote 71.
seven months by the empty chair crisis, the Community had yet to agree the agricultural price regulation that would form the basis of its common negotiating position, without which the multilateral discussions could make no progress. With a time limit for agreement imposed on the talks by the US Congress, the likelihood of a successful outcome, that alleviated the harmful effects of the Community’s CET on British exports, appeared slim.

With little prospect of securing either better terms for British exports or extended markets, structural reforms including the incomes policy were fundamental to restoring British industrial competitiveness without recourse to further deflation and or devaluation. Nonetheless, the contradiction remained between maintaining the parity and planned industrial expansion, and Brown admitted that Government members tried to ignore the fact that they pursued ‘two diametrically opposed policies’. In the wake of the additional burden caused by the Rhodesian crisis, a mild credit squeeze was announced in early February. However, Treasury advisor Alec Cairncross was concerned that, in the period preceding the 1966 General Election, electioneering was overtaking economic management, and that Chancellor Jim Callaghan would be likely to pursue a ‘soft’ spring budget that failed to address the continuing payments deficit. As part of the electoral timetable, Callaghan made a budget statement to the Commons on March 1st, indicating his optimism for the economy (the Government having halved the £800 million payments deficit in the seventeen months since taking Office), and predicting little necessity for ‘severe increases in taxation’ in the 1966 budget. His announcement, made in order to prevent accusations that the election was timed in advance of an unpopular budget that could cost votes, was also a way of trailing the

17 Callaghan, Time and Chance, p192.
18 Callaghan, Time and Chance, p192.
popular measures (for instance, cheaper mortgages) that would follow in his spring budget were Labour returned to Office in the election.\(^{20}\)

In contrast to Callaghan's optimism, Treasury and Bank of England officials were concerned that forecasts for budget equilibrium in 1966 and a surplus in 1967 (that would enable repayment of international loans) could not be met.\(^{21}\) Notwithstanding the enthusiasm of Brown in launching the National Plan, its targets were failing,\(^{22}\) compromised by the Government's primary aim of protecting the parity. Although Callaghan admitted the underperformance to his Cabinet and NEC colleagues,\(^{23}\) he was not pressed to reduce public expenditure plans drawn up on the basis of achieving the Plan's full targets for growth. Cutting back on public spending was an unappealing prospect for any political party in Government anxious to maximise its popularity in a forthcoming election.

Officials and economic advisors – less affected than their political masters by the momentum of an election campaign – recognised the need for remedial action, and started preparing position papers to present to ministers after the election.\(^{24}\) The economic advisors were sufficiently concerned by the situation to reconsider devaluation, despite ministers' well-known objections to it, as the best method to generate export-led growth required by the economy. They began thinking of this in conjunction with renewed Whitehall interest in British membership of the European Community, generated by the official study commissioned by Wilson in January 1966. Even Wilson's economic advisor Tommy Balogh – who had previously been strongly opposed to both devaluation and membership – now (unenthusiastically) contemplated combining devaluation, which would make exports cheaper and imports dearer, with Community membership to secure new markets for British exports,\(^{25}\) as the only way to achieve the economic growth that would enable Labour to deliver on its domestic


redistribution agenda. Yet this view was not unanimous: Cairncross, for instance, resisted devaluation because it failed to address the fundamental structural problems of scarce resources available to the best-performing businesses.\textsuperscript{26} Community membership could only benefit the UK if entry was from a position of economic strength, otherwise British industries could not survive against their more competitive rivals in the Community, and the short-term costs of entry to the balance of payments would outweigh the longer-term advantages of tariff-free access to a larger market.

Cairncross recorded Wilson’s fury when he learned that officials and advisors were once again considering devaluation without a ministerial instruction to do so.\textsuperscript{27} If this became known, loss of confidence in sterling would follow, which could force devaluation on an unwilling Government. Moreover, during the election campaign the markets were particularly nervous, and already this had been in evidence with heavy selling of the pound, prompting calls for an interest rate rise. Crossman considered this nothing more than ‘electionitis’,\textsuperscript{28} and Cabinet was inclined to agree, and so took no action: not only could a rise in bank rate damage Labour’s electoral prospects, but Callaghan could not guarantee that it would not be taken as a sign of economic weakness and therefore precipitate the problems it was intended to alleviate.\textsuperscript{29} In the event, the markets settled (in the pre-election period) without recourse to Government intervention.

Thus, Wilson and his ministers avoided consideration of their longer-term economic strategy during the election campaign, in terms of the continuing deficit and the National Plan’s shortcomings, as well as the various options to address these problems, including import controls, deflation and cuts to public expenditure, devaluation and Community membership. In addition to the numerous economic difficulties of seeking membership – including admitting the National Plan’s failure,

accepting both devaluation and the deflation that would lead to cuts in domestic living standards, and incorporating the role of sterling into the Community’s financial arrangements – the political difficulties of acknowledging these choices were particularly arduous during the electoral period. Differences within the Party on the economic course the Government should follow generated starkly opposing responses from the Party’s pro and anti-Market factions, and offered the Government conflicting advice. With Party unity already strained by incomes policy and differences over Vietnam, opening up a potentially divisive issue such as British membership of the Community was likely to diminish Labour’s electoral fortunes. Nonetheless, the Party’s condition on freedom to pursue an independent economic policy was, by March 1966, undermined as an obstacle to British Community membership, as the turmoil of the past seventeen months demonstrated that economic sovereignty was largely a myth.

**Foreign policy considerations**

Economic reliance on overseas loans, in particular from the US, demonstrated that an independent foreign policy was also impossible. The US Government was anxious that Britain retain its commitments east of Suez, even though this exacted a heavy burden financially. The Labour Party’s left-wing urged defence cuts in order to transfer resources to the Government’s domestic programmes of expenditure, and much of the Party’s right-wing shared reservations about the political role of the Commonwealth, considering that defence commitments east of Suez – based on sentiment rather than the reality of Britain’s economic situation – were no longer viable.30 Withdrawing from east of Suez would reduce Britain’s standing with the US, and would relegate Britain to one of a number of European powers, rather than the world power role it was historically used to playing. Wilson was reluctant to jeopardise the special relationship, which licensed the east of Suez role, even to the point of supporting US action in Vietnam, against heavy pressure from his Party to break the link with the US. Although all rumours of an Anglo-US deal – incorporating US financial assistance for sterling, in return for British support for US intervention in Vietnam that included maintaining a British presence east of Suez – were strenuously

denied, Wilson admitted to Cabinet that any deviation by the Government would result in deterioration of relations with the US.\textsuperscript{31} Labour’s left-wing criticised the Government’s foreign policy as ‘cravenly conformist’ to US dictates,\textsuperscript{32} yet maintaining close contact with the US was both an economic necessity and a political aspiration for Wilson. And although the US supported British Community membership, to strengthen the political unity of Western Europe, US interests would not be served by the two French prerequisites to British entry – sterling devaluation, and the end of the special relationship. Conflicting signals from the US did not help Wilson in formulating coherent political and economic strategies.

Given Party pressure for east of Suez defence cuts, the Government’s Defence Review, published as a White Paper in February 1966, left much of the Party disappointed. It proposed a reduction in overall defence expenditure, made possible by limited cuts to defence commitments in the Middle East and Mediterranean regions, and by restricting resources but not commitments east of Suez. In fact, the White Paper embodied the Government’s continued adherence to an east of Suez role, announcing plans to procure American F-111 aircraft (in place of a more expensive European alternative) for sole deployment in this sphere.\textsuperscript{33} Defence Secretary Denis Healey reassured his Party colleagues that this was only the first step in reducing defence expenditure, and further cuts would follow when circumstances allowed.\textsuperscript{34}

The Defence Review gave priority to European defence: Britain would not reduce its role in Germany at present. Nonetheless, in recognition of the pressures on the defence budget, Healey made clear to Cabinet and the PLP that the BAOR would be cut unless Germany made greater efforts to offset the foreign exchange costs incurred by Britain.\textsuperscript{35} The questions of Britain’s nuclear capability, and European nuclear defence sharing were still unresolved. Labour’s 1966 election manifesto restated the

\textsuperscript{32} Davidson, ‘Britain and the Common Market’, p10.
\textsuperscript{34} LHA PLP minutes, 23/2/66.
\textsuperscript{35} PRO CAB128/41, CC(66)8 Defence Review, 14/2/66; LHA PLP minutes, 23/2/66.
commitment to internationalise Britain’s strategic nuclear weapons, but the ANF proposals were no more favourable to either the French or the Russians than the original MLF plan had been, and the matter was outstanding as the UK went to the polls in March 1966. The failure to restructure NATO and settle the question of European nuclear control contributed to de Gaulle’s long-anticipated announcement of withdrawal from its integrated command structure two weeks before polling day. Far from, as Wilson claimed to the PLP, restoring Britain’s voice in the world with ‘fresh thinking’, Labour (alongside the other NATO members) had failed to prevent a predicted crisis in European security.

Under this challenge to the Atlantic Alliance, there was a premium on maintaining NATO’s cohesion, and British threats to withdraw its troops from Germany were less likely to be followed up. The NATO crisis, in conjunction with French dominance of the Community, could jeopardise European security within the Atlantic framework, and this provided an impetus to reassessments of European policy. In these circumstances, the remaining five Community members might be more favourable to British membership, in order to counterbalance French influence. Also, the French NATO actions were followed by French hints (building on those in the previous months) that the veto on British Community entry might soon be lifted. Such hints not having come through official channels, however, the Government remained cautious: they may have been intended simply to appease critics of the French unilateral action. They also carried the danger that de Gaulle was testing the durability of the special relationship by offering Britain the possibility of membership. However, if de Gaulle’s price were the Atlantic Alliance’s replacement with a specifically European security arrangement, this would present difficulties for Wilson, who for economic and political reasons, remained wedded to the special relationship, yet was coming under growing pressure to modify his attitude towards membership. With the General Election

37 LHA PLP minutes, 2/3/66.
38 PRO PREM13/905, Note for the Record of Wilson’s meeting with Stewart and Thomson, 6/5/66.
campaign underway, Cabinet deferred reassessment of the long-term implications of developments in NATO and their impact on Britain’s external relations. 40

The changing conditions of British foreign policy received a mixed response in Labour discourses on Community membership. Editorialy, Tribune was staunchly anti-entry, claiming that de Gaulle’s friendly gestures towards Britain at the height of his domestic difficulties over the empty chair crisis when the French Presidential elections were approaching, were nothing more than a ‘trap’, designed to prop up French agricultural and German industrial markets. 41 Despite Tribune’s distrust for the ‘chauvinistic’ French leader, though, there were traces of agreement with his views. For instance, Tribune shared de Gaulle’s view that NATO was an increasing irrelevance. 42 Linked to this, both Tribune and de Gaulle resented US hegemony, particularly with regard to what they considered to be aggressive US imperialism in Vietnam, and a pervasive hold over the Labour Government. However, in addition to Tribune’s suspicion of a right-wing nationalist leader such as de Gaulle, Tribune writers considered that his stand against the US was little more than gesturing, given the extent of US penetration in French industry: if he seriously opposed US influence, he would limit American investment in and control of French industries. 43 Moreover, de Gaulle’s desire to lead a French-dominated European bloc was no more palatable to Tribune than US domination, and did not represent a serious attempt to redress Cold War tensions. 44

Therefore, the Tribune left’s anti-Americanism did not coalesce with that of de Gaulle to propose an alternative (‘Third Force’) solution to the geo-political tensions of 1966. Instead, January 1966 saw the first attempt within Tribune, since Labour took Office, to offer an alternative European policy, based on rejection of both the current Community and of de Gaulle’s right-wing nationalism. Basil Davidson criticised the first Conservative application because it was based on reactionary out-dated balance of

power attitudes, and offered questionable economic benefit. Reflecting the official Labour Party policy that British entry must hinge on the terms available, he dismissed as 'manifestly negotiable' the details of British entry concerning trade, control and representation within an enlarged Community, and instead focused on a wider consideration of European political stability. Davidson anticipated 'heavy pressure' for membership on 'purely economic terms', and further, that 'powerful voices in and out of the Labour Party' could soon suggest that acceptable terms were available. Recognising that policy revisions were being contemplated for economic reasons, he suggested the Left should be ready to obtain political gains from the arrangement.

British membership should be tied to a political settlement in Europe revolving around Germany: a demilitarised, nuclear-free zone in Europe, leading to the dismantling of NATO and the Warsaw Pact, releasing huge savings on European defence expenditure. The introduction of such 'outward-looking internationalism' would allow 'the Labour movement to regain a constructive initiative in European affairs and a new scope for leadership'. This plan was based on the understanding that neither Britain, France nor Germany was a 'great power' any longer, and that both the Americans and Russians would welcome this kind of European settlement. Moreover, it implied that Britain no longer had a role to play outside Europe: east of Suez commitments were an anachronism. Working towards the relaxation of Cold War tensions was an aspiration shared by all Tribune supporters, and represented the logical conclusion of the Party's foreign policy as set out in the 1964 election manifesto. Therefore, Davidson's stance on Europe was driven less by an ideologically fixed base than by a close reading of the political situation and a flexible approach to achieving the Party's goals. However, Davidson's solution attracted fierce criticism within the pages of Tribune, that the economic and moral costs of entry (the latter in terms of foregoing the Commonwealth) were too high. Most other Tribune contributors disagreed that integration with

45 B. Davidson, 'Going into Europe?', Tribune, 21/2/66, p8.
47 Let's Go with Labour for the New Britain, pp269-272.
48 M. Barratt Brown, 'Britain and Europe', Tribune, 18/2/66, p16.
Western Europe through Community membership offered the best solution to easing East-West tensions.

On the right of the Party, opinions were likewise fragmented. In a wide-ranging article in *Socialist Commentary* about the Labour Government’s foreign policy commitments, Transport House official and Parliamentary candidate Edward Pearce made the moral case for maintaining Britain’s world role in security in partnership with the US.\(^{49}\) He saw was no contradiction between retaining east of Suez commitments and membership of the European Community; rather he hoped to combine both roles by transforming the Community politically to share the burden of world security with Britain and America. Yet this simplistic, undeveloped argument misjudged the present state of affairs within the Community. Such a coordinated foreign policy would require a degree of political unity far higher than there was support for amongst the existing members. Pearce’s concept of a common European foreign policy did not clarify how decisions were to be made. If an intergovernmental structure prevailed it would be difficult to agree to any but the least controversial of positions. To make a common policy effective, supranational decision-making would be necessary, however retaining Britain’s authority to determine its foreign and defence policies was one of the Labour Party’s five conditions, therefore there was little chance that a Labour Government could sanction a specifically supranational European political structure, notwithstanding opposition to this from the existing members states, notably France.

Shirley Williams, Chair of the Labour Committee for Europe, although espousing political arguments for membership, differed from Pearce in substance and emphasis. Rather than focusing on the benefits to Britain from membership in sharing the burden of worldwide defence, Williams noted the political advantages that British membership could bring to the Community particularly in light of what she perceived as de Gaulle’s belligerence.\(^{50}\) Williams hoped that UK membership would forge a more outward-looking Community, rather than the narrow concept of integration proposed by de Gaulle and in conflict with Washington, and she supported UK entry to safeguard the


\(^{50}\) S. Williams, ‘Playing the Gold Game’, *Socialist Commentary*, April 1966, pp29-30.
existing supranational elements in the Community against the French challenge.\textsuperscript{51} By promoting a moral purpose for British membership – to redeem the Community under British direction – Williams appealed to a higher instinct than economics: refashioning the Community into a democratic, supranational organisation, Britain could better serve the needs of Commonwealth countries in trade and aid policies from within, and prevent a return to narrow forms of European nationalism. This concept of supranationalism did not foresee a specific defence role for the Community; moreover Williams regarded the continuation of Britain’s east of Suez role as wasting resources ‘in keeping up historical appearances’.\textsuperscript{52}

As with economic policy, the Labour Party’s views were divided on the direction and scope of its Government’s external relations. Even amongst the supporters of Community membership, opinion was disjointed, with little agreement on the reasons for supporting membership. The context of attention to membership was therefore more forceful than any of the particular representations of membership drawn by the Party’s pro-Europeans. Whilst aware of the pressure to reassess attitudes towards British membership, fragmentation in Party opinions – both within and between the pro and anti-entry supporters – reinforced Wilson’s personal preference to avoid any public attention to it, which would only lead to increasing Party tensions. Without an agreed Party position on membership, Wilson’s own inclination to maintain Britain’s existing external relations was strengthened. He remained unwilling to forego his influence in Washington, derived from British worldwide defence commitments, or to admit that this world role was not economically viable.

Nonetheless, the Labour Party condition that Community membership must not prevent freedom in foreign policy could not, by March 1966, be said to be an obstacle to British entry. French unilateral NATO action demonstrated that the Community need not hinder the foreign policies of its members; and the Luxembourg Compromise pointed to the future development of the Community on intergovernmental lines, therefore the possibility of a federal Europe with supranational foreign and defence

\textsuperscript{52} Williams, ‘Britain and the Six’, pp11-13.
policies receded. Of the political aspects of membership, it was the specific French conditions, in limiting Britain's world role and curtailing the special relationship, that were the real obstacle. Yet if anything constrained British freedom to direct its own foreign policies, it was economic dependence on American financial support.

**The Labour Party's five conditions of Community membership**

National control over economic and foreign policies was already hampered by Britain's economic weakness. Of the Labour Party's five conditions of entry, safeguards for EFTA, the Commonwealth and agriculture remained. Wilson himself had noted publicly that safeguarding EFTA interests no longer represented an obstacle to British membership. Austria's ongoing negotiations for association with the Community indicated that the neutral status of several EFTA members did not prevent a closer relationship with the Community. Moreover, as early as 1963, Patrick Gordon Walker had recognised that a free trade area in industrial goods would not satisfy all EFTA's members indefinitely. If EFTA members left the Association one by one to join the Community, Britain would lose the current advantages of EFTA membership. The import surcharge imposed by Britain set a precedent for unilateral pursuit of national interests, even at the expense of other EFTA members. Therefore, despite improvements in Britain's relations with its EFTA partners throughout 1965, the Government could not rely on loyalty to the free trade association from its other members, and had to keep open the prospect that Britain would one day lead some of its EFTA partners towards Community membership. By 1966, far from EFTA being an obstacle to British membership, EFTA's trading needs were now driving Britain towards a more accommodating stance with the Community.

Commonwealth interests had been a major factor in Gaitskell's opposition to membership in 1962, yet by 1966, the dynamics of Britain's Commonwealth relations had altered. The Government's compulsion to safeguard Commonwealth trade and other interests diminished in relation to their lack of enthusiasm to boost internal trade

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(which might also help Britain’s export drive). In many cases, Commonwealth countries had begun diversifying not only their trade but also their reserves (which caused an additional strain on Britain’s role as a reserve currency). Further accelerating the divergence between Britain and the Commonwealth, Britain’s domestic economic resources left the Government ill-equipped to respond to developing countries’ aid requirements; and some of the East African Commonwealth members were willing to swap trade preferences with Britain for association agreements with the Community. Citing this example, right-wing pro-Marketeer Roy Hattersley argued that the Commonwealth were now paying the price for Britain’s exclusion; and (reflecting Williams’ rationale for entry) rather than harming them, British membership would, indeed, further the national interests of Commonwealth countries. Politically, Commonwealth cohesion crumbled in the face of Rhodesian UDI, and Britain’s role as leader of the organisation was cheapened. The Government could derive declining political and economic value from the Commonwealth. Nonetheless, Wilson retained a sense of moral obligation to contribute to international peace-keeping efforts in Commonwealth areas, and the organisation continued to be an important source of cheap food and raw materials for Britain, without which, costs of living and production would rise. Although in Government circles the alternatives were crystallizing into a choice between either a European or an east of Suez political role for Britain (Wilson was well aware that this was the case: Benn recorded that Wilson thought east of Suez withdrawal was a preamble to Community membership), Britain’s economic reality dictated that worldwide defence could not be sustained indefinitely. Thus, safeguarding Commonwealth interests no longer posed a barrier preventing British membership (although de Gaulle retained concerns about Britain’s suitability for membership as leader of the Commonwealth), but was instead a matter that would require negotiation in any future bid for entry.

56 Despite the prominence given to the Overseas Aid Department in Wilson’s first administration, the resources allocated to aid declined as a percentage of national income between 1964 and 1966: Foot, The Politics of Harold Wilson, p298.
59 Benn, Out of the Wilderness, entry for 22/2/66, p392.
Of the Party’s five conditions, the outstanding problem presented by membership in 1966 was agriculture. Switching from deficiency payments to the levy system of agricultural support operated by the Community would incur not only a rise in the British food bill (and therefore costs of living and production), but also an additional burden on the balance of payments. In addition, whilst some sectors of British agriculture would gain by membership, farmers would lose their direct access to agricultural decision-making via the agricultural price review, whereby farming unions negotiated levels of support with the Government annually. However, given the scarce resources available to enact Labour’s programme of social reform, at least one Cabinet minister was beginning to think that the Government might be better placed to switch to the levy system, and thereby free up an extra £200-300 million for public expenditure programmes. (Subsequently, during Cabinet discussions of membership in April 1967, this argument was advanced in support of British membership.)

As the end of Wilson’s first administration approached, Labour’s five conditions were no longer a great obstacle to Community membership. The remaining concerns were for the cost of entry – to Britain’s food bill and balance of payments, and the impact of this on British industrial competitiveness. However, there were other concerns that were not incorporated directly into the five conditions. Membership could precipitate devaluation and deflation unless Britain entered from a position of economic and industrial strength. Therefore, reviving British competitiveness was vital, whether or not Britain joined the Community, and this reinforced Wilson’s desire to revitalise the domestic economy through structural reforms as the key to opening up the Government’s options – either to withstand entry, if membership was in Britain’s national interests, or to remain viable outside the CET. Politically, French hostility to

60 The British system of agricultural support depended on cheap imports of foodstuffs, with support for domestic producers from Government if domestic prices fell below world prices. The Community’s levy system was designed to encourage internal agricultural production, and therefore imports from outside the Community were subject to import tariffs. (For a fuller explanation of the Community’s agricultural policy in the 1960s, see J. Pinder, European Community: Building of a Union Second Edition (Oxford, OUP, 1995), pp88-94).

British membership suggested that entry would involve changes in Britain's relationships with the Commonwealth and the US, and this was a far greater obstacle than the Party's five conditions.

The balance of Cabinet opinion on Europe had been shifting in the months prior to the 1966 General Election, reflecting changing attitudes towards how Britain's national interests could best be secured. A growing recognition that the dangers of staying outside might be worse than entry on the right terms,\(^{62}\) was consolidated by personnel changes, to make the Cabinet's outlook more favourable to future entry.

Tony Crosland – a former vice president of the LCE – had joined the Cabinet at the start of 1965, and the December 1965 reshuffle brought Roy Jenkins (the former Chairman of the LCE) into the Cabinet. Jenkins was a committed advocate of UK entry to the Community; and with a strong personal following amongst the newer MPs that were heavily represented in the LCE, he represented a strand of PLP opinion that was growing in size and importance. Such changes implied that Wilson would be in sympathy with at least some of the concerns of the Party's pro-Europeans when formulating Labour's stance on membership for the General Election.

**The General Election campaign**

When Wilson addressed the PLP on his intention to dissolve Parliament and hold an election on March 31\(^{63}\), he stated that 'the most important issue was the fight for economic solvency'.\(^{63}\) However (as already noted), this avoided acknowledging the realities of the persistent deficit, and instead focused on the domestic level: Labour could point to its record of the last seventeen months in continuing prosperity, high levels of employment, and better use of public resources.\(^{64}\) Labour's campaign would be pitched towards continuing the programme started in October 1964, rather than

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\(^{63}\) LHA PLP minutes, 2/3/66.

\(^{64}\) Several commentators noted subsequently that the Government gained in electoral terms by its failure to make the prices and incomes policy work: with wages rising faster than prices, standards of living increased: R. Hattersley, *Fifty Years On: A Prejudiced History of Britain Since 1945* (London, Abacus, 1997), p172; Brittan, *Steering the Economy*, p323.
broaching new initiatives or policies, and although some ministers thought offering the electorate nothing new meant a boring campaign, Wilson and his advisors hoped to strike a note of ‘work in progress’, asking voters to renew the Government’s mandate to complete the job already started. There was a general consensus amongst politicians, the press, and television and radio reporters that that the primary focus was the economy. Whilst, to insiders, Labour’s economic management had serious strategic shortcomings, it compared favourably to the Conservative record of economic management, which had led to many of the problems continually impeding the Labour Government’s programme. On this basis, Labour could still appeal to voters with the message of thirteen wasted years of Tory mismanagement.

Wilson told the PLP that he did not expect foreign affairs would play a major part in the election campaign. Labour’s election manifesto also reflected the lack of attention to foreign affairs, consigning it to a few pages at the end, in contrast to the 1964 manifesto where foreign policy received a much higher priority in the critique of Conservative Government. Nonetheless, in rallying his troops at the PLP meeting, the Prime Minister declared that seventeen months of Labour Government had restored Britain’s world standing: ‘Britain was being listened to again and had initiated fresh thinking on many vital issues’. Given the strains on Britain’s external relations, however, there was little evidence to substantiate these claims, and Wilson had good reason, beyond the insularity of the voting public, to keep overseas affairs off the electoral agenda.

The main exception was the subject of British Community membership. This was the one area of Britain’s external relations where Wilson’s opponent Edward Heath could confidently be expected to attack. The electoral filter placed added complications

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68 Time for Decision, p6.
69 LHA PLP minutes, 2/3/66.
70 LHA PLP minutes, 2/3/66.
on Labour’s European policy. Although there were strong reasons for membership—failing domestic economic management, and the contraction of export markets—the costs of entry were also likely to be high. The Conservative policy of supporting early entry was likely to expose the lack of consensus on membership within the Labour Party. Yet increasing business and public support for British entry suggested that Labour had to at least show willingness to consider future membership. Gallup polls in March 1966 reported 68% of the public in favour of entry. The polls were not necessarily well placed to demonstrate whether opinions on UK membership were strongly held or transient, and nor could they determine if consent on one issue was conditional on another. Neither were the polls detailed enough, at this stage, to determine with any precision which features of membership informed public opinion. Nonetheless, if, as Peter Bromhead suggests, Europe had little influence on voters in the 1966 General Election, it was at least important as an issue in Wilson’s Party management. Labour divisions over the issue, if translated into bitter public rows, could have a negative effect on the electorate’s confidence in Labour’s ability to govern. Therefore it was imperative to provide a compromise that avoided inflaming Party tensions, whilst still holding out the prospect of membership to prevent alienating floating (Liberal) voters, whose support for entry was noted by Transport House’s Research Department.

Given the need to modify the Labour public position on entry, the Conservative attitude presented another difficulty. Conservative support for membership was part of a broader, free market agenda designed to appeal to business, which also included

71 Durant, ‘Public Opinion and the EEC’, Table 1, p246.
72 Butler & Stokes, Political Change in Britain, p182.
73 James Spence argues that whilst wage increases in the UK rose faster than prices in the months preceding the 1966 election, public opinion favoured UK entry, but when wage increases fell behind the rise in prices, the public withdrew support for entry, fearing that their standard of living would be further reduced by the increase in prices accompanying membership: J. Spence, ‘Movements in the Public Mood: 1961-75, in R. Jowell & G. Hoinville (Eds.), Britain into Europe: Public Opinion and the EEC 1961-75 (London, Croom Helm, 1976), pp18-36 (pp23-25).
75 See Chapter 3, p99, footnote 70.
dropping earlier Conservative commitments to economic planning and incomes policy.\textsuperscript{76} This would make communicating the shift in Labour’s position to its own sceptics even harder: Conservative concepts of the Community suggested membership would further business and free market interests, whereas Labour was pledged to Government intervention in economic management. To make the shift palatable to the Labour Party, support for membership would have to be couched in terms that challenged the Conservative assumptions, and reconciled entry with Labour’s domestic economic agenda. Given these difficulties, Wilson was anxious to retain control over the public presentation of Labour’s European policy.

Labour’s manifesto carried the Party’s commitment to joining the Community, tucked away in a couple of inconspicuous lines on page 22 of the 24-page document: ‘Labour believes that Britain, in consultation with her EFTA partners, should be ready to enter the European Economic Community, provided essential British and Commonwealth interests are safeguarded’.\textsuperscript{77} Although in essence this was no advance on the Party’s official policy on Europe as set out in 1962, it represented a remarkable change of emphasis from the 1964 manifesto. However innocuous the line itself may have been, though, its inclusion was not without controversy, and was indeed the most contentious aspect of the Party’s programme (the statutory element of prices and incomes policy having been omitted from the manifesto, if not from the Government’s programme\textsuperscript{78}). According to Tony Benn, at the NEC meeting to approve the manifesto (drafted by Wilson’s ‘Kitchen Cabinet’, the main authors being Peter Shore and Richard Crossman) ‘the only actual disagreement was over the phraseology of the sentence

\textsuperscript{76} Stewart, The Jekyll and Hyde Years, p59; Butler & King, The British General Election of 1966, pp62-63.

\textsuperscript{77} Time for Decision, p22.

\textsuperscript{78} The manifesto section on incomes policy contained a vague form of words that did not specify legislation would be introduced, and was therefore acceptable to Labour’s politicians and trade unionists: ‘We shall reconstitute the Prices and Incomes Board and seek such developments in the early warning system as are necessary for the Board to do its job properly. Our purpose is not to dictate prices, wages and salaries, …’: Time for Decision, p7. However, Castle recorded that both Wilson and Brown were still committed to making the policy compulsory: Castle, The Castle Diaries, 1964-70, entry for 7/3/66, p111.
dealing with our entry into Europe'. A small band of dissenters, including Castle and Greenwood from Cabinet and a few others together with Benn, could not alter the passage on Europe, though, and the wording in the draft was faithfully reproduced in the eventual manifesto. This was the only part of the manifesto requiring a vote.

The NEC meeting appears to have been more cordial than Wilson himself had expected. A few days earlier, Wilson was furious about Transport House’s impatience to release a background information paper for use in Party campaigning, which noted recent ministerial statements on British-European relations, as well as quoting trade statistics showing the Community to be a more valuable export market than EFTA. Wilson was not prepared to give Transport House a foothold on the issue:

Why do they want to publish today[?] This is the most sensitive question in the election, and potentially the most capable of splitting the party. This is high politics, not T[ransport House] stuff, and should wait till after the Manifesto – where we shall have hell’s delight agreeing a paragraph.

In the event, then, the NEC meeting appeared fairly tame and the lack of controversy was a management success for Wilson. NEC meetings were well known to be bad tempered affairs, but agreement was perhaps reached relatively easily due to the constraints imposed by the electoral timetable: the Conservatives had already published their manifesto, and Labour’s manifesto was due to be released later that day. The electoral footing forced the Party to draw together to present a united front behind the leader. Also, Labour’s manifesto attacked the levy system of agricultural support proposed by the Conservatives (and operating in the Community), and therefore implied an insurmountable barrier to UK membership.

80 LHA NEC 7/1965/66, 7/3/66, discussion of draft manifesto. (No mention of this vote is recorded in the NEC minutes.)
82 PRO PREM13/994, Transport House paper, sent under cover of Rogers to Wilson, 2/3/66.
83 PRO PREM13/994, Wilson’s handwritten comments on Wigg to Wilson, 3/3/66 (emphasis in original).
Wilson was well aware that the minor NEC disagreement was only the tip of the iceberg: Europe could prove explosive to the wider Party if not handled cautiously, and whilst getting agreement from the small group in the NEC (under pressure from the manifesto deadline) was possible, reining in the anti-European venom of sections of the Party would be another matter. In the preceding months the strongest challenges to the Government’s European policy in the House of Commons had come from Labour’s own backbenches, in particular Manny Shinwell. Wilson would be happier now if, rather than publishing material that might inflame the situation, Transport House could take its lead from him, in turn reacting to Heath’s cue, suggesting that ‘... Almost certainly [addressing European policy] will be better done, tactically, as a speech by me, as we see how Heath handles it. Think of Manny [Shinwell].

Throughout the General Election campaign, the issue surfaced on only one major occasion. After a meeting of the WEU in London on March 15th, the French representative was reported as saying that France would soon be willing to accept UK Community membership. Heath seized the opportunity to exploit Labour’s divisions by challenging the Government to confirm its readiness to enter the Community. Whilst Brown and Callaghan restated Labour’s willingness to join, but also the necessity for acceptable terms, anti-entry ministers Peart, Castle and Jay noted the potential harm to British agriculture and economic recovery. Wilson addressed the issue on March 18th, in what became known as his ‘Bristol speech’, using the opportunity to contrast Labour’s readiness for Community membership provided national and Commonwealth interests could be safeguarded, with the unconditional entry stance of the Conservatives. Whilst noting the ‘strong industrial arguments’ for entry, in particular the scale advantages of scientific development and production in a wider market, he also reiterated the concerns of anti-Marketeteers, namely that unconditional entry would elevate import costs, harming the balance of payments and industrial recovery, in

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85 HC Debs, Vol. 724, Cols. 30-31, 7/2/66 and Cols. 615-618, 10/2/66.
addition to disrupting Commonwealth trade. Nonetheless, Wilson was ready to begin discussions to see if an acceptable basis for British entry existed. He also used the occasion to reiterate the importance of Labour’s economic modernisation programme started in October 1964, noting that Community membership was not a panacea. British economic strength was a prerequisite whether or not Britain entered the Community, without which the choice was ‘between being a backwater inside Europe or a backwater outside Europe’. In this way, he tried to promote the idea that the Conservatives sought membership as an alternative solution to the long-term structural difficulties of British industry, whereas he was unwilling to forego wider national and Commonwealth interests for this end. He cast doubt on the prudence of Heath’s unconditional entry stance, which could result in a reduction of national economic control, and by reaffirming Labour’s readiness to enter provided national interests could be safeguarded, raised the possibility that British entry would occur on Britain’s terms. Under a Labour Government, this would mean entry whilst retaining Commonwealth trade and national planning apparatus. In other words, this was an attempt to break the Conservative monopoly on membership as an element in a wider scheme of free market enterprise, and instead show that a tough negotiating stance might yield British membership whilst also accommodating Labour’s programme of domestic and industrial modernisation.

Wilson’s speech attracted a mixed response. Heath took Wilson’s condition to maintain Commonwealth food imports as evidence of an outright refusal to accept membership on any terms that were available, and anti-Europeans in the Labour Party’s left and right happily concurred. Pro-entry Labour MP Desmond Donnelly considered it ‘poor stuff, indeed’, designed to appeal to rank and file Labour Party opinion, which remained largely hostile to membership. Mirror proprietor Cecil

88 PRO PREM13/905, News Release of Wilson’s speech at Central Hall, Bristol, 18/3/66.
89 PRO PREM13/905, News Release of Wilson’s speech at Central Hall, Bristol, 18/3/66.
90 Butler & King, The British General Election of 1966, p112.
King's disappointment with 'the same old Gaitskellite guff'93 was reflected when The Daily Mirror reported the Bristol speech as 'Wilson at his worst'.94 However, the anti-European Daily Express accused Wilson of a stealthy approach to the Community,95 and Roy Jenkins, taking Labour's daily election press conference the day after Wilson's speech, welcomed Wilson's position as entirely consistent with British membership without, however, foregoing Britain's bargaining position in any future negotiation. Jenkins was also cautious about French indications of readiness to admit Britain to the Community, in light of French withdrawal from NATO military command the previous week. In these circumstances, Heath's unconditional entry stance was all the more dangerous, as accepting unreservedly French conditions of entry could risk straining Anglo-US relations if the price of entry was to challenge the Atlantic Alliance as the basis for European security.96

The journalists did not miss the significance of Jenkins taking this press conference in place of Callaghan, whose job it normally was to represent the Party at the daily electoral briefings, and the outcome could have been very different had an anti-entry minister appeared before the press. Adding further positive emphasis to Labour's European policy, there were Labour-inspired rumours that after the election Wilson would appoint a Minister for European Affairs.97 However, this optimism was tempered by the fact that, as Heath identified, Wilson's conditions on agricultural imports and levies effectively prohibited UK Community membership.98

Wilson's measured ambiguity on European policy during the election period reflected his own opinion on membership: he wanted to maintain it as an option, however it should not detract from his Government's primary task of modernising British industry to recover British economic strength. Linking Heath with a reckless desire to forsake British and Commonwealth interests in pursuit of entry, in contrast to

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94 Butler & King, The British General Election of 1966, p162.
96 PRO FO371/188331/M10810/107, FO to Paris, Tel. No. 745, 19/3/66.
his own cautious readiness to examine the circumstances in which Britain could accept Community membership, he maintained a balanced position that both the pro and anti-entry factions within the Labour Party could accept. (After the election, as the policies of the Labour and Conservative parties converged in support of Community membership, criticism of Heath’s unconditional pro-Europeanism was to become the recurrent feature of Wilson’s attempts to distance the two parties – Wilson was the patriot and Heath was only too ready to forsake Britain’s interests and its friends and allies for the sake of entry.) This episode took Community membership – in Wilson’s own words the most sensitive question in the election – off the hustings, relieving the Prime Minister of his own internal difficulties on the matter, at least for the duration of the election campaign. Moreover, Wilson’s personal criticism of Heath – ‘rolling on his back like a spaniel’ following one encouraging French gesture – prevented the Conservatives pursuing the issue too vigorously, as, in the words of one leading Conservative, ‘we would really have seemed like spaniels, cringing to get in regardless’.

**Conclusions**

From British European Community membership being a ‘dead duck’ in the October 1964 General Election, it had, by March 1966, become an issue of some importance, generating much sympathy amongst political and business elites, and with British public opinion. A number of long-term factors were driving a reassessment of Britain’s domestic economic performance, and the implications of this for external relations. The balance of payments deficit persisted, causing sterling crises in November 1964 and July 1965. Domestic resistance to wage restraint, and the priority given to sterling indicated that Labour’s structural reforms would not succeed in delivering sustained economic growth as an alternative to ‘stop-go’. The outlook for British exports was bleak. The Commonwealth could not be induced to reverse trends in regional trade for the sake of Britain’s export difficulties, and with the bridge-building initiative and Kennedy Round as yet securing no mitigation of the barriers to

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99 PRO PREM13/905, News Release of Wilson’s speech at Central Hall, Bristol, 18/3/66.

trade developing in Europe, export-led growth was a goal unlikely to be achieved in the current climate. Moreover, the trading interests of EFTA members pointed to the fact that Britain could not sustain the advantages of an industrial free trade area indefinitely. Officials predicted recurrent sterling crises in the years to come, unless ministers could be persuaded to revise the economic strategy.

These factors pointed towards a reorientation of Britain’s trade and economic policies towards the European Community to secure long-term export markets necessary to Britain’s industrial recovery, but which could only be feasible from a position of British economic strength, and on the right terms. Accepting the Community’s arrangements in agriculture would increase Britain’s food bill, thereby raising costs of living and production and impacting negatively in British industrial competitiveness. As Britain was a net importer of food and raw materials, their increased cost would result in an additional strain on the balance of payments. The continued payments deficit presented an obstacle to the Six accepting a British application for membership in present circumstances, as Community arrangements providing for a member in disequilibrium to call on its partners for assistance would make a British approach appear as if the Government sought an easy solution to funding sterling liabilities.

Sterling devaluation could provide an answer to this problem, however it would have wider consequences beyond Britain’s relations with the Community. The international role of the pound remained a symbol of British importance in the world. Devaluation would reduce this role, harming Commonwealth holders of sterling reserves, as well as potentially destabilising existing international financial arrangements. Moreover, as it would also require domestic deflation (redirecting resources towards boosting exports to sustain the competitive advantages of devaluation), it did not accord with Labour’s programme of planned expansion in social expenditure.

De Gaulle’s insistence that British Community membership would require a revision of Britain’s relations with America and the Commonwealth was well acknowledged. Even though Wilson sought to retain his influence in Washington through maintenance of defence commitments to Commonwealth countries east of
Suez, the reality of Britain's economic situation dictated otherwise. Moreover, Wilson's sense of moral obligation to retain security arrangements where the political stability of Commonwealth countries would otherwise come under threat, was undermined by Britain's inability to provide this role, for instance in Rhodesia and the conflict between India and Pakistan.

Wilson was committed to maximising options open to the Government, and he recognised that economic recovery was key to this: either to continue with the current policies, or to make Community membership a viable alternative. In his opinion, the Community was an economic arrangement: membership was a question of terms more than principles. Greater economic strength, achieved independently or through Community membership, was a basis for Labour's domestic programme and a necessity to Britain's world role. Membership should not mean creating a powerful European bloc with political and defence aspirations, therefore there was no reason why, in Wilson's logic, it should be incompatible with Britain's world role. (He made clear in his Bristol speech that both economic recovery and a continued outward-looking role were vital to his vision of future British policy.) The Luxembourg Compromise, which signalled that European integration would progress on intergovernmental lines, appeared to guarantee freedom in foreign policy, thus he discounted French objections to Britain's Commonwealth and US relations.

In addition to the long-term factors compelling Government to review its economic and foreign policies, short-term factors also conditioned Wilson's assessment. In March 1966, indeed throughout Wilson's entire first administration, the electoral imperative was paramount. The growing support for membership in business, public and Labour Party opinion, in conjunction with Heath's predilection for membership, compelled Wilson to retain the ambiguous formula of readiness to enter provided satisfactory safeguards could be ensured, but to modify the negative emphasis he (and Gaitskell) had given it during the first application. However Labour's divisions on the issue set limits to how far Wilson could go in this direction, and ultimately enabled him to delay serious consideration of the issue within the Party. He tempered readiness for entry with reference to the continued difficulties membership would involve. As yet, he had little personal enthusiasm for Community membership, but recognised that he
should not foreclose on this option. Acting within these constraints, his emphasis in the 1966 election was as positive as it could be, providing some leadership, and a policy distinct from the Conservative position, which nonetheless fell short of a decisive commitment, either to seek membership or to reject the Community. After a successful election, and with an increased majority, the Government would be better able to make progress towards the structural reforms vital to secure economic and industrial improvements. And from a position of economic strength, the problems confronting the Government would look very different.

Even so, foundations for possible future entry were laid during Wilson’s first administration, therefore interpretations of the second application, that suggest it was triggered solely by the July 1966 economic crisis, require modification. Although the July 1966 crisis acted as a catalyst to Wilson’s conversion by limiting the chances of British economic viability outside the Community, well before then he recognised the need to reserve this option for future British policy. However, the July 1966 crisis, by challenging both his decisions and his leadership, was to force Wilson to take closer heed of the opposing opinions held by his Cabinet colleagues, on economic strategy and foreign policy direction. Together, these issues would force Wilson to address directly the dilemmas in British domestic and external policies exposed by European policy.

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101 For instance, Paul Foot says the ‘there can be little doubt that the 1966 sterling crisis ... was the decisive factor’ propelling the second application: Foot, The Politics of Harold Wilson, p233.
Chapter 5: April – October 1966

With the Parliamentary situation secured by a majority of 97, April 1966 offered the prospect of a period of effective governance. Gone were the insecurities of knife-edge Parliamentary votes, and likewise, the uncertain political situation igniting speculation on the financial markets. Wilson set in train a process towards consideration of the long-term strategic policy questions of economic and political orientation for Britain, through a ministerial committee on Europe, backed by interdepartmental official work, in addition to new ministerial responsibilities for probing the prospects for British membership of the Community. However, Wilson remained ambivalent towards entry, and in the period whilst the Europe committee prepared its reports, he kept some personal distance (at least publicly) from the momentum generating in support of membership.

The new Parliamentary circumstances brought a new set of problems for Wilson, creating tensions within the PLP very different in nature to those of the first administration. Effectively released from unconditional support for the Government (demanded by the tiny majority), the PLP became the focus for disaffection with the direction of the Government’s policies, as well as Wilson’s leadership skills. Moreover, internal Party conflict at Cabinet level translated into a bitter clash for control over economic management between Wilson and several of his ministers, manifesting in alleged plots to depose him as Prime Minister.

The financial crisis in July 1966 effectively narrowed the Government’s options, in terms of realising its domestic economic goals. It therefore accelerated the urgency with which Government had to address the strategic orientation of British economic and political policies. Wilson’s reputation was linked very personally to the economic policies he chose to pursue, in particular the (conflicting) objectives of national planning and maintaining the value of the pound. The July crisis, although maintaining the parity, resulted in the effective collapse of national planning, which was accompanied by a corresponding decline in Wilson’s personal position within the Party, already under strain from the tensions existing within the PLP.
Wilson required a way to revive the economy and his own status. Concurrent factors in Britain's external relations were forcing a reassessment of the Government’s political and economic objectives, so having kept the door open to British membership of the European Community, it was unsurprising that Wilson would now follow up this option. The July 1966 crisis, therefore, acted as a catalyst to the Government’s approach to the Community, rather than the trigger. Discord within the PLP contributed to Wilson becoming personally more disposed to entry, as a method to secure his leadership by out-manoeuvring potential rivals. In addition, membership was a potentially valuable solution to the problem of how to follow the National Plan. Yet Wilson remained a pragmatist, and his guiding principle was to broaden the Government’s options. Consequently, he continued to avoid giving an unequivocal lead on European policy that could jeopardise the special relationship and Commonwealth ties, even after the events of July. However, by October 1966, with damage to the domestic economy and his own position still insecure (at least in his own mind), he could no longer afford to delay direct consideration of British Community membership.

Attention to Europe after the General Election

As noted in Chapter 4, a number of factors were propelling Wilson to reconsider the Government’s attitude towards the European Community. Britain required access to secure, long-term industrial markets in Europe in order to fulfil the Government’s objectives of trade expansion and export-led economic growth; and other EFTA members, envious of the Six’s success, were tempted to look towards the Community to fulfil their own national interests. In addition, public and business opinion in Britain increasingly favoured Community membership. Moreover, French withdrawal from NATO military command structures threatened European unity and stability. For these reasons, Wilson embarked on a process of reassessment of European policy, designed to clarify the prospects for British membership, both within the Labour Party and within the Six, but without commitment to future entry.

Labour’s manifesto pledge of readiness to enter the Community was followed up by the Queen’s speech on the opening of Parliament in April, reiterating publicly the
Government’s willingness to seek membership, provided essential British and Commonwealth interests were safeguarded.¹ This signalled the priority the issue would receive in the new Parliament, and suggested a high level of political will infusing the Government’s European policy. It was also accompanied by a number of administrative changes, including a new ministerial committee on Europe, to be served by the newly created ‘Europe Unit’ in the Cabinet Office. Moreover, Wilson announced special responsibilities for George Brown and George Thomson (a junior FO minister, now given the title of Chancellor of the Duchy of Lancaster) to probe the prospects for British entry into the Community. This new focus would align the Government with popular opinion (Gallup polls in May 1966 showing some 70% of the public in favour of entry²), as well as demonstrating an interest in membership to the overseas audience. It might also reveal whether recent French hints of friendliness (which demanded a response in order to avoid the accusation that the Government had declined the French olive branch) were a genuine invitation for Britain to join the Community, or whether they were simply posturing intended to reduce French isolation in Europe following their unilateral NATO action.

A necessary condition for probing the prospects for British membership was to demonstrate willingness that the Government, and the Labour Party, were sincere in the renewed interest now being displayed. A Socialist Commentary columnist therefore thought Thomson’s appointment demonstrated Wilson’s shrewdness in the long-term process of re-educating the Party towards a more favourable stance on Community membership. If Thomson – a canny and cautious Scot, with previous departmental responsibility for Commonwealth matters – could be persuaded of the benefits of entry, this might go a long way towards convincing the still-sceptical wider Party that membership suited British interests.³ Moreover, Thomson would be more acceptable to the Party than Stewart, who was widely seen as the servant rather than master of his ministry. Thomson himself thought he might not be the man for the job, protesting to Wilson that he held no strong convictions on Europe. But Wilson said this was why he

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¹ The Queen’s Speech on the opening of Parliament, 21/4/66, quoted in Kitzinger, The Second Try, p49.
² Durant, ‘Public Opinion and the EEC’, Table 1, p246.
appointed him— he would not start with a fixed position on the question of membership. However, Wilson's speech to the Commons outlining Thomson's responsibilities left the latter little scope to make up his own mind about the benefits of entry. Instead, he was to 'seize every opportunity ... to probe in a very positive sense, the terms on which we would be able to enter the European Community'; and the two-man approach would increase the opportunities for probing in economic and political arenas.

Nonetheless, Wilson remained personally ambivalent about British Community membership on the terms that might currently be available, and was anxious to retain control over the policy. Splitting responsibilities between Brown and Thomson was an indication of the Prime Minister's wariness. The experience of Wilson's first administration demonstrated, in the case of DEA-Treasury demarcation disputes, that diluting authority acted as a brake on radicalism, and gave Wilson ultimate control. The same might now prove true over European policy, if Whitehall departmental rivalries combined with genuine differences between the DEA and FO over tactical approaches to the European issue, to prevent the departments working together effectively to force Wilson's hand on a British application for membership. Moreover, the new appointments reinforced the arrangements of the previous administration, when Wilson very deliberately gave Brown and the DEA precedence over the FO in European policy. This would prevent pro-entry FO officials using their ministerial head, Michael Stewart, to determine the pace of an approach to Europe, as they had tried in December 1965. The FO's role was further undermined by the fact that Thomson's post was not of Cabinet rank: he had to defer to his departmental superior, Stewart, thus diluting the FO's influence. With so many spokesmen on European policy, including Wilson,

6 Cecil King thought that the division of responsibilities on Europe between economic and political ministries would not work (King, The Cecil King Diary 1965-1970, entry for 6/4/66, p65). However, this may have been Wilson's intention— conceding the initiative to Brown, whilst restraining him via Thomson, leaving himself positioned to arbitrate in disputes and retain final control.
Brown, Thomson and Stewart, a clear indication of the extent of the Government’s commitment to seek membership was diffused, leaving Wilson as the ultimate arbiter; and he was careful to temper his apparent readiness for entry with caution — for instance, anti-Marketeer Barbara Castle was less concerned with the new European roles for Brown and Thomson because Wilson confirmed in a speech to the NFU that the Government could not accept the CAP.

In addition to retaining control by dividing responsibilities for European policy, Wilson also required his own independent sources of information. Whitehall administrative arrangements would assist the Prime Minister in this endeavour. The new Europe Unit, set up in the Cabinet Office (rather than under the direction of the FO or DEA), allowed Wilson and his closest advisor, Cabinet Secretary Burke Trend, to maintain control over the memoranda and minutes of the new ministerial committee on Europe, which Wilson himself chaired. Moreover, the Europe Unit would build up an authority on European policy questions, independent of the existing Whitehall departments.

Wilson also used his personal advisors to gather information outside the official framework of contacts between London and the European capitals, to inform his stance on membership. Consequently, economic advisor Tommy Balogh made a visit to Paris in early May, and a few weeks later, at the Prime Minister’s suggestion, Michael Palliser — Wilson’s new private Secretary for Foreign Affairs, a committed pro-European and the son-in-law of Paul Henri Spaak — took a Whitsun holiday with his in-

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7 The confusion between positive and negative emphases on the prospects for British entry from different ministers was exposed in a Parliamentary Question to Thomson: HC Debs, Vol. 729, Cols. 27-29, 23/5/66.
9 Crossman thought Trend, not owing his position to the Prime Minister’s patronage, was the most powerful figure in Wilson’s entourage: Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 22/7/66, p582.
10 The importance of minutes in directing the outcome of committees, often in conflict with the actual proceedings, was noted by Crossman: Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 28/7/66, p590.
laws in Brussels. Thus Wilson bypassed his own official method of probing the prospects for British entry, even to the point of undermining it. Although Wilson denied that Balogh was his ‘special emissary’, the French certainly gained this impression,11 which therefore cast doubt on Wilson’s commitment to the probing roles given to Brown and Thomson. Balogh made an unusual choice as special emissary if Wilson was ready to contemplate entry, given the former’s reservations on the compatibility of national economic control and the Community’s rules. However, there can be little doubt that Palliser did the Prime Minister’s bidding during his trip to Brussels in May 1966.12 The choice of Balogh and Palliser suggests that Wilson wanted to keep this aspect of policy under the closest personal review – he would not rely exclusively upon Whitehall to provide information, and he took impressions from close advisors with personal sympathies both for and against UK entry to get a balanced view.13 From this unofficial probing, Wilson learned that whatever the ministerial committee decided, there was little chance for British Community membership at present: Balogh and Palliser’s reports concurred that both anglophile and anglophobic European politicians still believed de Gaulle had no intention of admitting the UK to the Community.14 Such information, coming from widely opposing sources, informed Wilson’s European policy, in addition to the studies produced in Whitehall. The job given to Brown and Thomson was only half the story.

Wilson’s caution about British entry was apparent in the new ministerial committee on Europe’s remit and membership. Its wide-ranging task was to ‘keep under comprehensive review the political, economic and military relations between the

11 PRO PREM13/907, Record of conversation between Wilson, Brown, Pompidou and Couve, during the French Prime Minister’s luncheon for Wilson at the French Embassy, 8/7/66.
12 PRO PREM13/906, Palliser to Wilson, 31/5/66.
13 Although Palliser was a career civil servant and therefore part of the official Whitehall network, his proximity to Wilson and No. 10 detached him from it. (Tensions between No. 10 and the rest of Whitehall were to become a recurrent feature as the British approach to Europe gained pace over the coming year.)
14 PRO FO371/188335/M10810/177, Wright to Gore-Booth, 18/5/66 (reporting Palliser’s impression of Balogh’s report to Wilson of his recent trip to Paris); and PRO PREM13/906, Palliser to Wilson, 31/5/66.

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UK and Europe', therefore it was not restricted to sole consideration of British membership of the Community. It comprised of ministers representing the spectrum of Labour Party opinion on membership: Thomson's task in Government aligned him with the long-term pro-European Brown and the recent convert Stewart; Jay, Healey, Peart and Bottomley largely opposed an early bid for entry; and Wilson and Callaghan shared a pragmatic approach that depended on the terms and conditions of membership.16

The Roll Group's report (the secret study commissioned by Wilson in January 1966 on Britain's relations with Europe, and prepared before the new impetus for European policy was announced after the election) was presented as a paper to the new Europe committee. It was likewise cautious about the prospects for British entry, given the uncertainties of the British economy and circumstances within the Community, citing the arduous backlog of work following the end of the empty chair crisis and the current NATO situation as barriers to progress. For these reasons it recommended that the Government 'should refrain from taking any initiative ... for the time being even in the form of informal probes, on the possibility of joining the Community'.17 This foreshadowed officials' subsequent concerns that too much momentum now, when there was little prospect that the French veto had been lifted, would ultimately create expectations that could not be fulfilled.18 However, this advice did not coincide with the prominence given to European policy in the new administration, or Wilson's desire to test the keenness of the Six to accept British membership.

15 PRO CAB134/2705, E(66)1 'Composition and Terms of Reference for the Ministerial Committee on Europe', Note by the Secretary of the Cabinet, 25/4/66.
16 Chief Secretary to the Treasury John Diamond represented his department in Callaghan's absence at the first meeting of the Europe committee. Stewart was also absent. In addition, Crossman was present at the first meeting, but had apparently been invited following an administrative mix-up; he was not a permanent member of the group: Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 9/5/66, pp512-513.
17 PRO PREM13/905, Cover note accompanying the Roll Group's report on 'Future Relations with Europe', 5/4/66.
Wilson’s willingness to test the strength of European opinion was, however, non-committal, and he disappointed Brown by resisting the latter’s pressure to issue a declaration of British readiness to accept the Treaty of Rome. Brown prefaced the first meeting of the ministerial Europe committee with a major speech to the Stockholm gathering of the Socialist International, when he dismissed the obstacles preventing UK accession to the Community, confident that political will from the Six matching that from Britain would be enough to overcome any difficulties. He implied that the Government was ready to accept the institutions and practices of the Community, and would require only ‘adjustments’ prior to entry. This was tantamount to acceptance of the Treaty of Rome.

Yet Wilson would not be bounced by Brown’s speech into publicly accepting the Treaty. Cabinet Secretary Burke Trend cautioned Wilson against making such a statement lest ministerial probing arising from Brown and Thomson’s new roles should drift into negotiations without a Cabinet mandate to do so. Moreover, publicly accepting the Treaty at this stage held a number of political dangers for Wilson in addition to committing the Government beyond its agreed position: it could intensify divisions within the Labour Party, when Wilson’s aim was to begin a longer-term reorientation of the Party’s attitudes to the Community; and it would leave Wilson exposed to all the criticisms he had heaped on Heath during the election campaign, that the Government would be in a weak bargaining position if an approach was unconditional. Separating the Conservative position of unconditional acceptance of the Treaty, from Labour’s measured stance, was a necessary tool in gaining the acquiescence of the Labour Party’s supporters for future membership.

Consequently, the first meeting of the committee on Europe (on May 9th) recorded ministerial agreement ‘that, at this stage, there should be no announcement that the UK Government accepted the Treaty of Rome’. Although Brown later protested

20 PRO PREM13/905, Trend to Wilson, 6/5/66. The same point had been noted by FO officials: PRO FO371/188335/M10810/175, FO minute by Statham, ‘Relations with the EEC – Probing’, 28/4/66.
21 PRO CAB134/2705, E(66) 1st meeting, 9/5/66.
that the question of whether to publicly accept the Treaty was not put to ministers directly therefore the minutes were misleading, Wilson would not allow Brown to commit the Government publicly. Brown’s frustration was obvious, having been granted the new Europe committee only to find that Wilson was still unwilling to give ground over what Brown thought to be the essential pre-requisite to any meaningful progress on British entry. As an alternative to a public declaration, Brown proposed an official study of the Treaty to determine if it could accommodate British interests, noting the discrepancies between its Articles and the practices existing in the Community. Palliser advised Wilson that this made sense, as a preliminary to accepting the Treaty. Wilson replied that he was willing that officials should study it,

[but] I am bound to say that, until we have a considered recommendation of this sort before us, I should continue to be reluctant to invite the political controversy which would undoubtedly be aroused if we gave any public indication that we were prepared formally to accept the Treaty.

This demonstrated both that Wilson’s readiness for membership depended on the implications of entry for British national interests, and that he was clearly setting the boundaries for how far ministers could go in probing the prospects for membership.

Ministerial discussion in the Europe committee also revealed reservations regarding the constraints imposed by membership on economic and foreign policy freedoms. It confirmed that, in the event of UK entry, ministers were anxious that other EFTA countries should also join, in order to alter Community dynamics and strengthen Britain’s general political influence once a member. Commonwealth membership was not considered incompatible with Community membership, and indeed, after accession, Britain might be able to influence Community policies to Commonwealth advantage. Ministers were, however, anxious to avoid discussion of

22 PRO PREM13/906, Brown to Wilson, 16/5/66.
23 PRO PREM13/906, Brown to Wilson, 16/5/66.
24 PRO PREM13/906, Palliser’s handwritten comments on Brown to Wilson, 16/5/66.
26 PRO CAB134/2705, E(66) 1st meeting, 9/5/66.
this possibility in Commonwealth forums for the moment. In other words, the committee accepted that trade with West European countries was vital to British interests, and that, although wishing to safeguard Commonwealth interests in any future negotiation for membership, they were less important to Britain economically and politically. Agriculture did not feature prominently in the discussion, even though the CAP had long been a sticking point of the Labour Party’s hostility to membership. However, the Minister for Agriculture reserved his right to submit a paper to the committee on the agricultural costs of entry at a future point.

Wilson sought clarification on a number of issues, namely the interaction between the political, military and economic aspects of Britain’s relations with the EEC, in light of the NATO situation and relations with the US; what kind of Community institutions were most compatible with British interests – in Balogh’s terms, ‘Europe des Patries’ or ‘Europe de la Commission’; and the long-term political and military commitments implied by Community membership. To this end, the committee commissioned fresh studies.

Thus, Wilson’s first actions on European policy after the 1966 General Election gave the impression that he was ready to seek early British entry to the Community, but on closer examination appear to have served the purpose of keeping open the possibility of entry whilst recoiling from any definite commitment to that end. The Europe committee revealed that there was no ministerial consensus of view; Cabinet-level divisions persisted. However, the studies initiated by the committee indicated that Wilson was willing to consider European policy within a wider context of domestic objectives and external relations. This was adequate to satisfy the interest in British membership from domestic and overseas opinion, without any greater level of commitment from the Government. There were a number of opportunities for probing at ministerial level, with forthcoming visits to Britain from German Chancellor Erhard

27 PRO CAB134/2705, E(66) 1st meeting, 9/5/66.
28 PRO FO371/188336/M10810/206/G, FO minute by Hancock, 10/5/66.
29 PRO PREM13/905, Balogh to Wilson, 6/5/66.
30 PRO FO371/188336/M10810/206/G, FO minute by Hancock, 10/5/66.
and the French Prime Minister Pompidou and Foreign Minister Couve de Murville over
the coming months, in addition to regular meetings of EFTA, NATO and WEU. Within
Whitehall circles, officials agreed that the Government ought not to set the pace of
progress too fast; the Six had much internal business to attend to, and too much
momentum now would ultimately create expectations that could not be fulfilled. Better,
agreed FO officials and diplomats, that probing should await the visits by Erhard and
more especially Couve and Pompidou in July, when a clearer indication of political will
from the Continents might be gauged. 31 There was some concern, then, that the high
profile given to the ministerial committee, as well as public speeches by ministers, were
propelling the Government towards a decision on British membership too rapidly. 32
Wilson shared this concern, 33 even though he had played a large part in generating the
momentum. However, the publicity accompanying the new approach to Europe,
leading on from Balogh and Palliser’s advice, would reveal whether the political will
existed amongst all six existing Community members for British membership, and
would then inform the Government’s decision on entry.

Wilson’s actions signalled to observers in the Six that the Labour Government had
a growing interest in membership; and within Whitehall, officials were put on notice
that European policy was to be determined at ministerial level. Wilson’s actions were
also aimed to reassure pro-entry domestic opinion by creating expectations of progress,
but which might ultimately reveal it was French rather than British hesitancy that
delayed UK entry. At the same time, not only was Wilson unwilling to emulate Heath
in committing unreservedly to membership, he was also careful to retain control over
the direction and pace of policy, to avoid being forced into any new application unless
and until he was ready. But a necessary part of keeping open the door to membership in
the future included Labour Party endorsement of the policy, therefore the process of
probing the terms of entry available and their impact on British economic and foreign
policy objectives without commitment to the result, would begin a re-education process

33 PRO PREM13/905, Note for the Record of Wilson’s meeting with Stewart, Thomson, Halls and
Palliser, 6/5/66.
within the Labour Party in readiness for membership, in the event that the Six were now willing to accept the Government’s conditions of entry. However, ambiguity when it came to the European Community was a Party management tool for Wilson: his public optimism for entry was tempered with caution to ensure that neither pro- nor anti-Europeans in the Party were alienated.

**Labour Party reaction**

For the moment, then, Wilson appeared to be giving the green light to consideration of European policy revisions, whilst containing this by reserving the Government’s position to accept or reject the outcome. Labour Party divisions were one factor in his stance; however gauging Party opinion on membership was imprecise and often contradictory. In December 1965, the Chief Whip, Ted Short, told Wilson that the extent of PLP opposition to membership was manageable.\(^{34}\) Nonetheless, shortly after the election, Brown admitted privately (in discussions with French Agriculture Minister Edgar Faure) that a majority in favour of UK entry did not necessarily exist within the Labour Party.\(^{35}\) However, for the sake of Wilson’s freedom of action to seek membership or not, PLP, and to a lesser extent NEC, opinion was what mattered, rather than the wider Party, and events after the 1966 election appeared to support Short’s earlier assessment.

The announcement of Brown and Thomson’s special responsibilities for European probing provoked a reaction from the PLP. Immediately they pressed for a new Parliamentary Party group to study the issue.\(^{36}\) Originally requested by anti-Marketeer backbencher William Molloy, it was a pro-European, Sam Silkin, who was elected as the new group’s Chairman, adding weight to Short’s assessment of PLP

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34 See Chapter 3, p112.
36 LHA PLP minutes, 21/4/66.
opinion moving in favour of entry. In the event, this study group did not achieve a great deal, and did not influence European policy.37

The Labour Party pro-Marketeers in the LCE had previously shared Brown’s assessment that the wider Party opposed entry. Consequently, during the 1964-66 administration their campaigning activities were confined to targeting key ‘opinion formers’ (in the press, academia, trade unions and amongst MPs), to prevent fomenting an anti-European counter-reaction at local constituency level. The LCE also missed the significance of the inclusion in Labour’s 1966 election manifesto of readiness to enter the Community, considering that it ‘left a great deal to be desired’.38 However, they took the renewed interest in Community membership after the election as a signal to intensify their activities. In May 1966, their tactical focus altered completely, switching activities to address the needs and concerns of local level: recruiting openly, drawing up a list of speakers for circulation to CLPs and trade union branches, and planning to alter their Europe Left publication from a journal to a news and information sheet that would serve a grass roots rather than opinion-forming audience.39 This was boosted by the new Labour MPs joining Parliament in 1966, over half of whom became members of the LCE.40

At the other end of the spectrum, there is little evidence to suggest that activities of the Labour Party’s anti-Marketeers received renewed vigour after the 1966 election. Although Tribune contributor David Steed welcomed the new Parliament with a

37 In a Socialist Commentary article, Silkin elaborated his hopes for the new committee: ‘to study all the problems of Britain’s relations with Europe, to produce ideas, to form, so it is hoped, a consensus of views for submission to the PLP’ (Sam Silkin, ‘From Westminster to Europe’, Socialist Commentary, September 1966, pp5-8). Unfortunately, the minutes of this group’s meetings have not survived, but its effectiveness is questionable, given that Silkin’s article implies that it had not made much progress in its first few months, and by March 1967, almost a year later, Wilson lamented the fact that the PLP had not yet discussed Europe (LHA PLP minutes, 16/3/67). Moreover, Chief Whip Ted Short said that the PLP subject groups were of little importance in practice (Short, Whip to Wilson, p263).
38 Harvester microfiche LCE minutes, 8/3/66.
39 Harvester microfiche LCE minutes, 3/5/66.
warning that the Common Market would be ‘for the Labour Party another Clause Four battle which will do tremendous, needless damage’, no coherent or effective anti-Market campaign emerged. Lynton Robins states that the anti-Market PLP group ‘Britain and the Common Market’ was ongoing from May 1965, but it did not become a rallying point for anti-entry activity, and did not feature in Tribune’s critique of the Government’s stance. A hard core of around eighty PLP members did remain opposed to entry, but Wilson’s cautious stance that any decision on membership depended on the terms of entry available, limited the ability of this group to influence the Government’s policies. Moreover, they were outnumbered by the PLP’s pro-Europeans, who, according to some estimates, totalled around two-thirds of the PLP (and with the PLP’s ranks swelled to over 360 following the election, this meant around 240 Labour MPs willing to accept membership). In addition, any significant PLP rebellion to a future Commons vote seeking approval for membership would be invalidated by the cross-party consensus on membership: neither the Liberals nor the Conservatives were likely to oppose an application, even one that came from a Labour Government.

Despite the turning tide of PLP opinion in favour of membership, Wilson could still be subjected to problems from this band of anti-Europeans if the issue coalesced with other divisive matters already straining the Party. The new Parliamentary situation altered internal Party dynamics, and would ensure that if managing the Party had become easier in terms of Commons votes, it would now require a greater level of flexibility from its managers. Eighteen months of rigid discipline imposed by the majority had kept the Party (largely) unified behind Wilson, despite dissatisfaction with

44 PRO FO371/188335/M10810/191, Snellgrove to Statham, 9/5/66.
45 Indeed, of the Party’s pro-Europeans, at least seventy were committed to a specifically supranational Community, and supported a cross-party campaign for supranational European political unity in June 1966 (R. Fletcher, ‘Lord Gladwyn’s Pet Poodles’, Tribune, 1/7/66, p5), much to PLP Chairman Manny Shinwell’s chagrin (LHA Liaison Committee minutes, 22/6/66).
many of his domestic and foreign policies. Now that, in Wilson’s words, his handicap had ‘gone up from 3 to 97’, the leadership’s *de facto* autocracy ceased to hold as Party critics were afforded greater opportunities to publicly challenge Government policy without endangering the majority. The newer MPs were generally accepted to be more independent than their predecessors, willing to challenge the Government, and anxious to make their mark. Moreover, the prospects for backbench MPs’ good behaviour to be rewarded with Government posts diminished as the number of competing candidates within the PLP increased by 49 at the General Election without a corresponding increase in Government jobs. Reconciling the disparate factions and styles of MP promised a difficult period of Party management. If dissent over Community membership melded with wider Party anger over domestic economic policy and external relations, rebel MPs could become the Party’s conscience, opposing Government policies that did not accord with the Party’s decisions at Conference, and resisting the compromises demanded by the realities of Office. They could therefore strike a chord with rank and file discontent within the wider Party to create a coalition of opposition to Government policies spanning the numerous centres of power within the wider Party. Although the Party outside Parliament had less opportunity to directly influence Wilson’s decision-making, the wilderness years of the 1950s demonstrated the electoral dangers of a disunited Party; and the constraints on Government imposed by economic dependency would provide plenty of grist to their mill in the coming months.

These circumstances demanded a responsive style of Party management to contain such pressures. Initially Wilson set up two new Select Committees – on agriculture and science and technology – to keep the enlarged PLP, in his own words, ‘active, busy and happy’. Nonetheless, he found that his management team – Chief Whip Ted Short, PLP Chairman Manny Shinwell, and Leader of the House Herbert

49 PRO PREM13/1077, Wilson to Lord President of the Council (Bowden), 6/4/66. (This would also complement Wilson’s Parliamentary modernisation agenda.)
Bowden – struggled with the flexibility required of them to accommodate the wide spectrum of pressures unleashed by the commanding Parliamentary majority. Eventually, changes in management personnel would be required to institute a new liberal regime of Party discipline effectively allowing a *modus vivendi* within the Party to signal that opposition to Government policies could be tolerated, on the condition that it was neither organised nor coordinated. Given the implacable opposition of a significant majority of the PLP to Community membership, this would be vital to any future Commons vote on the issue.

Recognising the importance of preventing the Party’s divisions on membership from constraining the Government’s European policy, especially given his personal assessment that a majority within the Party in favour of entry did not exist, Brown toned down his optimism for progress towards membership when he introduced the subject at the NEC meeting in May 1966. Benn described the discussion as ‘anodyne’, designed for a wary Party audience and giving little hint that membership was in prospect.50 Crossman, who was also present at the NEC, regarded the meeting as important because Brown acknowledged the formidable obstacles to UK entry, not least de Gaulle’s opposition, and the need for devaluation prior to entry given current British economic weakness. Whilst emphasising the impediments, Brown implied that the purpose of the current exercise he and Thomson were engaged upon was ‘to make friendly noises’.51 In effect, then, Brown said the probing was unlikely to extend beyond creating conditions for cordial exchanges, which were not expected to lead to an early application. (However, this went against the tone of Brown’s speeches to European audiences, for instance at Stockholm.) Neither Benn nor Crossman recorded any opposition from the NEC to entry, nor to the Government’s new European exercise, presumably because Brown did not signal that the Government was willing to forego the Party’s five conditions of entry in order to gain membership. In addition, there were indications that general trade union opinion was relatively open to membership, with at


least four of the larger trade unions supporting entry. Together these four could deliver one third of the total union bloc vote at Conference. Thus, Wilson's prudence in resisting Brown's pressure to publicly accept the Treaty restrained demands on the Government from within the Labour Party that subsequently became more insistent (although skilfully managed) when the approach to Europe increased in intensity later, in November 1966.

**Opportunities for probing**

If Wilson's European policy contained inherent contradictions, for instance reconciling the CAP with the Government's insistence on retaining cheap supplies of Commonwealth food, the prospects for early British entry did not force the pace in overcoming them. Indications from Balogh and Palliser that the French would not permit British entry were confirmed during German Chancellor Erhard's visit to London in May 1966. During his visit, Erhard expressed German goodwill towards UK Community membership, but, pressed by Brown to help generate support amongst the other members for British entry, Erhard made clear that he was unwilling to challenge de Gaulle on the matter. Implicit in this conversation was the understanding by German and British ministers that de Gaulle held the key to British entry - there was no question of the Five forcing his hand in order to secure British entry. This made the visit by Pompidou and Couve in July even more important, as the best opportunity to discover if the friendly French gestures were anything more than posturing in the current context of European relations following the NATO crisis.

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52 PRO FO371/188335/M10810/191, Snellgrove to Statham, 9/5/66. Snellgrove reported that Labour MPs had recently indicated that the NUM, NUGMW, USDAW and the AEU favoured membership.

53 L. Minkin, *The Labour Party Conference* (London, Penguin, 1978) Table 11, p124, notes the voting weights of the largest unions in 1963 and 1970. Although the combined voting weight of these unions declined over this seven-year period by approximately 6%, and the specific figures for 1966/67 are not available from this source, it still provides reliable evidence that these unions together made a formidable bloc in 1966.

54 PRO PREM13/906, Record of conversation between Wilson, Brown and Erhard (et al), 10 Downing Street, 23/5/66.
In the event, talks with the French gave supporters of British entry little cause for optimism. Although Pompidou and Couve gave assurances that another negotiation would not end in a French veto because of Britain’s links with America, this was taken as a signal that de Gaulle would not allow another application to be made in the first place, and French references to the difficulties for sterling as a reserve currency, and the need for devaluation prior to entry, were the means to stall the British approach to the Community.

Anticipating that the French would exploit the economic difficulties associated with British membership, Brown had, before the visit of Pompidou and Couve, suggested to Wilson that political arguments were the only way to ‘outflank’ de Gaulle in order to gain entry. Brown proposed closer Anglo-German relations, in order to lead a ‘truly European approach to security, defence and foreign policy arrangements ... which, unlike de Gaulle’s, is explicitly based on partnership with the United States’. Brown considered this would have widespread appeal to the Five, and large sections of French opinion. However, Wilson rejected such a possibility on the grounds that it would require the Government to concede to German wishes in nuclear sharing (the question of ANF still outstanding). Moreover, a specifically political character to the Community went against Wilson’s personal preference (as expressed in his comments on the FO’s December 1965 paper), as well as the Party’s five conditions of entry. Rather than outflank de Gaulle, Wilson preferred that his Government maintain informal, bilateral talks with the French and other Community members, in order to make progress towards British membership, (and the subsequent probe tour followed this pattern of bilateral contacts between British ministers and the Governments of the Six, rather than siding with the Five to force the General’s hand.) Brown accepted

55 PRO PREM13/907, Record of conversation between Wilson, Brown, Pompidou and Couve, during the French Prime Minister’s luncheon for Wilson at the French Embassy, 8/7/66.
56 PRO PREM13/906, Brown to Wilson, 23/6/66 (emphasis in original).
57 PRO PREM13/906, Wilson’s handwritten comments on Brown to Wilson, 23/6/66.
58 See Chapter 3, pp112-113.
59 PRO PREM13/907, Wilson’s handwritten comments on Brown to Wilson, 29/6/66.
Wilson's tactical difference of approach, whereby Community membership should not imply European political integration.

**External relations**

There was little to be gained by pressing for membership too rapidly, which would create unfulfilled expectations as well as possibly igniting a Party row on membership. However, over the summer of 1966 several factors brought into sharper relief the Government's inability to act independently, and therefore accelerated the Government's reconsideration of its external relations, and the reorientation towards Europe.

Commonwealth problems persisted, with Wilson under pressure from the Commonwealth, Cabinet members, and the wider Party (through a steady stream of resolutions on Rhodesian policy from CLPs to the Party's Liaison Committee) to maintain a hard line against the illegal Rhodesian regime. The unresolved Rhodesian crisis dominated proceedings at the Commonwealth Prime Ministers' conference in London in September 1966, which Wilson considered as 'a nightmare conference, by common consent the worst ever held up to that time'. He seriously doubted the Commonwealth's long-term future, given the level of hostility directed both at Britain, and personally to himself. Virtually no attention was paid to the world political and economic situation, demonstrating, to Crossman at least, that the Commonwealth as a political organisation was a 'dying concern'. Moreover, as Crossman noted, nobody he spoke to at this conference doubted that Britain would soon join the Community. Other Commonwealth countries expected that the Government would put British

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60 PRO PREM13/907, Brown to Wilson, 29/6/66.
62 LHA Liaison Committee minutes, May – October 1966.
national interests of preferential European trading arrangements ahead of continuing with the weak and troublesome Commonwealth.

Relations with the US were also strained in June 1966, when the US bombed oil installations in Vietnam. Wilson had advance warning of the planned US attack, and cautioned the Americans that he was committed to a policy of dissociation if they targeted these civilian areas. After the event he delivered a speech to Parliament condemning the US tactics. However, he maintained general support for US policy, despite criticisms from the Tories that this was an insufficient commitment to America, and from his own backbenches, that Britain should dissociate from US policy completely and press for a new peace initiative. Wilson’s criticism for the Americans did not signal a split between Britain and the US, and a reorientation of British foreign policy towards Europe, yet even right-wingers in the Party, some of whom had previously been firm supporters of close relations with the US, were beginning to shift away from the Atlantic Alliance in favour of Community membership. Brown was anxious that the Government was becoming separated from the US but without moving closer to Europe, and suggested that dissociation from US bombing provided a good opportunity to reassess the entire direction of the Government’s foreign policy and the special relationship. Nonetheless, concerned that international pressure on the US to

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68 Wilson, The Labour Government 1964-70, pp320-322. (Dissatisfaction within the PLP led to a difficult Party meeting on the subject, and was followed up at the Party’s Annual Conference in October with a defeat for the Party leadership on Vietnam policy, which was the largest majority Conference defeat of the Platform throughout the 1964-70 Labour Governments, even exceeding the defeats over trade union reform in 1969: Minkin, The Labour Party Conference, p238, Table 16.)

69 Patrick Gordon Walker, returned to Parliament in the 1966 General Election, was beginning to revise his attitude to Europe, where previously he had subordinated relations with Europe to the Atlantic Alliance (Pearce, Patrick Gordon Walker: Political Diaries 1932-1971, entries for August 1964, p301, and 19/4/66, p307). Castle notes that Brown said he was ‘sickened by what we have had to do to defend America’ (Castle, The Castle Diaries, 1964-70, entry for 18/7/66 p148).

70 Benn, Out of the Wilderness, entry for 8/7/66, p449.
withdraw from Vietnam could be matched by a US withdrawal from European security arrangements,\textsuperscript{71} he did not push this point.\textsuperscript{72}

**Economic considerations**

If foreign policy considerations were leading the Government to reconsider Britain's existing alliances, the economic situation was an even more compelling reason for their review. Already, Britain's balance of payments deficit left the Government unable to respond with retaliatory sanctions against South Africa and Portugal, who were flouting oil sanctions against Rhodesia.\textsuperscript{73} Moreover, the cost of east of Suez defence commitments, with the corresponding economic dependence on the US to fund them, caused disciplinary problems within the PLP, when both right and left-wingers complained of the negative impact such commitments were having on the Government's domestic programme.\textsuperscript{74} On this matter, Wilson sought to exploit divisions between the PLP's left and right-wings, deploying the European Community argument to highlight their differences. How, Wilson implied, could the Labour Party's left-wing pacifists join forces with pro-European lobby, who were advocating east of Suez withdrawal to concentrate defence resources in Europe and allow a smoother path towards British entry? The pro-Marketeers were pushing for east of Suez withdrawal to enter the Community by the back door. Wilson's alternative vision of foreign policy priorities restated the importance of the Commonwealth and the United Nations, implying that Britain was afforded freedom of manoeuvre because it was independent of regional power blocs.\textsuperscript{75} However, this contradicted an assumption upon which the ministerial committee on Europe had commissioned Whitehall studies: that Community membership could enable Britain to play a more constructive Commonwealth role than at present, by influencing Community policy to the Commonwealth's advantage.\textsuperscript{76} This suggests that Wilson acknowledged that the political impact of Community membership

\textsuperscript{71} Brown, *In My Way*, pp141-142.
\textsuperscript{72} Benn, *Out of the Wilderness*, entry for 8/7/66, p449.
\textsuperscript{73} Morgan, *Callaghan: A Life*, pp251-252.
\textsuperscript{74} LHA PLP minutes, 25/5/66 and 15/6/66.
\textsuperscript{75} LHA PLP minutes, 15/6/66.
\textsuperscript{76} PRO CAB134/2705, E(66) 1\textsuperscript{st} meeting, 9/5/66.
could dilute rather than enhance British strength on the world stage, even though he still regarded the Community as primarily an economic rather than political organisation.

This episode provided two valuable insights for Wilson's future European policy. Firstly, a large body of PLP opinion no longer felt an overwhelming obligation to support and defend the Commonwealth, especially at the cost of Labour's domestic economic programme. Secondly, contentious issues where pressure spanning all sections of the Party – left, right and centre – was in contradiction to the policy Wilson wanted to pursue, could be overcome if they interfaced with European policy. Wilson's ambivalent personal stance on Community membership enabled him, on this occasion, to exploit divisions within the PLP on the implications for European policy of east of Suez withdrawal. Thus his cautious approach to membership also acted as a tool of Party management: he could present a positive or negative interpretation of the prospects for membership depending on his audience and his own requirements in gaining support for his preferred policy. He was to deploy this same tactic with Cabinet ministers during the July 1966 financial crisis.

The economic constraints that compelled review of the importance of Britain's world role and the value of Commonwealth defence commitments also strained relations with European countries, complicating any move towards Community membership, and demonstrating that whichever path the Government took would involve difficult economic choices. Continuing problems of offset arrangements for the BAOR, given the Government's need to reduce overseas expenditure, strained Anglo-German relations, and did not create the best conditions for Erhard's visit to London in May 1966. The NATO crisis was an added complication, which prompted American President Johnson to write to Wilson cautioning against pressuring Erhard with any moves that might make the Germans doubt the usefulness of the Atlantic Alliance.

77 Morgan, Callaghan: A Life, p242.
78 PRO PREM13/906, FO to Washington, Tel. No. 5288, 23/5/66, containing message from Johnson to Wilson, 21/5/66.
Additionally, although the British Ambassador in Paris advised that de Gaulle’s political veto still prevented British entry, he also advised that in the meantime ministers should make attempts to align British policies with those of the Community to illustrate the seriousness of British intentions to join.\textsuperscript{79} Yet the economic necessity to reduce Government expenditure at this time prompted ministers to pursue policies counter to this advice. In a Cabinet reconsideration of Britain’s subscriptions to the joint European space rocket launcher project (ELDO), Jenkins, Crosland and Stewart believed continuation was vital to Government’s stated intention to seek Community membership. However, this was not the majority view in Cabinet, and even Brown gave Britain’s financial interests higher priority in deciding to cut UK subscriptions to the project.\textsuperscript{80} The Cabinet later backtracked from this decision after it was leaked to the press,\textsuperscript{81} yet when Cabinet subsequently reviewed its spending priorities, ministers agreed to bargain with Pompidou (during his visit to London) for a cut in Concorde contributions, in return for retaining the British commitment to the ELDO project.\textsuperscript{82}

However, seeking reductions in British expenditure on European technological projects did little to encourage the view that the Government was committed to a European future for Britain; nor did the role of supplicant leave British ministers in a position of strength from which to convince the French that British membership would not drain Community resources.

**The July 1966 sterling crisis**

The July 1966 crisis was an important point in accelerating the Government’s drift towards Community membership. The Government was ill-prepared for the economic crisis: in the May budget and again at a private meeting between Callaghan, Brown and Wilson at the beginning of July, the Chancellor gave little indication of the looming disaster,\textsuperscript{83} despite the opinions of the Government’s economic advisors and

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\textsuperscript{79} PRO PREM13/906, Reilly to Thomson, 3/6/66.


\textsuperscript{81} Crossman, *The Diaries of a Cabinet Minister: Volume One, 1964-66*, entry for 14/6/66, p537.


other Cabinet ministers. 84 A number of factors upset confidence in the pound, including a seven-week strike by the seamen’s union, which skewed the balance of trade and payments, and Frank Cousins’ resignation from Cabinet over the introduction of a compulsory incomes policy. 85 With the markets still reeling from these events, further trouble came in the form of French Prime Minister Pompidou, who was reported to have remarked after his talks with Wilson that sterling devaluation was necessary prior to UK entry into the Community. Given that these talks were trailed as part of the European probing, it is not surprising that Pompidou’s alleged remarks would test the commitment of Wilson and his Government to membership; and it was natural that the French should have focused on the economic obstacles to entry, given that the official record of their talks with Wilson made clear that he regarded Community membership ‘namely as an economic enterprise’. 86 This was one area where French objections to British membership were well founded: there was a growing body of foreign opinion, across Europe 87 and in the USA, 88 that devaluation was a prerequisite to membership. Even the Governor of the Bank of England (privately) shared this assessment. 89 The already volatile markets reacted with further attacks on the pound, and this combination of events precipitated the sterling crisis of July 1966.


85 Part 4 of the Government’s Prices and Incomes Bill gave Government powers to enforce a settlement on employers and employees, with fines and custodial sentences for those unwilling to comply. Rather than demonstrate that Wilson was serious about making incomes policy work, however, the markets took news of Cousins’ resignation as a signal that the Government’s accord with the unions was over, and industrial difficulties would ensue: Callaghan, Time and Chance, p196.

86 PRO PREM13/907, Record of conversation between Wilson, Brown, Pompidou and Couve, during the French Prime Minister’s luncheon for Wilson at the French Embassy, 8/7/66.

87 PRO FO371/188340/M10810/301, Booth (British Embassy, Copenhagen) to Statham, 27/6/66; PRO FO371/188338/M10810/259, Reilly to O’Neill, 8/6/66.

88 PRO PREM13/907, Dean to Trend, 11/7/66.

Pressure on the pound forced the Government to reconsider its economic strategy. The options were to devalue sterling, or to implement a package of severe deflation to stem Government expenditure and restore confidence in the pound. The scale of the package necessary, as well as divisions between Brown, Wilson and Callaghan about the way forward, meant that Cabinet had to approve the decision, rather than, as in October 1964 and July 1965, simply accept the recommendations of the three leading ministers. However, Cabinet members were divided. Brown (and others, including Castle and Benn) favoured devaluation: along with general objections to curtailing public expenditure, deflation amounted to no more than the Tories’ method of economic management. Moreover, even if cuts were selective, making safeguards for the poorest groups of society, the National Plan could not reach its already-failing targets if planned investment dried up. Therefore, deflation on the scale required would undermine the Government’s planned expansion programme, and signal the end of the National Plan.

Wilson and Callaghan, on the other hand, opposed devaluation on the grounds that it would have adverse effects upon international monetary arrangements, and would breach international obligations to Britain’s main creditors. There were also indications that the US Government would continue to support the pound without reservation until the November Congressional elections, and therefore devaluation would be unnecessary. Moreover, Wilson and Callaghan acknowledged, where some of the supporters of devaluation did not, that in order to make devaluation effective, harsh domestic deflation would be a necessary adjunct, to switch resources from consumption to production to boost Britain’s competitive position. Therefore, since both devaluation and deflation would mean the end of Labour’s economic strategy of

91 Benn, *Out of the Wilderness*, entry for 17/7/66, p455.
planned growth, Wilson was unwilling, in Pimlott's words, 'to take the leap into the dark' implied by devaluation.\textsuperscript{94}

In order to secure Cabinet support for domestic deflation amounting to some £500 million, in addition to overseas expenditure cuts of £100 million and a six-month wage freeze, Wilson divided the 'temporary coalition of convenience'\textsuperscript{95} representing right and left-wing ministers favouring devaluation, by exploiting their differences over Community membership. Wilson assured Castle that the pro-Market eers were using her support over devaluation to make entry easier,\textsuperscript{96} and he appealed for her help to scotch their plans.\textsuperscript{97} This was effective: as Castle and Benn informed Brown, raising the prospect of membership would lose him the argument in Cabinet over devaluation.\textsuperscript{98} In addition to manipulating their European differences, Wilson also upped the stakes, linking the parity with his authority as Prime Minister.\textsuperscript{99} If his Cabinet friends – Benn, Crossman and Castle – really wanted devaluation, it would cost him the leadership. A Cabinet decision to devalue the pound, against the Prime Minister's wishes, would force Wilson to resign, leaving Brown – as the main advocate of devaluation – to take over as leader (and with it, push forward with Community membership). This was a particularly acute concern, as Wilson's visit to Moscow over the previous weekend had been the occasion for frenzied rumours that Brown, Callaghan and Jenkins were separately or jointly trying to oust Wilson and take over in Number 10.\textsuperscript{100}

\textbf{Implications of the crisis}

Appeals to loyalty paid off for Wilson, and he was able to avert devaluation and gain Cabinet approval for the package of severe cuts, even though this signalled the demise of the DEA and, with it, Labour’s flagship policy of national planning.

\textsuperscript{94} Pimlott, \textit{Harold Wilson}, p429.
\textsuperscript{95} Callaghan, \textit{Time and Chance}, p199.
\textsuperscript{96} Castle, \textit{The Castle Diaries, 1964-70}, entry for 19/7/66, p150.
\textsuperscript{97} Castle, \textit{The Castle Diaries, 1964-70}, entry for 14/7/66, p145.
\textsuperscript{98} Castle, \textit{The Castle Diaries, 1964-70}, entry for 18/7/66, p147.
\textsuperscript{99} Benn, \textit{Out of the Wilderness}, entry for 18/7/66, pp456-457.
However, having resisted devaluation by deploying anti-entry arguments, in the aftermath of the July crisis there were now several reasons that bolstered the economic case for membership. National planning had been Labour’s distinctive alternative strategy for economic management, and its failure left a void at the centre of the Government’s programme. Without an alternative, there was little hope of making the necessary improvements to the domestic economy in order to enact Labour’s social distribution polices, and this, in turn, would harm Labour’s chance of success at the next General Election. Moreover, the Kennedy Round trade talks would not be adequate for this purpose, having made little effective progress as the Community had only, in July, reached agreement on its agricultural financing arrangements (which were necessary before real progress could resume in the trade talks). However, an approach to the Community might fill the void left by the demise of economic planning. Access to larger industrial markets for UK exports could provide the means to salvage economic growth, thereby giving the impression that the Government was purposeful in seeking new initiatives to boost the economy.

The role of sterling provided another factor in favour of membership. Community entry might lessen the UK economy’s vulnerability to the recurrent financial crises, as the Treaty of Rome obliged the Community to provide assistance to member states in balance of payments difficulties. In addition, the fact that the pound did not immediately recover after the July deflationary measures indicated that reserve holders, rather than financial speculators, had sold sterling during the crisis. This suggested that sterling holders in Commonwealth countries were losing confidence in the pound and were diversifying their reserves to insulate their own national interests from the expected devaluation and corresponding demise of the Sterling Area. This was underlined by Crossman’s discovery, during the Commonwealth Prime Ministers’ Conference in September, that Commonwealth leaders expected Britain to join the Community, and confirmation of this came when, in July, Nigeria became the first Commonwealth member to sign an association agreement with the Community.

102 PRO FO371/188338/M10810/268/G, Statham to Owen, 15/6/66.
swapping Imperial Preference for Community preferential trading arrangements.\textsuperscript{104} With Commonwealth objections to British Community membership dissipating, and the reserve role of sterling declining, the external obstacles preventing Community membership were less arduous. Moreover, if membership forced the pace of international monetary reform to prevent the UK economy’s vulnerability to events beyond its control, then this was a positive reason to pursue entry.

Britain’s defence commitments, already a source of tension within the PLP and the wider Party,\textsuperscript{105} were a further issue prompting reorientation to Europe. The July measures announced overseas expenditure cuts of at least £100 million, with half to come from east of Suez and half from Germany. Castle took this to mean Wilson accepted that the east of Suez role was no longer sustainable,\textsuperscript{106} and other Cabinet ministers hoped the cuts would force the Government to withdraw its Commonwealth defence commitments.\textsuperscript{107} With the world role increasingly difficult to maintain, Community membership could provide an alternative, regional leadership role for Britain. These assessments pointed to membership serving British long-term interests.

The July crisis was, as Helen Parr notes, a psychological watershed.\textsuperscript{108} It clarified that Britain’s world role could not, in the longer-term, be sustained without the gains from Labour’s alternative economic strategy to restore British industrial competitiveness. Crossman, for one, was resigned to the Government’s failure: Britain would hardly be worse off after entry than it had been after twenty months outside the Community and closely allied to America.\textsuperscript{109} Therefore, the July crisis accelerated the turn towards Europe which had, nonetheless, already been apparent in the previous

\textsuperscript{104}HC Debs, Vol. 732, Cols. 1417-1418, 26/7/66.
\textsuperscript{105}The Party’s leaders were defeated on a Conference motion critical of the Government’s overseas defence expenditure at the October 1966 Labour Party Annual Conference: Minkin, \textit{The Labour Party Conference}, p238, Table 16.
\textsuperscript{106}Castle, \textit{The Castle Diaries, 1964-70}, entry for 14/7/66, p143.
\textsuperscript{107}Crossman, \textit{The Diaries of a Cabinet Minister: Volume One, 1964-66}, entries for 14/7/66, p570, and 20/7/66, p578.
months: EFTA could not be sustained in the long term, given the desires of its members for access to Community markets; the Commonwealth would not provide markets for UK exports, and it was of declining political value; the east of Suez defence role could not be sustained, given its cost to the Government’s domestic programme and in terms of PLP dissent; and domestic business and public opinion increasingly favoured entry. Moreover, the July crisis demonstrated more clearly than before that sterling’s role as a reserve currency, without a stronger British balance of payments, would continue to be a threat to the Government’s economic management.

If these British interests indicated that membership was now a better prospect for Britain, Wilson’s personal survival offered another reason to become more committed to a European future. Resisting devaluation came at considerable personal as well as political cost to Wilson. Not only had he become estranged from what Brown considered ‘the most distinguished part’ of the Cabinet,\textsuperscript{110} including his friends on the left, but the package of deflationary measures, in particular the wage freeze and the demise of planning, also promised a further breakdown in Party unity and disillusion with his leadership.\textsuperscript{111} Consequently, Wilson was compelled to make concessions on both the style and pace of his policies.

During the height of the July crisis, Crossman extracted from Wilson the statement that he was not opposed to devaluation \textit{per se}, but that it could not be forced on the Government by a sterling crisis; if it was required, it must be done at a time of the Government’s choosing.\textsuperscript{112} Moreover, Crossman recognised that Government planning was no longer feasible even if the pound was devalued. Therefore, he regarded the strategy behind Government’s action as key:\textsuperscript{113} was it intended to enable a Socialist ‘little England’, was it to maintain Britain’s continued world role, or was it a stepping stone to Community entry?\textsuperscript{114} These questions had not been resolved by the

\textsuperscript{110} Brown, \textit{In My Way}, p115.

\textsuperscript{111} Wilson, \textit{The Labour Government 1964-70}, p338.


\textsuperscript{113} Crossman, \textit{The Diaries of a Cabinet Minister: Volume One, 1964-66}, entry for 18/7/66, p575.

\textsuperscript{114} Crossman, \textit{The Diaries of a Cabinet Minister: Volume Two, 1968-68}, entry for 22/10/66, p83.
July measures, and it was to satisfy this pressure (and his left-wing colleagues in Cabinet who had demonstrated their faith in him by agreeing to deflation), that Wilson conceded a new Steering Committee on Economic Policy (SEP), to discuss general economic strategy and, hoped Crossman, inject some strategic direction into the Government’s decisions, as well as making contingency plans for future devaluation.\(^{115}\) Wilson had also come under pressure from Cabinet Secretary Burke Trend to widen the influences on economic strategy, and to avoid in future the ‘intolerably short notice’ given to Cabinet ministers of both the crisis itself, and the measures to address it.\(^{116}\) Moreover, SEP should prevent a repeat of the July 1966 circumstances whereby disagreement amongst ministers, and the obvious absence of contingency plans, contributed to the scale of the crisis.

To strengthen his position vis-à-vis his Party rivals, Wilson reshuffled his Cabinet. With the July measures effectively demonstrating that the Government’s priority was to the parity rather than national planning, Brown, understandably, tendered his resignation. This was neither the first nor last time the often-volatile minister threatened to leave, but coming at this stage it would undermine the deflationary package and leave the economy more vulnerable than before.\(^{117}\) Consequently Wilson refused Brown’s request, but accepted his untenable position at the DEA. In a straight ministerial swap with Stewart, Brown was moved to the FO. The reshuffle frustrated another leadership rival, Callaghan, who had briefed the press that he wanted to become Foreign Secretary.\(^{118}\) Callaghan’s status, in relation to Brown and Wilson was strengthened by the July crisis, leaving the Chancellor as Wilson’s most dangerous rival.\(^{119}\) Callaghan was further upset that, as DEA minister, Stewart now inherited the title of First Secretary, which lowered Callaghan to number four in

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\(^{116}\) Trend, quoted in Hennessy, *The Prime Minister*, p309.


the Cabinet hierarchy, behind Wilson and Brown (leader and deputy) and now Stewart at number three.\textsuperscript{120} However, this featured in Wilson’s plan to foster rivalries between his ‘crown princes’ and dilute the support a single challenger might otherwise receive.\textsuperscript{121} The reshuffle also enabled Wilson to address his growing discipline problems within the PLP, making Crossman Leader of the House and therefore responsible for Party management. Crossman would generate better communication between the multiple centres of power within the Party, as well as accommodating rebellious PLP members by liberalising the Party’s rules and procedures, thereby containing Party dissent at a time when there was widespread concern about a number of domestic and foreign policies.

To appease the more dangerous right-wing dissenters in Cabinet, whose supporters in the PLP were, to Wilson’s mind, already agitating for a new inhabitant in Number 10, Wilson had to make concessions on the pace of policy. Having foreclosed on the first of their demands for devaluation, he had greater reason for making concessions in his attitude to Community membership in order to regain their support. Of his three main rivals for the leadership – Brown, Callaghan and Jenkins – both Brown and Jenkins were fervent pro-Europeans, and had supported devaluation with the hope that it would lead to Community membership. In addition, Wilson feared Callaghan’s political ambitions, considering him willing to accept devaluation and Community membership, especially if this would lead to a vacancy in Number 10.\textsuperscript{122} Cabinet-level frustration with Wilson was underpinned by PLP disappointment and dissent, leading Wilson to suspect plots to overthrow him. Given that the newer MPs from the 1964 and 1966 intakes (largely non-aligned to traditional left and right-wings of the Party\textsuperscript{123}) were in favour of Community entry in much larger proportions than the PLP as a whole,\textsuperscript{124} and added to this their disregard for the deference and loyalty that had historically helped maintain Labour Party leaders, and Wilson could have a serious

\textsuperscript{120} Wilson, \textit{The Labour Government 1964-70}, p352.
\textsuperscript{121} Pimlott, \textit{Harold Wilson}, p437.
\textsuperscript{122} Castle, \textit{The Castle Diaries, 1964-70}, entry for 14/7/66, p145
\textsuperscript{123} Wilson, \textit{The Labour Government 1964-70}, p292.
problem of Party management that could crystallise into a leadership challenge if he failed to satisfy their demands. Presenting a more accommodating personal stance on Community membership might diffuse right-wing dissatisfaction, in Cabinet and the PLP, with the style and direction of Wilson’s governance.

Nonetheless, there were a number of short-term considerations that urged caution in any approach to Europe. In the immediate future, the demise of national planning meant the Government had to rely upon its fiscal and regional policies to promote industrial restructuring, even though, as the Tories pointed out, they were incompatible with the Treaty of Rome. Moreover, the understanding that devaluation was a prerequisite for entry could fuel assumptions that, weakened by the July 1966 crisis, the Government now planned an early application that would include devaluation, therefore more talk of British membership now, before the markets had really settled, would further destabilise sterling. In addition, continuing economic vulnerability, and dependence on US financial support, left Britain in a weak position from which to approach the Six.

After the July crisis, the Government required, more than ever, a clear strategic direction for its domestic and overseas policies. Britain’s national interests, in the immediate period following the July measures, would not unambiguously be served either by an early application for Community membership or by continuation of current policies. Political will was required to give the Government some direction. However, Wilson seemed as yet unwilling to give such an apparent lead. In a private exchange, he told Crossman that US support for Britain would put paid to talk of Community membership, and that he (Wilson) would not accept membership ‘except very much on the right terms’. It did not appear that Wilson was willing to forego the special relationship for the sake of entry. Nonetheless, national interests, and Wilson’s personal survival, suggested this might be necessary, despite Wilson’s still personally ambivalent stance.

European policy after the July 1966 crisis

For the moment, Wilson did little to publicly clarify his opinion on British membership. With the Summer Recess approaching, threats to his leadership would decrease, thus pressure from the pro-Europeans in the Cabinet and PLP did not force the pace of a reassessment of the Government’s domestic and external policies. As Brown noted, the July 1966 financial crisis did not augur well for the Whitehall studies on Community membership commissioned for the ministerial Europe committee, now reaching the writing up stages. The current parlous state of the UK economy meant there was no prospect of an early approach. Officials had previously been wary of the dangers of building up unsustainable momentum towards entry, and were now anxious to shift the blame from the Government for this state of affairs, suggesting that British Ambassadors and overseas representatives should let it be known that Pompidou and Couve’s visit – which had offered little hope that the UK could soon join – was the source of the impasse, not the British economy’s ill-health.¹²⁷ Loss of momentum could be blamed on the unhelpful French attitude. Moreover, the atmosphere of mistrust and disillusionment amongst the Party’s supporters and activists following the July measures and abandonment of planning, not to mention the financial markets’ continuing jitters, did not, in Brown’s opinion, ‘seem to be the most propitious for a really good discussion’.¹²⁸ He therefore recommended that ministerial consideration of the official studies should be deferred until after the Summer Recess, and Wilson agreed.

In the meantime, the Cabinet reshuffle, moving Brown to the FO, gave added impetus to European policy. The pro-entry FO now had a forceful minister who would keep up Cabinet pressure for membership. (FO officials were also relieved that they could now monitor Brown more closely – whilst at the DEA he and Roll had conducted off-the-record meetings with Europeans, which were a source of both embarrassment and fury to FO officials, who often learned by accident that such high-level contacts had

¹²⁷ PRO FO371/188343/M10810/G, O’Neill to Gore-Booth, 13/7/66, and Robinson’s FO minute, 12/7/66.
¹²⁸ PRO PREM13/907, Brown to Wilson, 1/8/66.
taken place. Brown’s energy was now channelled into bringing about UK membership. In September, when coming to schedule the Cabinet meeting to discuss the official papers, Brown and Stewart wanted an early Chequers meeting, to exchange views and give direction to the Government’s European policy, rather than to reach any final decisions. It was unfortunate that ministerial commitments would mean the Chancellor would have to be absent for a September meeting, but in Stewart and Brown’s opinion this was preferable to further delay. Yet Wilson’s refusal to allow an early meeting frustrated Brown. At what Castle considered a ‘most distressing meeting of the NEC’s International sub-committee’, Brown warned that the Government had to decide about Europe one way or the other soon. Nonetheless, the Prime Minister had good reason to defer the discussion. Firstly, given the consequences of entry for sterling, Callaghan’s presence was necessary to fruitful debate. Holding the meeting in the Chancellor’s absence would be a gift to Callaghan, whose opinions ebbed and flowed in response to political opportunism; he was pragmatic, even more than Wilson, and had avoided giving any opinion on Community membership publicly. Action initiated without his approval would leave him free to take up a position opposing membership in the future if Cabinet accepted that devaluation was a necessary pre-requisite to membership. Moreover, if anti-entry sentiment forced a realignment of Cabinet loyalties, then Callaghan would be well placed to benefit if his position on membership was reserved through absence from the key meeting. It would prove safer for Wilson that Callaghan be bound by Cabinet responsibility for any decision or proposal resulting from the meeting. Secondly, consideration of European policy before

129 PRO FO371/188320 M1081/24/G, Gore-Booth to Thomson, 10/6/66. The Permanent Under Secretary suggested that Thomson have a word with Brown regarding his independent initiatives with Europeans, which he considered stemmed from Brown’s ‘love-hate’ complex with the FO: ‘one recognises that rather large scale banter is part of the First Secretary’s temperament. It is awkward that he practices it in the presence e.g. of foreign Ambassadors, but even this can be laughed off. It is not sensible, however, when this complex leads to a kind of secret diplomatic network’.

130 PRO PREM13/908, MacLehose to Palliser, 7/9/66.


133 Morgan, Callaghan: A Life, p254.
the Labour Party Annual Conference would open up the issue to Party scrutiny, and could unleash a Party row over Europe (given that the wider Party, represented at Conference, was less disposed to membership than the PLP), in addition to the already-brewing problems of domestic economic management, Vietnam, and defence expenditure. It would be preferable for discussions on membership to be held over until after the Conference, giving the Government the longest time possible to consider the options and lay the groundwork for whatever it decided before allowing the wider Party an opportunity to express its opinion formally. Thirdly, Wilson himself was still personally ambivalent towards membership – his position would be determined by the terms of entry, which would, in turn, be influenced by the strength of the British economy. By delaying the Cabinet’s debate of strategic and European policies, Wilson would have a better opportunity to gauge the effectiveness of the July measures, and then to form an opinion as to whether British interests would best be served by a greater chance to recover British economic viability through Community membership with a scaled-down, regional role, or whether the world role with close alignment to US interests was the better option for Britain.

The 1966 Party Conference’s foreign affairs debate gave Brown his first opportunity as Foreign Secretary to outline his concept of Britain’s place in the world, which reflected, to a remarkable degree, the Churchillian notion of three concentric circles. According to Brown, links with the Commonwealth, the Atlantic Alliance and Europe gave Britain a unique opportunity to strengthen the United Nations. But this potential could only be realised, Brown continued, from a position of economic strength. In what amounted to a warning to the trade unionists, Brown insisted that the Government’s international objectives must not founder on the rocks of resistance to the prices and incomes policy. Brown’s focus on the European aspect of British policy was very low-key, restating the Party’s policy of readiness to enter, whilst at the same time recalling the five conditions. He made no attempt to dismiss the difficulties of entry, but remained optimistic that overcoming them would help to end the divisions

weakening Europe. In so doing, he linked membership of the Community with the objective of wider European co-operation, which few in the Party could fault. Yet he did little to address the inherent contradictions in the Government’s domestic and external policies, nor did he indicate that a major policy review was imminent. However, Conference delegates did not push the point: for the moment their minds (and the Conference debates) were concentrated on more urgent issues, such as Vietnam and the wage freeze. The Chequers meeting to consider European policy, arranged for October 22nd, was announced a week after the Conference.  

Conclusions

In April 1966, with his majority secure, Wilson was firmly in control of European policy. The way was clear to begin a process of reconsideration of Labour’s European policy. Wilson was anxious to retain control over policy by limiting the extent he would allow his ministers to probe the prospects of membership with the Six. This was without commitment to the outcome, and Wilson was careful to temper enthusiasm for entry with caution about the conditions he could accept. This was a vital aspect in generating support for future membership: only if stringent conditions on British entry could be met would membership be acceptable. Wilson did not foresee early entry, at least not on the terms that that the French would be prepared to tolerate. For the meantime, Wilson maintained some distance from British membership, not becoming too personally involved in European policy publicly, and letting Brown, Thomson and Stewart do the running. The ministerial committee would keep up momentum towards possible future membership, as an outward signal to Europeans in EFTA and the EEC that the Government was still interested, whilst the long-term studies of the implications of entry for national economic and political interests were completed. Wilson’s willingness to consider European policy implies that he was at least open to the prospect of future membership.

Yet there were several factors, largely beyond Wilson’s control, pushing the Government to align Britain more closely with the Community, and although Wilson

still remained personally cautious, there was what both Crossman and Balogh termed a
general ‘drift’ towards membership throughout the summer of 1966,\(^{136}\) the most obvious
example being the July crisis. The crisis brought into sharp relief the contradictory
implications of national economic planning and maintaining sterling’s role as a reserve
currency. Giving priority to the parity rather than the Government’s domestic economic
aims signalled the end of any serious attempts at the Government’s planning agenda.
The Government now had few mechanisms with which to encourage the economic
modernisation that would lead to industrial expansion and economic growth. With the
DEA lifeless, Wilson’s previous objections to Community membership on the grounds
that it could hinder national economic planning were largely academic. Membership
now became more attractive as an opportunity to revamp the Government’s economic
strategy, providing an alternative basis on which to build economic growth. It could
also restore the Government’s flagging fortunes, damaged by the domestic deflationary
measures.

However, the French conditions of British entry to be satisfied before
membership could be contemplated were difficult for Wilson to stomach. Britain’s
world role (in east of Suez defence commitments) was hard to jettison. Likewise, the
parity; and having fought hard to retain it, Wilson seemed unwilling to forego it for the
sake of membership. Nonetheless, the current disequilibrium of Britain’s trade and
payments indicated that both of these might be unsustainable in the long term. The one
remaining potential difficulty was Britain’s relations with the US, but Wilson’s
insistence that the Community was an economic rather than political organisation led
him to view the special relationship and European security arrangements involving the
US, as beyond the scope of the Community’s interests. If discarding these were de
Gaulle’s price for UK entry, he would have to state them clearly, and thereby
demonstrate that it was French rather than British reluctance that prevented Community
enlargement.

PRO PREM13/907, Balogh to Wilson, 4/7/66.
Therefore, the July crisis hastened a reassessment that was already in train before the 1966 General Election. Yet Wilson’s personal vulnerability was an added factor, precipitated by the crisis, in softening his personal reservations about membership. PLP right-wingers were potentially dangerous to Wilson. Already they had concerns about the cost of Britain’s east of Suez role, and during the crisis Brown and Jenkins (if not Callaghan) had been amongst the strongest supporters of devaluation. Their frustrations with Wilson’s failure to satisfy their demands on these matters could easily crystallize into a leadership challenge focused on Brown, Callaghan or Jenkins. Wilson had to reverse his own isolation within the Cabinet and the Party, and limit his rivals’ opportunities for gaining advantage with the disgruntled PLP right-wing. To this end, he reshuffled his Cabinet to create several ‘crown princes’, thereby limiting the potency of any one of the main challengers. Damage to Wilson, not only through the vacuum in Labour’s economic strategy, but also by the plots to his leadership, incurred heavy personal costs. Even if the plots were never likely to amount to a leadership challenge, there is widespread evidence (from the diarists of the period, as well as his biographers) that Wilson believed them to be real. Wilson’s personal diaries of the period (accessed by biographer Ben Pimlott) indicate that the reshuffle was the result of Wilson’s perceived vulnerability after the July crisis rather than specific issues; therefore Wilson’s record of Government, which implies Brown’s appointment as Foreign Secretary signalled that the Government had reached a critical point in European policy, appears to be written with the benefit of hindsight. Brown’s move to the FO was not seen unanimously as a sign that Europe was high on the agenda: Castle, for instance, considered it an indication that Wilson was getting ready to withdraw east of Suez defence commitments. Nonetheless, pressure from Brown is well acknowledged as a forceful factor in the Government’s European policy. When Brown became Foreign Secretary, relieved of the mammoth tasks of national planning

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138 Pimlott, Harold Wilson, p436.  
139 Wilson noted ‘We seemed to be drawing nearer to the point where we would have to take a decision about Europe, and George Brown seemed to me the appropriate leader for the task which might lie ahead’: Wilson, The Labour Government 1964-70, p352.  
and implementing the incomes policy, his opportunities to press for membership at home and abroad increased. Yet if, as Pimlott infers from Wilson’s personal diaries, his appointment was not due to the impending approach to Europe, but to Wilson’s shaky position within the Party, then the Party pressures, only part of which related to Community membership, contributed to accelerating Wilson’s readiness to seek accommodation with the Community.

Given the centrality of the July crisis to the second application for Community membership in the existing literature, it is somewhat surprising that this Party dimension — in terms of Wilson’s motivations — is relatively neglected (and all the more so, considering that accounts of Wilson’s subsequent European policy somersaults between 1970-75 focus on his need to respond to Party pressures). The evidence suggests that Wilson, throughout 1966, gradually became more favourable to membership, his position modified by the difficulties of continuing with current policies of the world role, and with it economic dependency on the US and the level of Party dissent this brought. In addition, his personal fortunes, and those of the Government, demanded that he find an alternative strategy to boost the economy once planning had failed. In April 1966, with his options broadened by a secure majority, Europe had been one of a number of issues requiring careful ‘management’ through the Party. Yet by October, this was reversed, and Community membership, in conjunction with other contentious issues and in the context of PLP dissent, was dictating the methods of Party management that Wilson had to adopt. In order to regain control over the Party, he had to align his personal stance on membership with that of the majority of the PLP, and more particularly, the powerful right-wing pro-Europeans.

There was no single event in the process by which Wilson became personally more favourable to entry, although the July crisis created the conditions to bring the point of decision closer, focusing attention to the inconsistencies in the Government’s current course. However, Wilson approached the issue with pragmatism, and his final decision would ultimately depend on the terms of entry available. Not until the effects

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141 Robins, *The Reluctant Party*, pp 72-73, is one of the few texts to note the significance of Wilson’s Party needs to his European policy in 1966.
of the July crisis, and the deflationary measures to address it, became visible in the
domestic context over the following months did Wilson become fully reconciled to
seeking membership, recognising that this offered a better prospect for reviving the
domestic economy than continued economic dependency on US loans. When he finally
became convinced of the possibilities of membership, the approach became a Prime
Ministerial initiative, and Wilson’s personal promotion of it would prevent Brown from
generating credit with the Party’s pro-Europeans for the bid. Nonetheless, Wilson
remained detached from the reality that a successful application for membership would
imply political changes in Britain’s world role.

A by-product of renewed vigour in European policy was that it split the Cabinet
supporters of devaluation. Wilson had used the prospect of entry to divide the left­
wing, anti-Market, pro-devaluation supporters from the right-wing, pro-Market, pro­
devaluation group. The links between devaluation and Community entry now being
made explicit, Wilson could expect that this might prevent cross-faction pressure for
devaluation gathering again in the future. His concern was to retain personal control
over the situation, and avoid being forced into policies, both on devaluation and
Community membership, he was not yet ready for. Ironically, though, the prospect of
entry made devaluation more likely, yet it was Callaghan’s opinion that Wilson
‘probably’ shared his hope that momentum towards future entry would provide an
immediate boost to the economy from inward investment, enabling structural
improvements to the domestic economy and leading to increased export
competitiveness, to the point where British entry might be possible without a rate
change.142 This was perhaps wishful thinking, but was just one contradiction at the
centre of Wilson’s administration, stemming from his style of Government, based on, in
Benn’s words, ‘short-term tactical dodging’ rather than a long-term strategy or vision
for Britain’s future.143

Having made the decision to step the approach to Europe up a gear, Wilson
needed to proceed cautiously for two reasons. Firstly, the Party still required time to

143 Benn, *Out of the Wilderness*, entry for 18/7/66, p456.
adjust to the idea of British membership. Announcing the Cabinet consideration of European policy just after the Party’s Annual Conference allowed twelve months before he would have to expose the policy to Conference scrutiny. He could use this period to build on the reorientation begun in April 1966, where already the majority of the Parliamentary Party shared a pragmatic view that membership would, on the right terms, be worthwhile. Secondly, from a position of economic weakness following the sterling crisis, Britain would be in a poor negotiating position with the Six. Given the expectation that entry would be preceded by devaluation, raising the prospect of membership when the pound was already weakened would encourage a further loss of confidence. Therefore, the economic situation, whilst on the one hand pushing the Government towards membership, also dictated the pace of the Government’s approach. As Callaghan reportedly reminded Wilson, ‘the shortest distance between two points is often a straight line’. However, by the October 1966 Chequers meeting to consider European policy, Wilson was still taking a somewhat circuitous route towards British entry of the Community. Even so, the exercise to maintain momentum towards entry had transformed into a political enterprise – to apply for British entry to the Community whilst maintaining Labour Party support.

144 Benn, *Out of the Wilderness*, entry for 12/9/66, p472
Chapter 6: October 1966 – March 1967

By October 1966 Wilson had made up his mind to seek British membership of the Community, having come to this decision via the economic and personal trauma of the July 1966 crisis. But convincing himself of the necessity for UK membership was just the first step: selling it to the Six without generating a Labour Party split was another matter, made even more difficult by the culmination of problems befalling the Labour Government, in domestic economic management, external relations, and internal Party disharmony. The success of Wilson’s approach to Europe would depend upon central control of policy-making by Wilson personally. The ‘probe tour’ of the capitals of the Six provided a useful method to fulfil this requirement.

The economic context

The July crisis, and the Government’s response, marked the end of any serious attempt by the Labour Government at national planning. Cabinet members consoled themselves with the knowledge that their deflationary policies were selective rather than arbitrary. Nonetheless, deflation was the Tory method of economic management, and it was with huge disappointment that the Labour Government found itself unable to promote any viable alternative. As well as leaving a void in Labour’s economic policy, the manner of the Government’s response to the July crisis raised doubts about its competency and lack of foresight. Although the expenditure cuts and the wage freeze were effective in averting devaluation in summer 1966, they were unpopular with both unions and employers. Additionally, with no prospect of stimulating growth via Government investment, business confidence declined – without which the prospects for export-led growth were poor. Consequently, the underlying economic weakness causing sterling’s vulnerability was not addressed by the July measures, and another

2 Crossman, The Diaries of a Cabinet Minister: Volume Two, 1966-68, entry for 26/10/66, p93, noted that trade unionists on Labour’s NEC decided to ‘play it rough’ at the first NEC meeting after the Government invoked statutory powers to enforce the wage freeze. W. Grant & D. Marsh, The Confederation of British Industry (London: Hodder & Stoughton, 1997), p109, noted that CBI-Government relations were tense in autumn 1966, due to the statutory wage freeze.
crisis could not be ruled out. Ministers were suitably concerned with the lack of business confidence to consider, as early as October 1966 at Wilson’s new economic steering committee (SEP), reflating the economy; otherwise they could expect further deflation and a rise in unemployment. ⁴ Despite improvements to the balance of trade and payments following the July measures, however, Callaghan and Wilson resisted calls for reflating until a healthier balance was assured. ⁵

The prospects for this were doubtful. Recent balance of trade improvements were partly in anticipation of the end of the import surcharge (scheduled for the end of November), after which manufactured imports would become 15% cheaper, and could be expected to rise. In addition, the standoff between Britain and Rhodesia was reaching a critical phase, with dangerous consequences for Britain’s economic fortunes. To prevent the Commonwealth Prime Ministers’ Conference (in September 1966) ending in disaster, Wilson had agreed a deadline of November for settlement of the Rhodesian crisis, failing which mandatory sanctions (extending beyond oil) would be levied against the illegal regime. But such escalation of tensions would bring the Government into confrontation with Rhodesia’s ally, South Africa, a powerful country by virtue of its gold resources (and, ironically, the one Commonwealth country with which British trade had not declined, against the overall Commonwealth trend in the opposite direction ⁶). Hence the sanctions would prove more harmful to British interests than to Ian Smith’s regime, precipitating a run on the pound. ⁷ With business confidence ebbing away and little sign of an improvement in Britain’s long-term economic and financial circumstances, the Government advanced towards its scheduled examination of European policy.

**The Chequers meeting and the probe tour**

In August 1966, when Brown approached Wilson about the arrangements for the Chequers meeting to review European policy, he suggested (on advice from his

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officials) that it be prefixed with a general discussion on external economic strategy. Cabinet Secretary Burke Trend concurred, briefing the Prime Minister that the Chequers meeting should ‘survey in the widest strategic terms the prospects for our politico-economic position in the world over the next decade or even generation’. It was important to establish whether the UK could afford, economically, to ‘go it alone’ (GITA), maintaining existing involvement with EFTA and the Commonwealth, but without joining any additional grouping; or ‘whether circumstances would compel us to seek the support of some wider international group’. The alternatives to GITA were joining the European Community, or investigating the possibility of a North Atlantic Free Trade Association (NAFTA).

Wilson set the tone for the day-long Chequers meeting (held on October 22nd with ministers joined by officials and advisors for the morning session) by outlining its remit: not to consider the advantages and disadvantages of British membership of the Community – as he pointed out, seeking membership was already the Government’s stated policy – but to be ‘analytical’, to try to determine what would be the minimum acceptable conditions of entry. On ‘the assumption that we needed to be associated with some wider grouping’, alternative alignments should be considered as a fall back position if the minimum conditions could not be satisfied. Thus Wilson succeeded in reiterating the Government’s policy of seeking membership, making it clear there would be no discussion of the principle of entry, only the terms. (This was a tactic he was to repeat on subsequent occasions.) Remaining cautious, however, he reassured the doubters (such as Jay, Crossman and Castle) that there were conditions upon which he would insist, whilst also introducing the assumption that Britain’s national interests demanded participation in a wider grouping.

Nonetheless, ministers were divided, both about what the Government’s priorities were and how to proceed over membership. Whilst doubters urged that the Government should address domestic economic weakness before progressing towards

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8 PRO PREM13/907, Brown to Wilson, 1/8/66.
9 PRO PREM13/908, Trend to Wilson, 21/10/66.
10 PRO CAB130/298, MISC126(66)1st meeting, 22/10/66.
membership, pro-Europeans linked the two issues, arguing that momentum and an expectation of progress had built up, to such an extent that they feared the consequences to business confidence (currently ‘one of the most serious weaknesses in our economy’\textsuperscript{11}) if Government policy did nothing to bring British membership closer. However, anti-Marketeers resented arguments that existing momentum was such that the meeting must result in some positive initiative, and Castle thought this was simply blackmail from Brown, who had forced the Europe debate on ministers in the first place.\textsuperscript{12}

The pro-Marketeers warned that without a positive step towards the Community, there could be repercussions for EFTA, thereby undermining the arguments for GITA. As discussion revealed, current trade relations could not be relied upon to improve, nor even remain static: EFTA could disintegrate under the pressure of its members’ requirements for enlarged markets. Commonwealth interests were diversifying, with the old Commonwealth countries seeking regional trading preferences, and many of the newer countries examining the possibility of Community association. Therefore, the Commonwealth could not, in the long term, sustain Britain’s export needs. Commercial arguments against GITA were boosted by political arguments – if the Government disappointed American hopes for British membership of the Community, Washington might switch from the UK to the Community, or perhaps Germany, as its major European ally, thereby divesting Britain of its special relationship with the US. Although the NAFTA option might prevent such an outcome, this was never really a serious proposition: notwithstanding American domestic opposition to the commercial implications,\textsuperscript{13} the US Government favoured British Community membership for political reasons – to shore up European unity in the face of disruption from de Gaulle.

\textsuperscript{11} PRO CAB134/2705, E(66)\textsuperscript{3rd} meeting, 22/10/66.

\textsuperscript{12} Castle, \textit{The Castle Diaries, 1964-70}, entry for 22/10/66, p178.

\textsuperscript{13} Crossman, \textit{The Diaries of a Cabinet Minister: Volume Two, 1966-68}, entry for 22/10/66, p84.

Moreover, ministers recognised that membership of a NAFTA would place Britain ‘in a position of an unacceptable economic and political subservience’.14

Discussion focussed on the economic implications of Community membership, but without a common view as to what the likely effects would be, either of entry itself, or progress towards entry at some future time. Officials and advisors even disagreed as to whether membership would be in Britain’s long-term interests, but there was consensus that in the short term, entry would have a negative impact on the balance of payments, and could not, therefore, be contemplated until the British economy was strengthened.15 Estimates of when this would be ranged between two and four years,16 and how this would impact on the timetable of consideration of British European policy was disputed, with some participants arguing that economic strength being necessary at the time of entry did not preclude negotiations beginning before that process was complete. There were opposing assessments of how the prospect of British entry would affect the economy in the short term. William Armstrong (Permanent Secretary to the Treasury) caused a stir by arguing that, based on the assumption that the Government sought early entry before a significant improvement in the health of the UK economy, membership could precipitate an outflow of funds, leading to devaluation.17 On the other hand, it was argued that anticipation of continued interest in British membership resulting from this meeting was such that no positive step would cause a loss of confidence with corresponding damage to the reserves.18 Moreover, the prospect of future entry could be expected to attract non-EEC investment into Britain. Concerns were raised regarding the Sterling Area, with opinion divided as to whether this would provide an obstacle to entry, or whether it might be an easier burden to bear if the Six

14 PRO CAB134/2705, E(66)3rd meeting, 22/10/66.
16 PRO CAB130/298, MISC126(66)1st meeting, 22/10/66; Crossman, The Diaries of a Cabinet Minister: Volume Two, 1966-68, entry for 22/10/66, p81.
17 PRO CAB130/298, MISC126(66)1st meeting, 22/10/66; Castle, The Castle Diaries, 1964-70, entry for 22/10/66, p177.
18 PRO CAB130/298, MISC126(66)1st meeting, 22/10/66.
helped shoulder it. If UK membership were to accelerate an international review of world liquidity arrangements, then this strengthened the case for membership.

Castle and Crossman rejected the whole direction of the Chequers debate, which was based on the assumption that the Government’s economic difficulties could not be solved internally, but instead necessitated an external support network. They opposed membership, arguing that Britain’s economic problems arose from maintaining inappropriate world roles. Britain could afford to go it alone if the Government devalued the pound and ended British worldwide defence commitments. It was Crossman’s opinion, however, that his pro-membership colleagues favoured entry as a means to maintain Britain’s world role. Castle suggested that if the Government were serious about membership, then making political concessions to de Gaulle offered the best chance of success. If entry implied an end to the special relationship, and signalled British alignment with French hopes for an East-West détente, then she would be willing to consider it. Yet this was not the majority view amongst ministers present at Chequers.

The role of the Commission and the question of sovereignty were briefly discussed. Although the Treaty enshrined supranational powers, in practice no member states’ important national interests were overruled by majority vote. The Commission’s autonomy was often exaggerated; its powers were not given for ideological reasons (i.e. towards a supranational blueprint) but simply to maintain the Community’s development. It was acknowledged that the Government could not seek to reduce the Commission’s power, but could perhaps expect to find allies in the French in cases of supranational encroachment.

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19 PRO CAB134/2705, E(66)3rd meeting, 22/10/66; Crossman, The Diaries of a Cabinet Minister: Volume Two, 1966-68, entry for 22/10/66, p84.
22 PRO CAB130/298, MISC126(66)1st meeting, 22/10/66.
No serious objections were made to the Community's agricultural policy. Although it would cause a rise in food prices and a burden on the balance of payments, which in turn could increase industrial costs and therefore decrease export competitiveness, such disadvantages would be more than offset by the increase to industrial productivity expected to follow membership. An advantage of entry stemmed from the prospect of technological integration, which would enable European industries to compete with American advanced technology and resist more effectively US penetration in European markets.

Brown informed his colleagues of his opinion that probing of the possibility of British Community membership, on the grounds set out by Wilson after the General Election, revealed that the necessary conditions for British membership could be met. He had not discovered whether de Gaulle would again issue a veto, indications were that he probably would like to, but he was no longer in such a strong position with the other five members. Talks in Washington confirmed that the US Government supported British entry, and that early association with the US in a NAFTA (as an alternative) was not in prospect. Members of the Community now expected talks on British entry to deepen, however further authorisation from Cabinet would be necessary. Brown proposed the Government should proceed by declaring acceptance of the Treaty of Rome; anything less would signal a lack of interest, both to the Europeans and the US. If the Government could accept the Treaty, progress towards discovering how ready the Six were to accommodate British interests could be made, which would then inform a decision on membership. Brown's timescale envisaged that probing would be complete some time after the middle of 1967, so that negotiations (if so decided by Cabinet) could be opened in early 1968, with a view to entry in 1969.

Given the terms of the Chequers debate, if GITA and NAFTA were unfeasible, the approach to the Community was the only alternative remaining. This concurred with official advice, presented to ministers in a paper on the economic implications of membership (by the interdepartmental committee of officials shadowing the ministerial

23 PRO CAB130/298, MISC126(66)1st meeting, 22/10/66.
24 PRO CAB134/2705, E(66)3rd meeting, 22/10/66.
Europe committee): ‘at present … in terms of joining an economic group, membership of the EEC remains the most promising option likely to become open to us’. Whilst recognising the need for a strong UK economy at the time of application, the official committee noted that delay resulted in Community policies developing without taking account of British interests, thus making eventual entry harder. They also noted that the Sterling Area and reserves could be used as an obstacle to British entry (because they could put a burden on the financial resources of the other members), even though nothing in the institutions or Treaty of Rome implied this; however with political will from Britain and the Six this difficulty could be resolved.25 (Yet Brown’s exposition of de Gaulle’s intentions indicated that such political will did not exist amongst all six existing Community member states.)

Summing up the discussion, Wilson made clear that no decisions would be taken at this meeting. He noted that the balance of advantage of Community entry depended on the terms available, and the strength of the UK economy.26 Nonetheless, the Government would be expected to give some indication of its intentions on membership soon. Reviewing the Labour Party’s five conditions, none presented the hurdle it had done in 1962, and the only continuing concern was whether Commonwealth interests could be accommodated via the CAP. The main problems of British entry identified by Wilson were capital movements (the limits on exchange controls), and agriculture, yet ‘adherence to the Treaty would not in itself be a sticking point’. If these vital national interests could be satisfied Britain could accept membership, but the first priority was to strengthen the economy. He regarded, nonetheless, that the general view of ministers was ‘that at this stage it would be imprudent to make a clear cut declaration of our acceptance of the Treaty’,27 as this would produce tactical disadvantages. Firstly, it could weaken the Government’s bargaining position in any subsequent negotiations, suggesting that it had abandoned its fundamental conditions of entry. Secondly, such a

25 PRO CAB134/2705 E(66)9, Note by the Secretaries, ‘Economic Implications of UK Membership of the European Communities, note by the Official Committee on Europe covering the Interim Report of the Sub Committee on the Implications of UK Membership of the European Communities’, 14/10/66.
26 PRO CAB134/2705 E(66)3rd meeting, 22/10/66.
27 PRO CAB134/2705 E(66)3rd meeting, 22/10/66.
declaration might be taken as a signal of an early application for membership, before
economic strength had been regained, and could therefore lead to speculation against
the prospect of sterling devaluation.

With several ministers having dismissed NAFTA and GITa, and the Prime
Minister having dismissed the Labour Party’s conditions of entry, the way was paved
for the approach to Europe to deepen, but for the problem of how to proceed. Wilson
emphasised the Government’s priority to strengthen the economy, but Brown’s proposal
of a declaration of intent held clear dangers for sterling. As an alternative, Wilson
produced a new idea: that he and Brown should tour the capitals of the Six to conduct
bilateral, high level but informal talks with their Governments to learn if acceptable
terms were available to Britain on agriculture and capital movements. This would also
provide an opportunity to discover whether the Six had any conditions of their own, for
instance, on Anglo-US relations. Wilson also proposed further study of NAFTA and
GITA, if only to strengthen the British negotiating position with the Community by
suggesting that Britain had other options (even though many ministers thought them
unfeasible).

Ministerial reaction to the probe tour was mixed, the idea having been sprung on
most of the participants without warning. Although Wilson’s own book records that it
was ‘universally supported’, 28 both Jay and Crossman contradict this. 29 But Wilson
could at least present his proposal as a compromise solution to reconcile the pro- and
anti-Europeans: it would enable momentum towards membership to continue, without
making a full commitment, as Brown’s preference for a statement of intent would
imply. However, Wilson’s tactics were planned in advance with Brown, who, despite
initial suspicion of the idea that both go on the probe, soon saw that a joint tour would
convince the Europeans that the UK was serious in any plan to enter the Community,
and would also enable Wilson to discuss his continuing reservations at the highest

29 Crossman, The Diaries of a Cabinet Minister: Volume Two, 1966-68, entry for 22/10/66, pp84-87; Jay,
Change and Fortune, p366.
Jay was more cynical, convinced that the Prime Minister had devised a ‘stratagem’ that would appear as a middle course, and as such would be difficult for anti-Europeans to oppose. Jay thought the probe was intended to lead on to ‘surrender’: its main purpose was not fact finding, but to ‘allow time for a major reversal of policy not to look too glaring’. Castle shared the suspicion that Wilson was managing the policy through Cabinet to avoid splits.

Closing the meeting, Wilson reiterated that any decisions on the next steps should be taken by full Cabinet, thus he gave notice that he would soon raise the matter of the probe tour, or any other means to discover if acceptable terms were on offer from the Six, with the Cabinet. In addition, the participants authorised Wilson to set in hand further discreet studies of NAFTA and GITA at official level (not wishing knowledge of them to jeopardise Anglo-US relations whilst the Kennedy Round and IMF talks on international liquidity were ongoing). They also gave him sole charge of briefing the press on the day’s events (with a low key statement that policy discussions often take place at Chequers weekend meetings, but decisions are taken by full Cabinet).

Cabinet discussed the next steps on four occasions prior to Wilson’s Commons statement announcing the probe tour on November 10th. Burke Trend observed, in his summary of the Chequers meeting produced for Wilson, that ministerial thinking was divided and ‘not very explicit’. With such a lack of clear political intentions, Wilson and Brown were embarking on what Crossman thought was a gimmicky, ‘half-baked’ scheme. There was no Cabinet unanimity that British interests could best be served by membership, and there was strong resistance to Brown’s desire that the Government should issue a statement of its intention to accept the Treaty of Rome. Cabinet remained divided on how to proceed, but with no alternative plan to reverse the economic decline, opponents of entry could do little to prevent momentum building

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33 PRO PREM13/909, Trend to Wilson, 28/10/66.
towards the probe tour. To bring deliberations to a head, Wilson proposed a six-step plan, including an EFTA Heads of Government conference to consult them on the British approach; a statement in the House of Commons; a speech by himself at the Strasbourg Consultative Assembly of the Council of Europe, outlining the Government’s policy; visits to capitals of the Six by himself and Brown; studies of the alternatives to entry: NAFTA and GITA; and consultation with the Commonwealth. Ultimately, Wilson reserved the Government’s position: no decision had yet been taken on whether to apply for membership or open negotiations. Recognising that postponing a decision was not an alternative, and that the proposals could attract inward investment from Europe and the US in the short term (this was especially important given that the deadline for mandatory sanctions against Rhodesia was fast approaching, and Wilson informed Cabinet of the Bank of England Governor’s opinion that a move towards membership would strengthen sterling), Cabinet approved the Prime Minister’s plan. Some ministers, however, hoped the probe would reveal little more than de Gaulle’s determination to block UK entry. Crossman, by now, had shifted his opinion, seeing in the probe an opportunity to give direction to the demoralised Party, as well as putting in motion the tasks he thought necessary for economic survival – devaluation and withdrawal east of Suez – regardless of the outcome of the approach to Europe.

Cabinet opponents to entry were unable to mount a successful resistance to Wilson’s proposals for a number of reasons: they had accepted that economic strength was the Government’s priority, and that both GITA and NAFTA (which were, in any case, to be studied by officials) were inferior options to the short-term gains of an approach to the Community. Moreover, they believed that the issue of principle had

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39 Pimlott, Harold Wilson, p438.
been deferred: they were not being asked to concede publicly their acceptance of the Treaty of Rome, and nor had they committed themselves to anything more than continued probing. This was an important point in the evolution of the Government’s European policy: even ministers deeply opposed to membership, for instance Douglas Jay, could record no fundamental opposition to the principle of membership, given the Labour Party’s official policy of readiness to accept entry on the right terms. Finally, the sceptics were not natural allies, coming from different wings of the Party; and, largely because they were divided over what alternatives the Government had, they were not in a position to organise effectively to resist the probe.

Given their understanding that momentum had already built up in anticipation of some new approach following the Chequers meeting, however, it was naïve of the anti-Marketeers to expect that the probe would lead to anything other than a greater impetus towards British entry. As Crossman observed, the probe went further than the statement of intent Brown had sought, to propel the Government in this direction. If the Prime Minister became publicly linked with the endeavour, the stakes were raised.41 However, the strategic decisions – on British relations with the US and the Commonwealth, and the role of sterling – were not clearly resolved by the Chequers meeting or the Cabinet discussions afterwards that approved the probe tour. Therefore there was no clear direction about what Community membership would mean for the UK: whether, to quote a FO paper prepared for Wilson, it implied

a realisation on our part that we must abandon dreams of a world role … [or] an effort to strengthen the base from which we exert world influence, so that we can exert that influence more effectively, whether to strengthen the Commonwealth by strengthening its leading member, or to have a better say in the formulation of US policy, or to influence (and contain) Germany, or not to be denied playing a part in an eventual East-West settlement, or to increase our trade overseas.42

42 PRO FO371/188340/M10810/317/G, FO paper ‘Whether membership of the Community would involve us on long-term political and military commitments and whether this should be publicly declared’, no date, sent under cover of O’Neill to Mitchell, 1/6/66.
The FO paper continued: 'Presumably our objectives derive more from the second than the first of these interpretations', in other words, that in recognition of the UK's economic shortcomings, a new base of strength was required to enable the continuation of Britain's world role. As Crossman's personal opinions reveal, this was not agreed amongst ministers, nor was membership clearly presented with these strategic questions in mind. Yet on this shaky basis Cabinet authorised the approach to Europe to step up a gear.43

The probe tour's aims

Given the French objections to membership, the probe was a risky manoeuvre, the success of which, in terms of yielding eventual British entry, was doubtful. Yet even if it did not secure eventual membership, it held a range of alternative domestic attractions for Wilson, which explain his reluctance both to define clearly what he considered membership would entail for Britain's future external relations, and to state unequivocally the extent of the Government's commitment to membership. After the July crisis, with unemployment rising and the pay freeze beginning to bite, Wilson personally and the Government generally needed to tap into issues that were popular with the public. The Gallup monthly polls showed consistently high approval for membership throughout 1966, running at 68% in October.44 Membership was also supported by the other two main political parties, as well as large sections of the press and business opinion. In the event of the probe tour's failure, damage to Wilson would be limited if he appeared to be responding to domestic popular and elite opinion. In addition, by not unequivocally accepting the political implications of entry (in terms of cutting ties with the US and the Commonwealth), Wilson retained for Britain the option of relying on these existing alliances.

The probe tour also offered an opportunity to address the domestic economic problems associated with the Government's deflationary measures in July 1966, by maintaining momentum towards entry, without, however, initiating the application

43 PRO CAB128/41, CC(66)56(3) Europe, 10/11/66.
44 Durant, 'Public Opinion and the EEC', Table 1, p246.
before it was feasible with the Six. Cutting Government investment in July 1966 had caused both a lack of business confidence and rising unemployment, which led to internal Party pressure on the Government to reflate the economy to stem unemployment. Yet early Government reflation would negate the effects of the July measures by leading to wage inflation, thereby decreasing industrial competitiveness. Wilson hoped that, by keeping up momentum towards future membership even though there was no prospect of an early application, business confidence would receive an immediate boost, attracting inward investment, and thus reflate the economy without recourse to Government expenditure, and staving off rising unemployment, and with it a possible drop in growth in real terms.

In order to reap this benefit from the approach to Europe, Wilson had to convince both domestic and international audiences that he was serious about seeking membership. Therefore, he had to demonstrate the evolution in his own position, from his previously hostile stance towards a posture of accepting membership, by linking himself personally with it. The probe would allow a period of time to make this transition, overcoming what Uwe Kitzinger has termed a ‘credibility gap’ in Wilson’s newfound desire for membership.

The tour also offered the possibility of restoring Wilson’s relations with his powerful rivals from the right of the Party, and their increasingly vocal supporters in the PLP, in the wake of the July 1966 crisis. If he could satisfy their pro-European ambitions via the approach to Europe, he might be able to dilute support amongst the PLP for a leadership challenge, and contain the right-wing discontent brewing within the PLP over the previous months. Moreover, he had to seize back the initiative from Brown, who was well recognised as the Cabinet’s most powerful advocate of UK membership. As Crossman noted, unless Wilson personally took charge of the

45 It was widely recognised that the UK economy could not withstand entry in its present poor state of health, so membership could not be realised for several years (or at least not before 1969). An early application would alarm the Six because they would be wary that the Government was simply seeking an easy way of funding the sterling balances.
47 Kitzinger, The Second Try, p16.
approach, it would look like Brown was in control, that the latter’s personal preference for membership was directing the Cabinet.\footnote{Crossman, The Diaries of a Cabinet Minister: Volume Two, 1966-68, entry for 7/11/66, pp113-114.} Wilson began this process at the Chequers meeting, injecting his own idea for the probe tour into the proceedings, which had not emanated from his advisors,\footnote{Trend’s brief for Wilson for the Chequers meeting contained no reference to the possibility of a probe tour, either by Wilson or anyone else. Trend did, however, suggest that the terms the Government would be willing to accept required further study: PRO PREM13/908, Trend to Wilson, 21/10/66.} and was viewed with suspicion amongst FO and DEA officials.\footnote{Crossman, The Diaries of a Cabinet Minister: Volume Two, 1966-68, entry for 3/11/66, p106.} Furthermore, Wilson reserved for himself the information and press briefing coordination that followed the Chequers debate. The probe tour, then, was a very public demonstration of Wilson taking control over European policy, linking himself personally to it and limiting Brown’s opportunities for benefiting from a successful application.

However, Wilson was also anxious to avoid a damaging Party row over membership. To this end he steered away from a public acceptance of the Rome Treaty that would have the immediate effect of signalling to the Party’s sceptics the significant shift in Government policy. By refusing to make explicit the substance of the Chequers meeting, i.e. that the Government was, in fact, able to accept the Treaty, subject only to the adjustments necessary upon accession of a new member, Wilson could reassure Labour anti-Europeans that his position was still fluid. This allowed them to harbour the illusion that he and Brown could return from the capitals of the Six and inform Parliament that there was indeed no basis for UK entry, given the Labour Party conditions (as a \textit{Tribune} editorial in March 1967 urged.\footnote{Editorial, ‘Common Market: The End of the Beginning?’, \textit{Tribune}, 10/3/67, p3.}) Indeed, with careful Party management of the issue to limit the impact of the anti-Marketeers, the divisions would be, in some respects, a resource to Wilson in his discussions on the probe tour: he could point to the personal and political domestic risks he was taking with the probe tour, in order to convince the Europeans of his sincerity.\footnote{Previously, Wilson had noted the advantage of widespread hostility to continued east of Suez commitments, which he could exploit in talks with the US to extract the highest possible price from the}
The probe tour also enabled Wilson to maintain a distinction between Labour and Conservative European policies – a very important factor in retaining Labour support for the approach. In contrast to Heath’s unconditional readiness for membership, Wilson retained some reservations. Although welcoming the prospect of entry, the probe was to be a two-way exchange, offering an opportunity to test the Six’s willingness to meet the Government’s conditions and discover if the Community was really one that would serve British interests. By seeking to protect and promote British and Commonwealth interests in discussions with the Six, Wilson could also maintain the persona of patriot. Heath, on the other hand, was painted as disloyal to British and Commonwealth interests, ready to sell them out for the sake of Conservative business advantages.

Presenting the Government’s new approach to Europe

The Cabinet authorised the probe tour for largely economic reasons, yet Wilson required a means to present his case for membership which reconciled his previous opposition to the Macmillan application and negotiations in 1961-63, and his recent hostility to Heath’s unconditional entry stance. Technology would provide the theme. Wilson’s speech to the Labour Party Conference in 1963, promising that a Labour Government would create a new Britain ‘forged in the white heat of a technological revolution’, could hardly have been said to obtain in November 1966, with continued economic decline placing doubts on the Government’s commitment to technological advance, for instance in the Concorde and ELDO projects. However, ministers had, at the Chequers meeting, noted the possibility that membership could make large-scale technological development possible by pooling resources and research and development Americans in return for taking a hard line against the wishes of his Party (Crossman, The Diaries of a Cabinet Minister: Volume One, 1964-66, entry for 19/10/65, p354). Even though Wilson’s preference was to maintain defence commitments, the presence of domestic pressure (from both main parties) for an opposite stance, strengthened his bargaining position. However, it is less likely that the same would hold true in terms of Community membership, as domestic opposition was likely to be a bargaining tool only when the other party (in this case the Community) was anxious to settle, and it could not be said that this prevailed amongst all the Six in 1966-67.

Foot, The Politics of Harold Wilson, p152.
costs. Wilson seized upon this potential advantage in his attempt to repackage the approach to Europe: not the result of dwindling economic options open to Britain, but as a new opportunity to give substance to European unity. This idea offered fourfold advantage. Firstly, Labour’s modernisation programme was built on the twin pillars of industrial efficiency and technological advance. The first of these was largely bankrupt after two years in Office, however the possibilities for technology had recently been invigorated when Tony Benn took over as Minister for Technology. Benn’s critique of British industrial decline was based on the understanding that Britain’s technological world lead of the eighteenth century had been squandered in the nineteenth century in maintaining a world empire. He suggested that Britain needed to reclaim its technological lead by rejecting empire and adjusting society to the needs of the modern age. This specific denunciation of nineteenth century imperial ideals was therefore consistent with the 1964 Labour Manifesto’s criticism of Conservative European policy, as harking back to outdated principles and practices. Moreover, it offered a distinct difference between Labour and Conservative European policies: Labour could claim that the Conservatives eschewed modernisation, preferring a nineteenth century laissez-faire doctrine, whereas Labour hoped to adapt technological advances to provide the basis for its social redistribution agenda.

Secondly, Europeans acknowledged Britain’s position at the forefront of several technologies, including computers, aircraft and nuclear reactors. This was one area where British membership offered tangible benefits to the existing members (who were already interested in pooling scientific resources on a Europe-wide basis). The

54 Benn, Out of the Wilderness, entry for 27/7/66, pp461-462.
55 Benn, Out of the Wilderness, speech to the Institution of Mechanical Engineers, 17/11/66, p553.
56 Let’s Go with Labour for the New Britain, p258.
57 Nonetheless, research on electoral addresses by candidates in the 1966 General Election reveals that it was ‘mainly the Conservatives who emphasised the opportunities for advancing modern technology and research which participation in Europe could offer Britain’: Federal Trust for Education and Research, Attitudes to European Unity and World Institutions in the 1966 General Election – A Summary of Election Addresses (London, Federal Trust, 1967), p16.
58 HC Debs, Vol. 736, Col. 547, 16/11/66.
Government could overcome suspicions that its interest in membership was motivated solely by economic weakness, by offering a valuable technological dowry to the Community, which would therefore strengthen its bargaining position.

Thirdly, a 'technological community' that would augment European power and reverse the trend towards (as Wilson put it) 'industrial helotry', had specific resonance with de Gaulle's concerns about technological subservience to the US. The extent of US penetration in European technological fields was illustrated at this time, when a prominent French computer company sold out to an American firm, following financial and technological difficulties. Wilson shared de Gaulle's problems: a similar fate had befallen the British Rootes motor manufacturer. Stressing the gains of European collaboration was a way of wooing the General with the promise that only British participation would enable Europe to compete in technology with the US.

Finally, science and technology was a 'neutral' theme the Labour Party had rallied to in 1963, following a period of intense internal strife. In the wake of the July 1966 crisis, Castle suggested that the Government ought to promote its technological agenda, which offered a policy distinct from the Conservatives. Linking the Government's approach to Europe in November 1966 with modernisation and technological advance (with all the earlier promises of it, in terms of its utility to the pursuit of socialist goals) might once again reconnect the Party, reviving its domestic goals of industrial innovation. Failing this, it might at least prevent the European issue from melding with other topics currently igniting Party discord, as well as isolating Party anti-Europeans by forcing them into a posture of opposition to modernisation.

61 Broad, Labour's European Dilemmas, p63.
62 Benn, Out of the Wilderness, entry for 17/1/67, p486.
64 Castle, The Castle Diaries, 1964-70, entry for 24/7/66, p152.
66 Newman, Socialism and European Unity, p207.
Nonetheless, the technology theme was largely a presentational device for the purpose of the Government’s new European initiative. It had not formed the basis of the Cabinet’s deliberations before approving the probe tour, nor did it feature in Wilson’s announcement to the House of Commons. Only some four days after this, when Wilson developed his ideas for the probe in a speech at the Guildhall did he publicly propose ‘to create a new technological community’ to enable European technology to compete globally, considering that ‘nothing … would make a greater reality of the whole European concept’, to which ‘no one has more to contribute than Britain’.67

The House of Commons announcement

When the probe tour was announced by the Prime Minister in the Commons, his statement contained a cautious tone reminiscent of Macmillan’s application in 1961. Wilson proposed discussions ‘for the purpose of establishing whether it appears likely that essential British and Commonwealth interests could be safeguarded if Britain were to accept the Treaty of Rome and join [the] EEC’.68 Wilson went as far as to say that the Treaty itself was not an impediment, providing British interests were satisfied through ‘adaptations of the arrangements made under the Treaty or in any other acceptable manner’.69 As a measure of the Labour Government’s sincerity, Wilson assured his audience that the Government approached these discussions ‘with the clear intention and determination to enter EEC. … We mean business’; and (with an eye on the headlines) he said that he would start ‘at a hell of a pace’.70

The fractured motives of Cabinet members were smoothed over, and the statement strengthened with these phrases.71 Meaning business had both literal and symbolic importance. In order to make the gains to business confidence (not forgetting

68 HC Debs, Vol. 735, Col. 1540, 10/11/66.
69 HC Debs, Vol. 735, Col. 1546, 10/11/66.
70 HC Debs, Vol. 735, Cols. 1540 and 1548, 10/11/66.
71 Jay considered that it exceeded the spirit of ministerial opinion at the Chequers meeting: Jay, Change and Fortune, p367.
this was one of the prime objectives for the probe, and the single one uniting all Cabinet members) the probe tour had to be taken seriously at home and abroad. So, in fact the Prime Minister did mean business: business investment. Symbolically, his own and the Foreign Secretary’s participation in the tour demonstrated the Government’s serious intent. The Prime Minister’s involvement implied to the domestic audience that there were reliable signals that the probe would achieve success, for why else would Wilson, knowing de Gaulle’s objections, become so personally involved in a project whose outcome was likely to be failure? That diplomatic advice continued to indicate otherwise, suggests that Wilson considered his presence would lend the necessary authority to the probe, in order to achieve the domestic objectives he invested in it. Moreover, it was Brown’s opinion (expressed at the Chequers meeting), that de Gaulle might not be able to oppose a well-executed British bid for membership: momentum created by the probe might therefore override de Gaulle’s objections, steamrolling Britain into the Community. This would benefit from timely circumstances in France – domestic elections in March 1967 demanded de Gaulle pay attention to French public opinion – which (in line with elite opinion within much of the Six favouring UK entry) largely considered UK membership to benefit French interests. If Wilson could

72 Wilson’s emphasis was not lost on the President of the Commission, Walter Hallstein, who later disputed that the Community was a business arrangement, drawing attention to its political purpose, and the political (as opposed to purely economic) future he foresaw for it: PRO PREM13/1476, Hallstein to Jebb, 24/1/67. See also Shinwell’s letter to The Times, 18/1/67, in Kitzinger, The Second Try, p135.

73 Both Conservative (Duncan Sandys) and Labour (William Hamilton) MPs made this point in the Commons: HC Debs, Vol. 736, cols. 486-487, 501, 16/11/67. After de Gaulle’s velvet veto, in May 1967, Conservative Selwyn Lloyd expressed surprise that Wilson had not received such assurances before submitting an application: PRO PREM13/1483, Snelling to Bowden, sent under cover of Mackilligan to Palliser, 15/6/67.

74 PRO PREM13/897, Wright to Palliser, 18/10/66, and Palliser to Wright, 21/10/66.


76 PRO PREM13/1475, James to Campbell, 19/1/67. (However, the British Ambassador to Paris, Patrick Reilly, considered there would be no widespread pressure on de Gaulle in the forthcoming elections over British accession to the Community: PRO PREM13/1475, Paris to FO Tel. No. 64, 18/1/67.)
demonstrate to European public opinion his determination for entry, this could exert added pressure on the Governments of the Six.

Offering the Opposition a future debate on the approach to Europe, discussion on this occasion was limited to a few initial responses from all sides of the House. Wilson's announcement was generally welcomed, and Shinwell provided a lone voice of objection, concerned about the implications of 'this perilous adventure' for British Parliamentary sovereignty. But the lack of controversy in the House may have been the result of surprise. For once, the famously leaky Cabinet remained tight-lipped, and the announcement produced, according to Crossman, a 'flabbergasted atmosphere on the Labour back benches'.

The Party response

The decision to initiate the probe tour was taken by Cabinet without direct reference to the Party. Notwithstanding Wilson's refusal to state publicly his acceptance of the Treaty of Rome, the momentum towards entry generated by the probe signalled that the Government was likely to proceed towards an application. Wilson had previously received advice that Community membership, although unpopular with a large minority of the PLP, could, with careful control, be contained. Having taken the substantive decision towards entry, then, Wilson now had to 'manage' the issue within the Party to minimise dissent. Packaging the issue in terms designed with some specific Party appeal was one aspect of this strategy. In addition, he continued to maintain, at least to his Party audience, a measure of ambiguity about his personal position on Community membership. Finally, he gave promises for Party consultation prior to the Government making its final decision on membership. Nonetheless, he did not concede a policy-making role, either to the PLP, the NEC, or the trade unions; and (with ten months before the next Party Conference) the wider Party had limited opportunities to influence the European debate directly.

At the first PLP meeting following his Commons announcement of the new European policy initiative, Wilson assured Labour MPs that no decision of principle had yet been taken, furthermore no final decision would be taken without their consultation.\textsuperscript{79} He minimised dispute by calling for Party meetings to discuss Community membership, and this went down well with the anti-Marketeers, who now foresaw some benefit in the new liberalised regime of Party management introduced by Crossman and the new Chief Whip John Silkin.\textsuperscript{80} It seemed as if the leadership really was interested in the Party’s opinion on Europe, but the ‘consultation’ Wilson referred to did not necessarily concede any sort of policy-making role (as the PLP would find out in May 1967). Nonetheless, it was generally acknowledged by the pro- and anti-Marketeers that a clash was on the horizon. Shinwell even went so far as to offer his resignation as PLP Chairman to avoid any embarrassment to the Government from his well-known opinions; and this was really a warning that he did not intend to fall into line with the new policy. Whilst Crossman hoped he could be ‘levered out’ of the Chairmanship (over his opposition to the liberal regime),\textsuperscript{81} Europe should not be the issue: it would make him the Party’s first Common Market martyr.

Brown addressed the next PLP meeting on November 15\textsuperscript{th} (described by Castle as ‘remarkably amicable – almost passive’\textsuperscript{82}), restating the Government’s position: the Party had never been opposed to the principle of entry. The conditions as specified by Gaitskell in 1962 still applied, but the obstacles to their fulfilment were now much reduced. He also suggested that a Community enlarged to include the UK and other EFTA countries would be quite different, as the internal balance would change.\textsuperscript{83} This was an indication of Brown’s personal conviction that Britain could lead an enlarged Community – the ‘Friendly Five’ would prefer British to French domination, and the EFTA countries were natural allies, sharing a commonality of interests and experience through the EFTA link. This took a different focus than Brown’s speech to the Party

\textsuperscript{79} LHA PLP minutes, 11/10/66.
\textsuperscript{82} Castle, The Castle Diaries, 1964-70, entry for 15/11/66, p186.
\textsuperscript{83} LHA PLP minutes, 15/11/66.
Conference six weeks previously, as well as the Cabinet level talks that had acknowledged the economic necessity for action. On the whole Brown took a defensive stance at this PLP meeting, relating the five conditions of 1962 to circumstances as they now existed in 1966, rather than stating a positive case for entry. As Michael Newman points out, the Government had 'taken a major step towards the adoption of the economic assumptions of non-socialist pro-Marketeers': since planning had been abandoned as the best method to produce economic growth, it was now replaced by Conservative arguments for entry, including free trade and private investment opportunities of a larger market, and exposure to competition to promote industrial efficiency. Yet this was not admitted by Brown at the PLP meeting, after which Crossman was reassured that Europe was not going to divide the PLP, many of whom took a pragmatic attitude that the approach was inevitable, and therefore wanted to ensure the best terms for entry.

Concluding the meeting, the Chairman (Shinwell) announced three Party meetings on Europe proposed by the Liaison Committee (the officers of the Party), on domestic economic consequences, defence implications, and food and agriculture. He also recommended that the PLP’s subject groups (e.g. agriculture, defence, etc.) should study specific aspects of Community membership in accordance with their remits, and that information on every aspect of membership should be made available.

The first of these PLP meetings – on defence implications of membership – was scheduled for December 7th, but in the event it was displaced in favour of a Party discussion on Rhodesia. However, Wilson did address the PLP on this occasion, in relation to the scheduled EFTA Heads of Government meeting that had taken place in London two days earlier, when the Government had consulted its EFTA partners over the new European initiative. He informed the PLP of their general welcome to the probe, but made no mention of the reservations expressed by the Portuguese, Swiss, Austrian and Finnish delegates, which the Cabinet discussion of the EFTA meeting the

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86 LHA PLP minutes, 7/12/66.
previous day had acknowledged. Thus Wilson made attempts to minimise to the PLP the difficulties presented by membership now that he had committed himself to the project.

The PLP’s timetable for meetings was fairly tight in this period before the Christmas break – so the options for reorganising the cancelled meeting (and scheduling the other two) were limited. When the Liaison Committee met again after Christmas – on January 18th – they agreed arrangements should be set in motion to reorganise the postponed meeting, but at the PLP meeting the following day, Brown said that he and Wilson favoured reporting to the PLP after the probe visits – by now underway – were completed. As a consequence, the PLP’s influence on Government was marginalised, with discussions routed to the subject groups in November when the initial interest was aroused. Thus debate was compartmentalised, and the various aspects of membership were discussed in small groups with limited remits. The principle of membership was not broached, and nor was there any attempt to define the approach as a new and positive endeavour when Brown addressed the PLP (confirming that the technological theme of the approach to Europe was both a prime ministerial initiative, and a presentational tool). Limiting debate in the Party before the probe started allowed Wilson and Brown room for manoeuvre: they were not bound by any specific objectives by the Party beforehand. Once the probe tour was underway, Brown and Wilson could keep Europe off the PLP’s agenda with some legitimacy – reporting back in between each visit might weaken their position in talks in the capitals of the Six. Consequently, the PLP was sidelined and the Liaison Committee overruled in the Government’s considerations, until the visits to the Six were completed.

The PLP’s attempts to engage in a Party debate on membership having been stymied, PLP members sought other avenues to focus attention on the issue. Such tactics were largely deployed by the Party’s opponents of entry: the pro-Europeans had little to complain about when the Government was already pursuing their cause.

87 PRO CAB 128/41, CC(66)64(2) Meeting of FIN/EFTA Heads of Government, 6/12/66.
88 LHA Liaison Committee minutes, 18/1/67.
89 LHA PLP minutes, 19/1/67.
Frustration with the arrangements for PLP discussion of entry led some Labour MPs to use the German offset arrangements as a way to force debate round to the probe tour and Community membership. The Government was pledged to reduce the BAOR when the German Government refused to fully compensate Britain for the exchange costs incurred. In December 1966, however, ministers agreed to delay reduction of the BAOR after the US intervened by compensating the UK Exchequer with agreement to purchases from Britain to the value of £12million. According to Michael Foot, the Government’s broken pledge on reducing overseas defence commitments, ‘unduly influenced by pressures from the US’, would create ‘an explosive situation in the Party’. Consequently, a PLP meeting to discuss the matter was demanded. When granted the meeting in January, when the probe tour had already started, Members used the offset topic as an opportunity to air their views on European policy: whilst some saw the necessity for German support to the British approach and therefore took a pragmatic view over offset, others resented both US influence in Anglo-German relations, and also the sacrifices Government would make for the sake of the approach to Europe. This was a hint of the acrimony to come over any reference to European policy whilst the PLP was denied a dedicated opportunity to debate it.

The following day saw another example of this, with a PLP row between Shinwell and George Brown, over the latter’s intention to address a pro-entry rally at the Albert Hall. Shinwell challenged Brown’s authority to speak for the Government on a cross-party platform, and suggested that the matter be referred to the Prime Minister. This incited Brown, and an angry exchange between the two followed. (Some disorder arose in the meeting, with one MP intervening to draw attention to the fact that the row could be heard outside the meeting.) Crossman became concerned that this dispute, essentially over the procedure for representing Government views in public

90 LHA PLP minutes, 14/12/66.
91 LHA PLP minutes, 25/1/67.
92 LHA PLP minutes, 26/1/67.
93 Shinwell had previously raised the subject of cross-party pro-European alliances in the Labour Party’s Liaison Committee. On that occasion his concerns were overruled. On this occasion, in January 1967, he engineered the Party row to demonstrate objection to the Government’s European policy.
forums, was being transformed into a political row on Community membership representing staunchly opposed opinions within the Party. This could entangle the Prime Minister, forcing him to side with either Brown or Shinwell on the policy issue rather than the procedural matter.\(^{94}\) (This was in the context of Shinwell’s recent letter to *The Times*, voicing his public rejection of supranational European institutions, following recent public reference to the political price of entry by the Commission’s president, Walter Hallstein.\(^{95}\) Wilson was anxious to let the Party row blow over,\(^{96}\) not least because he was already engaged on the probe, and did not want to be drawn into a controversy that might compromise his position in the capitals of the Six, or the ambiguity he was careful to cultivate with the Party.

Another example of frustration within the PLP at the lack of Party debate on membership was visible in the form of select committees. After the 1966 election, Wilson wanted to set up new select committees to keep the enlarged PLP occupied, and to extend Parliamentary scrutiny. Now finally being implemented by Crossman (as Leader of the House), the two new committees – on agriculture and science and technology – both chose Community membership as their first subject.\(^{97}\)

Concern was not, however, limited to backbench MPs. Wilson and Brown’s attempt to convince the German Government of the importance to the Community of UK membership was embarrassed by reports of Douglas Jay’s speech to the PLP Economic Affairs and Finance subject group. Jay’s reservations on UK entry were no secret, but when he voiced his concerns over the rise in cost of living and the loss of


\(^{97}\) Wallace, ‘The Domestic Policy-Making Implications of the Labour Government’s Application for Membership of the European Economic Community, 1964-70’, p290. The number of anti-entry Labour MPs on the Agriculture Select Committee was of some concern to the Prime Minister, and he requested information about the opinions held by its Labour members. Chief Whip John Silkin reported that four of the nine Labour members (on the sixteen-strong committee) opposed membership: PRO PREM13/1478, Brown to Chief Whip, 3/3/67.
Commonwealth preference implied by membership,⁹⁸ it was taken by the press as a signal that he did not concur with the Government’s policy of seeking entry. Jay’s account of the episode suggests that he was put on the spot by the group when asked to talk about UK entry, with only rough notes to speak from.⁹⁹ He considered that his comments were blown out of proportion because they were made at the same time Wilson and Brown were on the Bonn leg of the probe tour. However, Crossman recounted a different set of events, given to him by the group’s pro-European Chairman, Joel Barnett: that Jay invited himself to the meeting, and spoke from notes prepared for press release.¹⁰⁰

If the PLP and individual ministers found ways to circumvent the lack of Party debate, MPs were at least more effective than Transport House and the NEC in airing their views. At the NEC meeting following the announcement of the probe tour, Wilson outlined the Government’s views on British entry, and replied to points raised in discussion by his NEC comrades.¹⁰¹ Yet NEC members (at least those who were outside Government) were powerless to participate in policy-making, and had instead to content themselves with oral reports from Government members. Transport House’s Research Department had begun examination of the issue of UK membership by July 1966, but was hamstrung by the overwhelming case for joint work with the Overseas Department, which also had an obvious concern for the policy.¹⁰² Yet cumbersome bureaucracy within the Party’s headquarters prevented the two departments working together more closely on European policy outside of a formally arranged committee. By November 1966, a Research Department paper noted that although the Party’s policy committee had not considered Europe, ‘few would deny that the Party has substantially changed its

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⁹⁸ PLP Office House of Commons, PLP Economic Affairs and Finance Group minutes, 15/2/67.
⁹⁹ Jay, Change and Fortune, pp377-378.
position'. After announcement of the probe, the NEC and its sub-committees could do little more than monitor public opinion on British entry, identifying that it was fickle, and likely to become sensitive to changes in the UK-Commonwealth relationship, food costs and free movement of labour. In other words, the NEC committees could only provide background information to assist in the Government’s presentation of policy.

Trade unions fared a little better in consultations with the Government over European policy, not least because their support was vital to make a success of the industrial expansion expected to flow from membership. An ‘Industrial Consultative Committee’ was set up, chaired by Michael Stewart at the DEA, and consisting of representatives from trade unions and business. However, this committee also served other purposes. In the August reshuffle, Brown and Stewart switched jobs, yet responsibility for European policy, which had previously been assigned to the DEA, was now attached personally to Brown, rather than functionally to the department. Having been given Whitehall lead under Brown, the DEA under Stewart was now sidelined. The Industrial Consultative Committee provided a way of, in Wilson’s words, ‘integrating’ the DEA and Stewart into the approach to Europe. Moreover, it would appease the CBI, which had recently criticised the Government for its lack of consultation with business. As Wilson made clear in his private note to Brown, the committee was really a publicity exercise, to ‘identify industry more closely with us’; it did not, therefore, have a policy-making remit. In the event, the Committee met on only a few occasions, and had little impact. The TUC Report in 1967 recognised that ‘it was from the outset evident … that a body representing so wide and heterogeneous a


range of interests would operate in far too general a way’. Consequently, it achieved little more than its presentational aims, and when the decision point on membership was reached in April 1967, the TUC sought other channels for attaining Government information on which to base their attitude to UK membership.

Thus at several levels within the Party beyond Government, what limited opportunities for debating European policy as did exist, did not imply a policy-making role. Although Wilson had managed to keep a lid on full Party debate during the probe tour, strength of feeling amongst the anti-Marketeers indicated that it would be necessary to allow an open PLP debate, to demonstrate that membership was well-supported within the Party, and that the anti-Market position was a minority view, at odds with the Party’s official position of readiness to enter.

Within the left press, the probe tour generated great interest. From the announcement of the probe, to its conclusion some four months later, the Government’s European policy featured in no less than nine editorial articles in Tribune (out of 18 editions published between 11/11/66 and 10/3/67 inclusive). On five occasions this took prominence on the front cover of the weekly journal. Nonetheless, Tribune was impotent, in this crucial period, to pressurise the Government. On January 27th (roughly coinciding with the probe tour reaching Paris), and again the following week, editorials noted that Wilson had shifted the Party’s policy of supporting entry subject to the five conditions; Tribune considered he must now convince the Party of his reasons for this, with MPs calling him to account. However, as the NEC had recently acknowledged, a Labour Prime Minister was able to interpret policy, even if it went against the spirit of Labour Party Conference decisions. Tribune had no effective leverage over Wilson in order to make him accountable on the Party’s five conditions, except by influencing its readers – activists and MPs – to apply pressure on the Government. Tribune, like the left-wing anti-Marketeers, could not switch support to an alternative candidate for Prime

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110 Paul Foot estimated Tribune readership to be 50,000: Foot, The Politics of Harold Wilson, p310.
Minister, as the other candidates – Brown, Callaghan and Jenkins – were unsympathetic to *Tribune*’s left-wing philosophy, and anyway all in favour of entry. *Tribune* could continue criticising from the margins, without much real impact on Wilson or his European policy. Hence, no effort was made by Wilson to reach out specifically to left-wing anti-Marketeers to answer their fears on entry, in contrast to his interview for *Le Monde* ahead of the Paris visit,\(^{111}\) indicating where Wilson thought the real battle for UK membership lay.

*Socialist Commentary* – described by Roy Jenkins as ‘a good internationalist social democratic periodical which provided a beacon of light within the Labour Party’\(^ {112}\) – represented the shades of pro-European opinion held on the revisionist right of the Labour Party, and even extended to the case for membership made by conventionally left-wing pro-Europeans like Eric Heffer.\(^ {113}\) (This reflected a current view, expressed in *Socialist Commentary*, that because of greater pragmatism within the Party, the old left/right divisions had begun to disappear.\(^ {114}\)) Consequently, no voice was given to anti-entry arguments from right-wingers in the Labour Party. *Socialist Commentary* contributors did not share a common underlying reason for supporting membership, with differences of opinion over the impact of membership on Britain’s relations with the Commonwealth and the US. Yet the journal’s editorial policy supported entry, provided national interests could be safeguarded,\(^ {115}\) therefore *Socialist Commentary* bolstered Wilson’s own position on entry.

**The probe tour**

The Chequers and Cabinet meetings authorising the probe tour acknowledged the poor prospects for resolving Britain’s economic weakness on a national basis; this

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\(^{112}\) Jenkins, *A Life at the Centre*, p197.


\(^{114}\) Candidus, ‘Ministers and Backbenchers’, *Socialist Commentary*, December 1966, pp12-13. (Brian Walden, a new, young MP, considered that ideological alignments within the Party were giving way to division along age lines: King, *The Cecil King Diary 1965-1970*, entry for 10/3/67, pp117-118.)

did not make for a strong bargaining position in Britain’s approach to the Six. The Cabinet’s primary concerns were limited to the available terms for agriculture and capital movements. The outcome of the probe tour would inform the Government’s decision on entry by revealing whether the Community was prepared to accommodate British interests on these matters. In addition, it would provide an opportunity to discover whether de Gaulle’s political veto on British membership still stood. It was widely recognised, therefore, that the Paris visit was the key testing ground for the eventual chances for a successful British application. The Labour Party’s position had always been that the advantages of entry hinged on the available terms, but as Helen Parr notes, the Cabinet had not, by the time the probe started in January 1967, been given the opportunity to agree exactly how far Wilson and Brown could go in concessions to the Six on these vital national interests. Nor had they taken steps to resolve the contradictions of Britain’s relations with the Commonwealth and the US. However, once the probe got underway and momentum developed, Brown and, ultimately, Wilson, were left as arbiters of British national interests (notwithstanding concern from at least one Cabinet member about this state of affairs).

The probe tour started with what Wilson regarded as a ‘successful’ visit to Rome. The Italians considered British plans for technological integration to be ‘a strong new argument, not recognised five years ago’, in favour of UK entry. (Yet, as John Young notes, this was an idea the Italians themselves had recently floated within the NATO framework.) Success at the next stop, Paris, would not be so easily assured.

As Parr notes, Wilson and Brown were pressed by FO-dominated advice to minimise the significance of the conditions the Government would insist upon in any

119 PRO PREM13/1475, FO to Bonn, Tel. No. 184, 17/1/67.
negotiation for UK membership.\textsuperscript{121} This was informed by the assessment that although de Gaulle would not welcome British membership, he would be unwilling to issue another veto, and would therefore raise obstacles to British membership to prevent a second British application.\textsuperscript{122} (This concurred with Wilson’s own opinion, expressed before the Chequers meeting, when he noted ‘Why let the French go on expressing a veto all the way?’\textsuperscript{123}) In preparation for the Paris visit, Palliser advised Wilson to engage de Gaulle on the wider political benefits of integration, rather than the terms of entry that were merely technicalities of membership.\textsuperscript{124} Wilson should demonstrate how Britain was indispensable to the Community in terms of the future political strength de Gaulle hoped to realise for Europe. British participation economically and technologically was necessary in order to develop this strong European power base, without which de Gaulle would be consigning the continent to ‘a permanently declining world status, as compared with the current (US and USSR) and the future (China and \textit{Japan [sic]} giants of the world’. Although Wilson was undoubtedly swayed by this advice (his handwritten comments develop Palliser’s themes on the political stability that would be offered to Europe by British membership\textsuperscript{125}), it could hardly be reconciled with the role Wilson still harboured for Britain in terms of links with the US: in NATO, nuclear and worldwide defence commitments, and international monetary affairs. Despite both Wilson and de Gaulle sharing similar views on supranationality, it would be difficult to envisage the future European political role outlined by Palliser without a level of political integration, in defence and foreign policies, that exceeded Wilson’s reassurances to the Commons that ‘we have [n]ever contemplated …a supranational authority dealing with politics, foreign affairs or defence’.\textsuperscript{126} Nor did it reflect the largely economic reasons motivating Cabinet members to authorise the approach to

\textsuperscript{121} Parr, ‘Gone Native: The Foreign Office and Harold Wilson’s Policy Towards the EEC, 1964-67’, p83.
\textsuperscript{122} PRO PREM13/897, Palliser to Wright, 21/10/66.
\textsuperscript{123} PRO PREM13/908, Wilson’s handwritten note on Fenn to Palliser, 13/10/66.
\textsuperscript{126} HC Debs, Vol. 736, Col. 1547, 17/11/66.
Europe. It would seem that, having being given virtual free rein by the Cabinet, Wilson was himself unclear about the lengths to which he would go to court de Gaulle.

Nonetheless, Wilson stressed the political and technological aspects of European integration at his keynote speech of the probe, on the eve of his and Brown's Paris visit. He noted that England's historical roots lay with European settlers, and that British Community membership would give substance to European ideals.127 Moreover, although confirming British loyalty to the Atlantic Alliance, he warned of subservience to the US unless Europeans grasped the opportunity of technological integration.128

However, Wilson was on shaky ground hoping to persuade the General of the wisdom of British membership on the basis of a 'European Technological Community', notwithstanding his deployment of the theme for presentational purposes. The Government's commitment to European projects was undermined by economic constraints, and recent attempts to disengage from ELDO and limit the costs of Concorde (in talks with Pompidou and Couve in July 1966), hardly set a favourable tone. In addition, these projects themselves demonstrated that collaboration was perfectly possible through bilateral and multilateral agreements, without necessity for a European Technological Community. Moreover, as Heath pointed out in the Commons, the Six were currently engaged in talks to fuse the existing three Communities (Economic, Atomic Energy and Coal and Steel), and would, therefore, be unlikely to complicate this by the addition of a fourth community.129 Nonetheless, there were indications that de Gaulle was impressed by Wilson's technological arguments.130

127 This was in stark contrast to Gaitskell's use of historical rhetoric in his speech to the 1962 Labour Party Conference, foreshadowing the end of 1000 years of history if Britain joined the Community.
129 HC Debs, Vol. 735, Col. 655, 17/11/66.
130 Cecil King was informed by Couve that European collaboration to keep up with the US appealed to de Gaulle: King, The Cecil King Diary 1965-1970, entry for 6/2/67, p113.
On the substantive point of agriculture, the talks revealed 'the need for the financial regulations to be reviewed' if Britain joined the Community. In other words, Britain's contributions to Community funds, via levies on imports, would be inequitable. Thus, Wilson and Brown did not reserve their position to alter the CAP prior to entry, but simply sought mitigation for its impact on the British balance of payments. Financial difficulties and the role of sterling remained a sticking point, however. The French shared concerns with others of the Six that sterling's role as a trading currency could place a burden on the financial resources of the existing members.

When Wilson and Brown returned from Paris, Castle noted that they 'glowed with self satisfaction'. De Gaulle had remarked that the British position was changing, and the UK was now ready 'to moor herself alongside' Europe and loosen ties with the US. No doubt this resulted, as Alec Cairncross noted, from Wilson informing de Gaulle that his Government could take a line independent of the US in everything but defence. Yet as Palliser had previously advised, de Gaulle's vision of Europe was based on full independence from the US, and his NATO policies demonstrated his determination in this regard. Therefore Wilson had gone as far as possible to convince de Gaulle on political grounds that Britain would make a suitable partner — ditching the Labour Party's five conditions, accepting the Treaty of Rome, offering the possibility of technological integration and even weakening ties with the US — yet in the end, he was unable to promise a full retreat from the special relationship. On this basis, de Gaulle said it would be difficult if not impossible for Britain to join, but (according to Cairncross) this was omitted from the official record of the probe.

131 PRO PREM13/1476, Meeting between Wilson, Brown, Pompidou, Couve and de COURCEL, 25/1/67, 3pm.
134 PREM13/1476, FO to Bonn, Tel. No. 305, 26/1/67.
talks.\textsuperscript{137} Despite de Gaulle's continued objections, Crossman considered that Wilson returned from Paris more determined than ever to achieve entry.\textsuperscript{138} They had, at least, convinced the General of the sincerity of the British approach.

The subsequent visit to Bonn revealed that Brown and Wilson were now pinning their hopes on persuading the new German Coalition Government, including Socialist leader Willy Brandt (with whom Brown had close relations\textsuperscript{139}), on pressing de Gaulle for UK entry. However, this met with firm resolve that the German Government would not have a confrontation in Paris on this matter.\textsuperscript{140} Meetings in Brussels, The Hague and Luxembourg confirmed what Wilson and Brown learned in Bonn: they could not rely upon support from the Five to force de Gaulle’s hand on British membership.

**Did the probe tour achieve its aims?**

The probe tour can be measured as a success in terms of the benefits it delivered to Wilson personally. Yet this is a separate question from whether the probe brought membership any closer. The distinction arises from the fact that the probe was a strategy designed primarily to suit Wilson’s domestic needs. Firstly, the probe was successful in mitigating the further economic problems ministers had anticipated following the end of the import surcharge and mandatory sanctions against Rhodesia. No run on sterling accompanied these events. Moreover, unemployment was held down to 500,000 or a national figure of around 2\% of the workforce\textsuperscript{141} (against earlier predictions that continued economic decline could cause the figure to rise to anywhere between 750,000 and 1.5 million\textsuperscript{142}). By spring 1967, Callaghan reported to Cabinet a significant improvement in the balance of payments figures for 1966.\textsuperscript{143} The probe tour was also successful in maintaining momentum towards entry, without bringing the


\textsuperscript{139} Brown considered Brandt his ‘favourite European politician’: Brown, *In My Way*, p252.

\textsuperscript{140} PRO PREM13/1477, Records of meetings between Wilson, Brown and Kiesinger and Brandt, 15/2/67 and 16/2/67.

\textsuperscript{141} Callaghan, *Time and Chance*, p208.


Government close to the point of application before improvements in the UK economy had been achieved.

Secondly, European policy was now clearly Wilson’s domain, having successfully seized back the initiative from Brown. Wilson was also, via Crossman, taking publicity advice from a group of academics and public relations consultants on how best to frame European policy to suit each audience (for instance, he was advised to do an interview with *Le Monde* ahead of the Strasbourg speech\(^\text{144}\)). It was Wilson who outlined the Government’s views on British membership to the NEC at its first meeting after the probe was announced,\(^\text{145}\) whereas in earlier NEC meetings Brown had made such statements. Likewise, Wilson answered Parliamentary Questions on the probe visits, and his handling of the tour won him praise, even from Conservatives in the House of Commons.\(^\text{146}\) Consequently, he monopolised the credit for the probe, rather than letting it accrue to Brown, thereby satisfying his (pro-European) detractors within the Party and reducing their cause for discontent. Although press speculation about possible successors to Wilson continued, he was not placed again in the precarious position he had faced in July 1966. The left press now offered advice on which ministers were ineffective, but this did not extend to calls within the Party for his own removal.\(^\text{147}\)

Thirdly, Wilson’s stance on entry maintained just enough caution (with his domestic audience, at least) to contain Party divisions on the subject. Therefore the Government’s European policy developed in favour of membership without (yet) unleashing the Party split anti-Marketeers in the PLP had predicted, because it was promoted as a two-way exchange; gains to both Britain and the Six would arise from membership, and Wilson was still defending British interests, whilst hoping to extract the best possible price for the concessions Britain would have to make. The absence of


\(^{146}\) HC Debs, Vol. 739, Col.1770, 26/1/67.

coordinated pressure from the PLP’s doubters was a measure of confidence in Wilson’s ability to safeguard vital British interests, and also that the Party’s anti-Marketeers believed that the real decision of principle – of whether to apply for British entry – had not yet been taken. Indeed, as Robins notes, even attempts by the anti-Marketeers in Parliament to secure agreement for an Early Day Motion – reminding the Government that entry could only be contemplated if essential British and Commonwealth interests could be safeguarded – gathered support from the Party’s moderate pro-Europeans, who shared the desire to secure the best possible terms of entry. And notwithstanding attempts by Shinwell and Jay to cause embarrassment to the Government’s approach to Europe, within the context of ongoing Party discord such incidents were not limited to the European issue; they were part of broader pattern of Labour Party MPs trying to make a centralising Government heed their opinions.

Fourthly, the probe tour was successful in convincing the Six that Wilson was sincere in seeking membership. Diplomatic advice from the British Embassy in Paris confirmed that de Gaulle was persuaded that Wilson wanted UK membership (however this did not mean that Wilson had converted him to favouring UK membership). Nonetheless, the diplomatic assessment also suggested that the General was sufficiently alarmed by the British approach to consider a tactical switch from opposing UK entry on political grounds to emphasising the economic obstacles to British membership.


\[149\] PRO PREM13/1476, Paris to FO, Tel. No. 107, 26/1/67. During the Paris probe visit, de Gaulle had floated two alternatives to full UK membership, which had also been intimated during the visit of Couve and Pompidou to London in July 1966: the possibility of an ‘association’ with the Six, whereby Britain enjoyed the advantages of industrial free trade with the Six, without adhering to the CAP. Yet this was unacceptable as, without full Community membership, Britain would be excluded from participation in Community decision-making. Another alternative was the possibility of negotiating an entirely new arrangement for Western Europe to replace the Treaty of Rome, but de Gaulle did not give details of what this would entail, nor how the Five would be persuaded to accept it. British officials and ministers dismissed both options as red herrings to divert the Government’s attention from full membership, as well as a tactic that would, by risking the break-up of the Community, drive a wedge between Britain and the Five.
Finally, the probe tour was successful in maintaining the distinction between Labour and Conservative European policy by retaining Labour's conditional stance, albeit in a much more positive manner. Wilson played his hand skilfully, backing the Tories into the position of throwing their support behind him in the approach to Europe, or else criticising the policy they, and Heath especially, were committed to. An additional advantage to Wilson was that the pro-European Tories were split. Duncan Sandys welcomed the probe announcement, 150 whilst Heath tried to undermine Wilson by questioning his sincerity. 151 This left Heath in the awkward spot of opposing the Government's methods, rather than goal, leaving himself open to criticism that his lack of wholehearted support was undermining the Government's credibility in the capitals of the Six and was therefore jeopardising the probe's chances of bringing membership closer. The pro-European Conservatives, then, had little option but to fall into line behind the Prime Minister. This in turn helped to create the impression that entry was in national interests: Wilson represented the consensus position in Britain.

However, despite the domestic successes of the probe, it was disappointing in terms of bringing membership any closer. Although the act of conducting the probe and maintaining momentum towards entry made an application all the more likely to follow, there was little to give real hope to the Government that an application would be successful. Wilson and Brown had been cheered by their trip to Paris, expecting more resistance from the General than was forthcoming. But their optimism was largely ill-founded, and relied upon the assumption that although de Gaulle did not want British membership - as he told Brown in a meeting in December 1966, it was impossible for two cocks to live in one farmyard with ten hens; he was already having trouble getting the five hens to do as France wanted, without Britain joining (alongside EFTA partners) to increase the difficulty 152 - he would be unable to prevent it, if the Government presented the case for British entry persuasively. Yet without the help of the Five in pressuring de Gaulle, this was unlikely to succeed, and the Bonn discussions

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152 Brown, In My Way, p220.
demonstrated that the Five would not risk a break with France for the sake of British membership.

Nonetheless, the probe did offer one substantive consolation in the event of its failure (in addition to the domestic objectives it achieved for Wilson). If the probe showed little prospect of UK membership, it might at least have some purpose in relation to the Kennedy Round. As Donna Lee notes, a widespread belief persisted on both sides of the Atlantic in January 1967 that the trade talks would probably fail. One of Wilson’s hopes for the probe was to press for a more accommodating attitude from the Six over trade concessions. If the Six could be willing to reduce their tariff barriers to trade through the Kennedy Round, it would demonstrate to British critics of entry that the Community was one that was aligned to UK interests. As well as benefiting British exports, this would also be helpful to Washington, and would demonstrate that Britain was still a useful ally in commercial policy, at a time when maintaining economic and defence policies in line with US interests was proving persistently difficult.

Conclusions

The probe tour served Wilson’s both long and short-term needs. In the long term he planned to take Britain into the Community on the best possible terms (not because he was a committed European in the way Heath was, but because he acknowledged that Britain could not afford economically to go it alone in the long term). His short-term objectives included gaining domestic economic advantages from maintaining momentum, whilst keeping the Labour Party unified with himself as leader – and membership could be an issue where the strength of (pro-entry) feeling in Cabinet could undermine his leadership if he opposed entry. These two sometimes-conflicting objectives were the source of tension between Wilson and his close adviser Crossman, ostensibly a disagreement about styles of leadership. When Crossman came round to support for the probe tour, he urged Wilson to give a lead to the Party by taking up the

154 HC Debs, Vol. 735, Col. 1547, 10/11/66; PRO PREM13/910, FO to Washington, Tel. No. 10190, Wilson to Johnson.
approach wholeheartedly. He acknowledged there would be limited (but manageable) rebellions in the PLP, but the Prime Minister’s stance would give direction to the drifting and disjointed Party. Wilson wanted Community membership, but was convinced he could make progress towards it without a Party split by maintaining some caution in the approach to Europe. As far as possible, he wanted to satisfy all factions in his Party, or at least carry them with him. By being seen to be responding to pro-entry pressure, he could then reject responsibility for the economic hardships, in terms of domestic deflation and potential devaluation, likely to accompany entry. Alternatively, if the probe did not secure eventual membership, and given de Gaulle’s objections this was a strong possibility, he could likewise limit the personal damage to himself by showing that he was simply reacting to pro-entry pressure. The minimal chance that the probe would facilitate entry, at least on terms acceptable to Wilson and the Government, points to the primacy of his domestic objectives in motivating the probe tour.

Now the decision to seek entry was clearly made (by Wilson, even if Cabinet members believed it had yet to be taken), some degree of dissemblance from Wilson became all the more important in order to manage his Party through the tough times ahead. His tactic was to generally avoid debate on the matter, preventing attitudes from hardening before the probe tour was complete. By limiting debate within the Party, Wilson boosted his chances of persuading the anti-Marketeers and the undecided. By personally giving brief reports to the Commons after each probe visit he controlled the emphasis given to progress. And without Party or Cabinet debate, positions would remain fluid up until the point of the actual Cabinet decision. By this time, momentum arguments for an application would be all the more forceful, and appeals to loyalty might carry the day for the Prime Minister.

The probe tour met Wilson’s requirements: a device to prepare the ground at home, allowing a period of policy adjustment that might stave off a sizable Party revolt. It also demonstrated the Government’s serious intentions to the Europeans, sufficiently imminent to gain the advantages to business investment so desperately needed, whilst not so immediate as to alarm the Six that the Government was looking for instant relief.
from domestic economic difficulties. The technology theme Wilson used to promote his European policy was a factor in achieving both these goals.

Yet progress towards membership continued without a clear underlying strategy. Cabinet members were not united in agreeing what membership would mean for Britain, and accepted the probe tour for want of a viable alternative. They had still not resolved the dilemmas thrown up by membership, in terms of devaluation, and relations with the US and the Commonwealth. Moreover, without mandating Wilson and Brown to specific conditions before they conducted the probe, Wilson was free to make concessions to the Six on the Party’s five conditions of entry, based primarily on what he considered acceptable to British interests, and what he judged achievable in terms of delivering Party support. He became the ultimate arbiter of British national interests, largely bypassing the Cabinet in decision-making. After the probe tour was complete, Wilson began a series of Party consultations on British membership, however by this point, an application for membership was all but inevitable. Wilson’s concerns now switched from convincing the Europeans of his sincerity, to managing the timing and process by which the application would be made.
Chapter 7: March – May 1967

With the probe tour over, Wilson was more determined than ever to make a formal application for membership of the European Community. In authorising the probe, Cabinet members had allowed momentum to build up towards an application, and there was never serious doubt that an application would not follow its conclusion. Having failed to restrain the approach towards Europe before the probe, the anti-Marketeers in Cabinet had little chance of preventing the application. Nonetheless, it was Wilson’s intention to generate full Cabinet support for an application for membership. This held the key to generating support from the PLP and the wider Party, which would, in turn, boost an application’s chances of success by demonstrating the strength of support in the British Parliament and beyond. Therefore, in the period of discussion on the outcome of the probe talks, Wilson concentrated his efforts on to steering his Cabinet to the point of endorsing an application, preventing the significant minority of Cabinet members who opposed entry from directing the course of European policy, or even stipulating conditions of entry to safeguard British interests, whilst also preventing them from resigning over the issue.

Careful control of the direction and pace of Cabinet discussions assisted Wilson in getting the outcome he wanted. He secured support for entry from Cabinet by demonstrating that the failures of Labour’s economic strategy demanded some involvement with a wider grouping, of which the Community was the best option. Membership offered the opportunity to revive Labour’s failed domestic and national policies within a European context, but only, he reassured Cabinet, if the terms of entry were acceptable. Nonetheless, Wilson reserved for himself the final decision on what was acceptable, refusing to allow the Cabinet to stipulate specific conditions of entry in the application.

Whilst discussing the wider implications of Community membership during their deliberations, however, Cabinet ministers were, by the end, no closer to a coherent strategy that would enable a successful application. They had not agreed that devaluation would coincide with entry, they had not agreed to cut ties with the US, nor had they agreed to end Britain’s east of Suez defence role. Blurring the precise definition of future British policy hindered Cabinet opposition to the application. It also
reflected the necessity to maintain good relations with Britain's existing partners as a fallback position in the event of a failed application.

By the end of the debates, Cabinet agreed unanimously to apply for Community membership, and this was a key factor in obtaining the acquiescence of the wider Party for Wilson's European policy. Securing 488 votes for the application, with only 62 against, Wilson claimed the biggest House of Commons majority on a contested vote on a matter of public policy for almost a century. Given the level of reluctance to membership held within the Party, this is a testimony to his tactical skills as Party manager. But for all the Cabinet discussions, and the three-day Commons debate, the course had been set in October 1966 at the Chequers meeting, and nothing on the probe tour had dissuaded Wilson from this choice.

**Steering the Cabinet discussions**

Cabinet discussed the approach to Europe over ten meetings, dominating Cabinet schedules from March to May 1967. As Wilson himself recorded, all aspects were thoroughly discussed, and official information papers made available on every topic Cabinet members desired. But this was essentially an academic exercise in Cabinet consultation, and ministers exerted very little influence on Wilson throughout this period – either to decide against taking the next step to apply for membership, to press ahead too quickly with an unconditional application, or to insert minimum conditions of entry. This illustrates the fact that Wilson was, by now, well in control of British European policy, had decided upon a course of action and simply steered Cabinet around to endorsing it.

The Cabinet debates revisited the arguments previously discussed before authorising the probe tour. Wilson opened Cabinet discussions by dispensing with the main external hurdle to British membership: de Gaulle's veto. If this could be overcome, then Cabinet was free to make an assessment on the balance of advantage.

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and disadvantage implied by membership, rather than based on the likely chances of an application's success. Wilson reported that the probe tour revealed a split in attitude to the British approach between the French and the Five. De Gaulle was convinced of the sincerity of the Government's approach, but still harboured concerns about the impact of UK entry on the dominant position enjoyed by France inside the Community. Wilson noted that de Gaulle would probably raise objections to British entry, of substance and procedure. Moreover, they could not expect the Five to press the French for UK entry, the German Government's priority in European affairs lying in revival and maintenance of Franco-German relations.

However, further discussions revealed that de Gaulle could face difficulties vetoing an application in present circumstances (his position in France weakened by his Party's losses in the recent French National Assembly elections). Moreover, de Gaulle's opportunities to oppose British membership were likely to depend on the conduct and manner of the application and negotiations. If the number of issues to be agreed prior to entry were limited, then the French would have less occasion to block British entry. In other words, an application unhindered by conditions that could be resolved after entry would provide the best tactical basis for a successful application.\(^4\) Therefore, from the outset, ministers' minds were drawn away from de Gaulle's intransigent opposition to British membership, and towards methods to outmanoeuvre him. With doubt cast on the validity of de Gaulle's veto as an obstacle to membership, consideration proceeded to the technicalities of British membership: the impact on British interests.

The whole basis of the Cabinet decision on membership was an assessment of the advantages of entry, ranged against the disadvantages of staying out. However, Wilson did not structure the debate in this way. As the October Chequers meeting had already established, it was the stated policy of Government to seek membership on the right conditions. Therefore, Wilson diverted Cabinet to discussing the minutiae of the

\(^4\) Similar advice had been given to Brown by Luns, the Dutch Minister for Foreign Affairs, at the December 1966 NATO meeting: PRO PREM13/1475, Record of conversation between Brown and Luns, 14/12/66.
terms of entry over numerous long meetings, broken down into the implications of Community membership for specific British interests, for instance regional policy or agriculture. Only at the fifth substantive Cabinet debate on membership did ministers begin to assess entry in the light of other alternatives, and not until the ninth meeting did Cabinet begin to reach conclusions on the balance of advantage of membership. This structured debate prevented ministerial attitudes hardening against entry before all the material had been considered. Nonetheless, a minority of the Cabinet opposed membership, and Wilson therefore had to find other tactics to win their support without conceding control over European policy.

Wilson was able to manage the Cabinet debate via a number of privileges accruing to him as Prime Minister. Firstly, as chairman of the Cabinet, he set the parameters of debate, its pace, definitions and the necessary steps leading to the decision. Within 24 hours of the end of the probe tour, he proposed the method of studying its findings, suggesting to his Cabinet colleagues that he and Brown would produce 'a full factual account' of their recent discussions with the Heads of Government of the Six, 'setting out the impressions they had gained ... but making no recommendations'. This paper would focus on the issues concerning the Cabinet in their discussions prior to the probe, as well as points raised by the Six, namely the changes to the Community's nature effected by UK membership alongside other EFTA member states. This would provide the basis for discussion, but until the results had been fully analysed, 'it would be wrong to seek to reach a decision'. Thus controlling Cabinet's terms of reference enabled Wilson to immediately divert discussions to the terms of entry available, rather then any consideration of the principle of membership, or to an updated assessment of British needs five months after the decision to go ahead with the probe tour was made. Ministers approved his plan that only when Cabinet had completed its factual considerations would it move on to a follow-up paper from himself and Brown, recommending, in the light of Cabinet talks, whether negotiations for entry should be started, and if so, their manner and timing.

Wilson reinforced his control over the direction of Cabinet’s deliberations at subsequent meetings, either by reviewing the procedure already agreed, or suggesting how the next stage of discussions would be handled.\(^8\) Indeed, the timetable was a key factor in controlling the decision-making environment in Cabinet. As Crossman and others outside the Government observed, the perception of Wilson’s lack of leadership and decisiveness was damaging to the Government’s standing, thus failure to make a decision now would confirm rather than counter that.\(^9\) Although Wilson was anxious to ensure that ministers discussed all details of membership, even to the point of tedium, in order that anti-Marketeer ministers could not claim a lack of information on which to base their decision, he also set a time limit on discussions, focusing minds that a decision must come. This would prevent the anti-Marketeers from filibustering, to the point where momentum had been lost. For instance, when anti-Marketeers tried to stall the pace of discussions by reference to the delicacy of the point reached in ongoing Kennedy Round negotiations,\(^{10}\) Wilson refused to be deterred. Anti-Marketeers argued that any decision on the approach to Europe before final settlement of the trade talks (which was eventually delayed until May 15\(^{th}\)) could provide a pretext for the French to halt the trade talks, arguing for time to reconsider the tariff concessions offered in the


\(^{10}\) PRO CAB128/42, CC(67)21(3) Approach to Europe, 18/4/67. British interests in tariff concessions were different as a member of the Commonwealth and EFTA, than they would be in future as a member of the Community (where the CET would alter trading conditions between Britain and its current partners in the Commonwealth and EFTA). Therefore, the Government’s negotiators in the trade talks had to strike a difficult balance between securing the best concessions for Britain in the event of Community membership, whilst not foregoing British interests in the event that membership did not occur. As Donna Lee points out, the UK’s reorientation towards Europe prompted the Government to align with the Six in the final stages of the Kennedy Round; in other words, the Government’s negotiating position indicated the preference for membership: Lee, ‘Multilateral Trade Negotiations: The Final Phase of the Kennedy Trade Round’, pp7-8.
light of the altered dynamics occasioned by future British membership. Yet, Brown reported from his talks in Washington that the US Government would not expect a British decision to apply for membership to await the outcome of the Kennedy Round, in other words, they did not expect that the UK application would be used as a pretext to prevent settlement in the trade talks. Consequently, the decision to seek membership was announced publicly two weeks before the Kennedy Round was settled, despite the anti-Marketeers’ protests.

Secondly, Wilson controlled the access to and circulation of documents regarding European policy. He had earlier set up the Europe Unit within the Cabinet Office to coordinate the interdepartmental consideration at official level and serve the information needs of ministers, retaining his prime position as its head. This was supplemented on occasion by a senior group of Permanent Secretaries, under Burke Trend’s chairmanship. When ministers requested further studies during Cabinet consideration of the probe tour’s outcome, Wilson was authorised by his colleagues to initiate official material through this existing machinery. His own account of the episode states that every request for information met with a positive response, and Cabinet members on occasion expressed their boredom with the drawn-out process of discussions. In fact, letting Cabinet talk itself out on divisive issues had long been a tactic employed by Wilson.

In addition, requests for further papers were qualified with the caveat that at least during the early stages of Cabinet deliberations, they must be agreed interdepartmentally; papers from individual ministers could then follow, but only after

14 Castle, The Castle Diaries, 1964-70, entry for 13/4/67, p242. Castle recorded an exchange between herself and Benn, where they agreed that they would be subdued into membership via boredom and exhaustion – but there were still a further seven Cabinet discussions of the matter until the decision to apply was formally taken.
15 Jenkins, A Life at the Centre, p172. Peter Hennessy notes ‘Wilson used prolixity as a weapon, allowing the Cabinet to talk itself out’: Hennessy, The Prime Minister, p289.
official papers had been taken. This was effective in scuttling a paper by Jay on the effect of entry on the balance of payments. Jay was concerned that the papers before Cabinet did not produce an estimate of the overall balance of payments cost of entry, without which Cabinet could not make an informed decision on entry. When Jay raised this subject in Cabinet, Wilson conceded the necessity for such a paper, but under the conditions (which Trend had advised) that it be agreed interdepartmentally, rather than the product of an individual minister. Jay gave way to the interdepartmental paper (although reserving his right to circulate his own at a later date), and claimed triumph when the official paper, which carried more weight by virtue of its interdepartmental provenance, estimated a potentially larger cost to the balance of payments than his own had done. However, the official paper, when presented to Cabinet right at the end of their deliberations, was accompanied by a note from the Permanent Secretaries, dismissing its quantitative assessment of a payments cost ranging between £400 million and £920 million as containing so many subjective considerations as to render the figures unreliable. Therefore, controlling the circulation of information prevented Cabinet from considering the actual cost of entry until the end of their deliberations, after all the other issues had been discussed. Moreover, the Permanent Secretaries’ reservations, in conjunction with Callaghan’s reassurances that, notwithstanding the likely short-term costs to the balance of payments (which, according to Castle, he estimated at £600 million), the extra burden was ‘manageable’, stalled opposition to membership on these grounds.

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17 Jay considered that the FO, the Cabinet Office and Number 10 were attempting to block such a paper: Jay, Change and Fortune, p385.
19 Jay’s memoir notes that he had deliberately estimated the balance of payments costs conservatively as his less informed colleagues seemed ‘so drugged by propaganda that the real truth was likely to strike them as past credence’: Jay, Change and Fortune, pp385-386.
Wilson jealously guarded his position at the apex of intelligence, and when suspicions were voiced in Cabinet (by Crossman) that the FO had been keeping overseas diplomatic assessments (on the prospects for British entry) from the rest of Whitehall for several weeks,\textsuperscript{23} he later questioned Brown on the matter (who had been absent from the Cabinet meeting in question). Despite Wilson and Brown working together closely to coordinate the Cabinet discussions on membership, Wilson was concerned to ensure he himself had access to all diplomatic information. Although Brown may have been correct in insisting that ‘every recent telegram of significance has been distributed by the FO on the European Economic and Political Distribution which goes to Cabinet Ministers’,\textsuperscript{24} Palliser nonetheless drew Wilson’s attention to other occasions when the FO, ‘in certain important matters’ relating to European policy, were ‘being less than frank with us’ in withholding information.\textsuperscript{25} Palliser suggested that confronting Brown or his staff at the FO could prove counterproductive, and planned to overcome the problem via his own private network of sources in the FO. By now, the application had already been made, but this episode indicated the tactical differences of approach between Wilson and Brown, reinforcing Wilson’s need to direct the application from Number 10 lest FO enthusiasm for entry conceded vital national interests in any forthcoming negotiations.\textsuperscript{26}

Thirdly, Wilson managed Cabinet discussions by controlling its output. At the first debate on the probe tour, he issued a strict instruction of Cabinet confidentiality


\textsuperscript{24} PRO PREM13/1480, Brown to Wilson, 24/4/67 (emphasis added). Ponting reveals that the FO instructed Ambassadors to send their assessments in private correspondence, rather than the usual telegrams which were circulated to all Cabinet ministers: Ponting, \textit{Breach of Promise}, p210.

\textsuperscript{25} PRO PREM13/1482, Palliser to Wilson, 13/5/67.

\textsuperscript{26} PRO PREM13/1482, Palliser to Wilson, 13/5/67. The specific papers concealed from Number 10 by the FO on this occasion contained information about the possibility of European nuclear sharing. However, a specifically European deterrent was a matter Wilson was not prepared to concede for the sake of entry.
whilst deliberations were ongoing.27 At the final meeting, when Cabinet agreed to publicly announce their decision to seek entry, he imposed an embargo upon other ministerial statements for two days – to prevent anti-Marketeer ministers from voicing their reservations, in addition to focusing interest directly on himself and the application.28 In this way, his personal link with the application reinforced his previous efforts to establish control over European policy, which had been largely effective: Parliamentary Questions throughout the duration of Cabinet discussions were (almost exclusively) directed to him.29

Notwithstanding the Prime Ministerial privileges available to Wilson in generating Cabinet support for an early application, the ultimate aid was the manoeuvre he achieved at the Chequers meeting in October 1966 and the subsequent authority given by Cabinet for he and Brown to tour the capitals of the Six. Cabinet anti-Marketeers had missed their opportunity to register principled opposition to entry, or at least record specific minimum conditions. Without this, the only arguments they could now marshal against an application revolved around the terms of entry available, judged against the alternatives of a North Atlantic Free Trade Association (NAFTA) and ‘going it alone’ (GITA). The question was, whether the Government could best execute the difficult (and unpopular) measures necessary to restore British economic viability either alone or as part of a wider grouping. Yet the whole tactical direction of discussions authorising the probe pointed towards the necessity of participation in a wider grouping.

Cabinet considered the alternatives to entry, based on the official papers commissioned in November 1966: NAFTA was summarily dismissed, the arguments


28 PRO CAB128/42, CC(67)27 Approach to Europe, 2/5/67. The exceptions to this rule were statements to overseas Governments, and in respect to foreign and Commonwealth relations.

29 HC Debs, Vols. 742-745, oral and written Parliamentary Questions on 9, 16, 23 March; 4, 6, 11, 18, 20 April 1967. Brown took PQs of this nature on 17/4/67, but these were the result of leaked reports of his PLP speech 11 days earlier; he also replied to PQs addressed to Wilson on 25/4/67, who was absent at Adenauer’s funeral. Other Ministers took PQs on specific aspects of UK membership of the Community relating to their departmental scope, but it was recognized that Wilson now dominated the Government’s European policy.
against it raised at Chequers in October now confirmed by the official study. GITA was a better prospect than previously thought (Britain’s economic situation having improved in the six months since the previous Chequers meeting) but would nonetheless ‘present considerable economic difficulties’, making improvements to ‘the competitive strength of our economy … even more difficult’.

The GITA choice was a decision in favour of the status quo, yet Cabinet had already, before the probe tour, accepted the assumption that current policies could not adequately sustain the British economy in the long term. A Cabinet decision to make no further step towards Community membership would therefore raise presentational difficulties, in that it would not make for a very positive announcement. Given that Government policy favoured Community membership, the only option in the event of a choice for GITA, as Trend advised Wilson, was for the Government to present it by saying the time for membership was not yet ripe. Nonetheless, this would imply that an application in the future would be likely: seeking entry would be the default position. Trend therefore argued that it should be highlighted in Cabinet discussions that even a decision not to apply for membership at present could not reverse the Government’s principle of readiness to seek membership. This should expose the divisions between those in Cabinet who opposed membership in principle – the ‘nevers’ (in Trend’s terms), and those who opposed an application for the moment – the ‘not yets’. The difference, as Trend highlighted, between the ‘nevers’ and the ‘not yets’ was one of substance, but between the ‘not yets’ and the ‘nows’ (those ready for an early application) was one of tactics. In other words, if Wilson’s tactics demonstrated that membership on

30 PRO CAB128/42, CC(67)22(2) Approach to Europe, 20/4/67. NAFTA was not on offer from the Americans; it would signal that Britain was opting out of Western European integration and could, therefore, lead to political and military instability in Europe. A closer alliance between Britain and the USA could reinforce de Gaulle’s impetus towards a Europe stripped of Atlantic influence. If this led to a specifically European nuclear deterrent outside the control of NATO, such a ‘Third Force’ would challenge the bipolar stability of the Cold War. Moreover, the extent of economic and political dependence on the USA implied by NAFTA made it domestically unacceptable to British public opinion.


32 PRO PREM13/1479, Trend to Wilson, 19/4/67.

33 PRO PREM13/1479, Trend to Wilson, 19/4/67.
acceptable terms was possible, and that the Government had little option but to at least attempt entry, he could build a coalition of support between the ‘nows’ and the ‘not yet’s’, outmanoeuvring the ‘nevers’, and exposing them as holding principles irreconcilable with the Government’s intentions (and official Labour Party policy of readiness to enter). Cabinet discussions throughout April 1967 were geared to make this obvious.

Opponents of entry stressed the UK’s ability to prevail without Community membership. The decision to go it alone would not damage British trade, and UK economic prosperity more depended on the measures of self-reliance (sound internal economic policies to restructure industry, and maintaining world political stability via British defence policies) and the general conditions prevailing in world trade, than membership. Moreover, competitive gains and economic dynamism were not guaranteed to follow entry, and whatever the long-term benefits of membership weighed against abstention, ‘it would be the initial impact of joining on our balance of payments, with all the further deterioration which would ensue if that impact were strongly adverse, which should be decisive’\(^\text{34}\) (in terms of undermining the chances of UK economic prosperity).

The counter argument followed, in what amounted to an admission that the Government’s domestic economic objectives had a better chance of success in the European sphere. Competition inside the Community would create greater efficiency in UK industry; membership would boost industrial investment. The dynamic economic effect from these circumstances would ‘make it much easier to carry out, and gain acceptance for, the social and industrial changes which were essential to our economic strength in the future’. In other words, membership could be the scapegoat for the difficult tasks that lay ahead in restructuring British industry: competition would weed out inefficiency and force home the need for wage increases to be linked to productivity gains. Moreover, whilst anti-Marketeers argued that the current regional development policies would suffer as a result of entry, pro-Marketeers maintained that the general boost to industrial investment anticipated from membership would give a far greater

\(^{34}\) PRO CAB128/42, CC(67)22(2) Approach to Europe, 20/4/67.
impetus to regional development than artificial incentives by the Government. This was a clear admission that Community membership held the best prospect for future British economic viability, and that Labour's strategy for Government intervention to regulate the economy was largely abandoned. On this basis, going it alone would not resolve the underlying problems preventing British economic strength.

The benefits of Community membership depended upon the terms available. This had been Labour Party policy since 1962, but what was acceptable was highly subjective, and as arbiter of Government policy Wilson was in the best position to determine this. That the terms would not be known until negotiations for membership were complete, left those with reservations about entry little scope for opposing an application: it would be the next logical step towards discovering the real costs of entry. The anti-Marketeers were therefore unable to press their objections, especially as Wilson took a moderate stance – he would not allow momentum arguments to force an early application; he would not be bounced into accepting 'unconditional' entry; and he maintained that economic costs of entry would come before other considerations.

Unable to prevent an application which committed the Government only as far as discovering the terms of entry, anti-Marketeers switched their tactics towards trying to get agreement for minimum conditions in any future negotiations, yet this, too, failed to overcome support for membership. Discussion of agriculture offered a case in point. Wilson noted that the Cabinet, in briefs for the probe, and he and Brown themselves during their talks, had reserved their position to secure agreements in negotiations for membership that exceeded transitional arrangements. In other words, they hoped to get some arrangement to put a ceiling on British contributions, or find ways to get support payments for UK farmers. Nonetheless, the Government could not expect to opt out of the CAP's obligations as a condition of membership. Recognising that Cabinet resistance to the CAP was insufficient to prevent an application, Agriculture

37 PRO PREM1311479, Wilson’s comments on Palliser to Wilson, 6/4/67.
Minister Fred Peart tried instead to insert conditions that would make membership impossible. To mitigate the disadvantages to Britain's agriculture and balance of payments of accepting the CAP in its present form, he urged that the Government must secure a long transitional period; special arrangements in respect of certain important commodities (especially milk and sugar); and the Community must agree to an annual review of agricultural policy.39

Yet Wilson and Brown reported that on the tour many of the Six had been sympathetic to British and Commonwealth agricultural needs, indicating that acceptable arrangements could be found. Moreover, there was a much broader balance between advantages and disadvantages to entry, of which agriculture played only a small part, especially in terms of numbers employed, and should not, therefore, be unrepresentatively protected in Cabinet's eventual decision. Furthermore, savings to the Exchequer arising from switching from price support to the CAP's levy system could be used to mitigate rising food costs after entry – not directly via subsidies, as it was the Community's aim to harmonise prices, but governments were free to set their own social security levels (at present generally higher in Community countries than the UK) thus the Government could use the extra revenue to improve social benefits.40 (This reflected an assessment Crossman had made over a year previously, that Exchequer expenditure on agricultural support could be put to better use implementing Labour's social policies.41) In addition, if the CAP was not designed with British agricultural interests in mind, an opportunity to alter it once a member would arise in 1969, when the Community was due to renegotiate agricultural financing.42 This was an argument in favour of making an early application and ensuring that any negotiations for entry were brief enough to allow full membership by 1969. A more flexible negotiating position than that suggested by Peart could ultimately prove more constructive in securing British interests in agriculture. Consequently, ministers could

not use agriculture to halt progress towards an application, nor attach their own minimum conditions.

Failing to overcome the subjective arguments about the terms of entry, anti-Marketeers tried to inject political arguments into the decision. For instance, when anti-Marketeers’ objections to the balance of payments costs of entry were crushed by reference to the subjective, unquantifiable benefits of membership of a larger home market, opponents switched their attack to political judgements about the timing of entry. Despite the unreliability of quantitative assessments of the costs, it was generally accepted that membership would strain the balance of payments to the tune of around £600 million. Anti-Marketeers maintained that the domestic deflation necessary to overcome this burden would be harmful to Labour’s electoral fortunes. Against this, however, the pro-Marketeers argued that this was yet another reason in favour of an early application and swift negotiations, after which an election could be called on the back of a successful outcome (particularly appealing in contrast to Heath’s failure to secure entry during the 1961-63 negotiations), before the difficult domestic measures were felt. The anti-Marketeers were once again blocked, as even the political judgements were open to interpretation.

Inherent contradictions in the Government's European policy

Discussion of the balance of payments brought Cabinet close to the real dilemmas that had clouded the Labour Government’s economic strategy from its first day in Office: the value of sterling and Government’s economic means to maintain the world role that aligned it with US interests. At last it seemed that the Government would take the strategic decisions, either to reorient its policies towards Europe in the hope of entry, or to maintain the existing world role without Community membership. This was also the crux of the problem for de Gaulle.

It was well acknowledged, inside Government and out, that Community membership would necessitate devaluation. Whilst both Wilson and Callaghan (the

chief opponents of devaluation during the July 1966 crisis) recognised this, they
remained non-committal, and Callaghan was adamant that he would not remain as
Chancellor in the event of devaluation.\textsuperscript{45} Callaghan’s memoirs record his and Wilson’s
hope that gains to the strength of the UK economy might be enough to see the
Government through to membership without recourse to altering the parity,\textsuperscript{46} yet
privately Callaghan told Crossman that he and Wilson agreed devaluation was accepted
as the price of entry.\textsuperscript{47} Wilson also admitted, in a confidential exchange with Crossman,
the possibility of ‘a degree of devaluation before we go in’.\textsuperscript{48} Such was the delicate
nature of confidence in the pound that Callaghan and Wilson could not reveal this, even
to the Cabinet. The necessity for devaluation was one reason why critics of Community
membership, such as Crossman, eventually supported the application, hoping it would
force a decision on what was also a prerequisite to recovering economic strength
alone.\textsuperscript{49} In fact, devaluation was a compelling reason for entry: having fought a difficult
battle to maintain the parity, a controlled devaluation alongside the prospect for
international monetary reform (that would remove the burden of the Sterling Area) was
an honourable retreat, and all the more acceptable given that British Community
membership had support from the US Government, much of Parliament, business, and
public opinion (although, as predicted by Transport House’s Research Department
analysts, now that the costs of entry in terms of higher food prices were more widely
known, public support began to slip\textsuperscript{50}). Wilson’s account of the period does not concede
that he was willing to alter the parity for the sake of membership (indeed, it makes no
mention of the issue),\textsuperscript{51} but his pre-eminence as a tactician is well documented. Cecil
King’s diaries reveal that he contemplated a break with the US over Vietnam as a
tactical manoeuvre to gain credit with the Six (more particularly de Gaulle) at a


\textsuperscript{50} See Chapter 6, p221.

\textsuperscript{51} Wilson, \textit{The Labour Government 1964-70}, p498.
carefully decided point in the membership negotiations,\textsuperscript{52} therefore it is certainly not implausible that he would have been willing to offer devaluation at the right moment in negotiations for Community membership. Nonetheless, the Cabinet discussions did not resolve the issue, Wilson simply reserving the right to ‘consider devaluation at the proper time and in full secrecy’,\textsuperscript{53} in Castle’s words, ‘rid[ing] away from it non­committally [sic]’.\textsuperscript{54} The application was eventually made with this apparent inconsistency still outstanding.

Recognising now that membership would cause a large short-term payments deficit requiring, at the very least, sharp domestic deflation, and that the economic benefits of membership would not be realised for the first few years after entry, pro-Marketiers argued that the economic disadvantages must be weighed against the consequences of staying out, which, in turn, undermined the GITA option. Already they encountered difficulties pursuing an independent economic policy, the international loans necessitated by the balance of payments deficit impeding the Government’s ability to implement its planning policies. The Six were ‘evolving a political organisation which would be more suited to modern economic needs and it would be contrary to our interests to stand aside while their decisions were being taken’.\textsuperscript{55} In other words, by virtue of its size and dominance, the Community was dictating the terms of trade for all Europe, which would affect Britain regardless of whether UK interests were represented in their formation. Moreover, technological needs dictated that markets became larger to justify the costs of development. Without integration, UK and European industry would become a backwater, dominated by and dependent upon US technology.

The question of the parity, and the balance of payments cost of entry was perhaps the weakest aspect of Wilson’s rationale for an application. Given these

\begin{itemize}
  \item \textsuperscript{52} King, \textit{The Cecil King Diary 1965-1970}, entry for 13/5/67, p124.
  \item \textsuperscript{54} Castle, \textit{The Castle Diaries, 1964-70}, entry for 30/4/67, p249.
  \item \textsuperscript{55} PRO CAB128/42, CC(67)26 Approach to Europe, 30/4/67.
\end{itemize}
uncertainties, pro-Marketeers now raised the political and strategic case for membership to bolster support for entry. This would expose the divisions amongst the anti-Marketeers (who shared some degree of unity in opposing the economic costs of entry), thereby limiting their ability to prevent an application. Pro-Marketeers argued that if economic arguments were ‘evenly balanced, the political advantages of joining were decisive’. Membership was ‘essential’ to avoid increasing isolation and powerlessness in world affairs. At present British political influence was dwindling (with examples of political failures including the India/Pakistan conflict, and stalemate in Rhodesia), and Labour Government supporters would not wish to continue in a position of subservience to the US. Moreover, without UK entry, the Community post-de Gaulle could become German-dominated, holding two possible dangers for British interests: either that a strong Community directed by Germany could usurp the British role as the US’s main ally in the Atlantic Alliance; or that (West) German desires for reunification with Eastern Germany could lead to an increasing estrangement between the Community and America, threatening European stability and security. Neither outcome would suit British interests, which were to retain a US role in European security, with Britain its key partner. As a member, Britain could strengthen the Community’s political standing, taking on a new leadership role that might ‘provide the political

58 Only five days earlier, President Johnson, in a meeting with Wilson urged him to send two brigades of British troops to Vietnam; ‘if they did this he could assure the Prime Minister that all his and Britain’s financial worries would be at an end’ (PRO PREM13/1480, Palliser to MacLehose, 28/4/67). Also, in the spring of 1967, discussions were underway in reforming international monetary arrangements. The US proposed a plan to create a dollar-sterling area that would safeguard sterling from the speculative attacks which had prevented the implementation of Labour’s planning policies. Whilst economically attractive, however, the US scheme attached the political condition that the Government must retain its defence commitments east of Suez. Although wishing for the moment to do so, Callaghan and Wilson considered it unacceptable that the Americans could dictate British defence policies (Callaghan, Time and Chance, pp211-212). Nonetheless, without a boost to Britain’s economic fortunes, it would be difficult to continue to decline US offers indefinitely.
stimulus formerly given by our imperial role’.59 In sum, the arguments presented amounted to an admission that the political disadvantages of staying out were decisive.

Opponents of entry were divided in their response. For Jay, membership would effect a switch to political dependence on the Six, in place of the current dependence on the US, whereas experience indicated the US would be a more advantageous ally than the Community. However, Castle contradicted this assessment, revealing fundamental differences within the Cabinet about Britain’s relationship to its external environment. She complained that the Government’s rationale for entry had now shifted to the political advantages of membership,60 however the UK’s world standing was damaged by restrictions imposed by the special relationship – maintaining the parity and east of Suez defence commitments, as well as support for US Vietnam policy. Retaining the close alignment with US interests would ‘seriously damage’ the Government’s position in subsequent years,61 and would have a detrimental effect on Labour Party activists.62 Thus, left-wingers in Cabinet opposed entry because they believed it was designed as a means to bolster the British world role, when their preference was to disengage from it. On the other hand, right-wingers such as Jay believed that membership did imply a retreat from worldwide defence commitments, with a corresponding decline in the special relationship, and therefore objected to the curtailment of Britain’s world role implied by entry.63

That such opposing political arguments could be marshalled against membership reveals another central ambiguity at the heart of Wilson’s European policy. On the one hand, he believed that Britain’s world role was not an obstacle to entry, and could indeed be bolstered by the economic and political gains expected to occur as a result of membership; yet all indications from de Gaulle insisted that the price of British admission was a full break with the US – in terms of eliminating the worldwide reserve

63 Jay, Change and Fortune, p388.
currency, east of Suez defence commitments, and the special relationship in nuclear technology sharing. However, Wilson maintained the belief that the Community was largely an economic enterprise without pretensions towards a common (federal) foreign policy; that Britain’s national political interests would not be restricted by membership; and that de Gaulle could not afford, in the last resort, to veto a second British application. Moreover, stressing the political advantages – to Europe collectively and the Six specifically – offered by British membership strengthened the UK’s bargaining position in any future negotiations for entry. This tapped into the Six’s ill-defined but longstanding desire for European political unity, and it was consistent with the line taken by the Government in the past, that such political unity was not feasible without UK participation. Just as in the economic sphere, Wilson hoped membership would generate national and domestic gains; his concerns for the political strength of Europe were dependent upon British membership, which would be a source from which Britain could derive national political strength. Yet the reality of the situation was that this was a prospect foreseen by de Gaulle, and one that the latter was unwilling to accept. Therefore, Wilson’s hopes for membership were not practical politics, relying on an over-optimistic assessment of Britain’s strength in relation to de Gaulle. Even if Wilson did not publicly acknowledge this, Cabinet ministers such as Healey did, and this ambiguity about the future course of British foreign policy enabled them to support an application, with the expectation that it would fail.  

As Parr has noted, the political aspects of membership, given the uncertainties within European security arrangements, undoubtedly played a role in Wilson’s decision to seek membership, and more so in the FO’s support for entry, yet they did not form the basis of the Cabinet’s discussions, either before the probe tour (when the course towards an application was set), or now in April 1967. The political disadvantage of remaining outside the Community bolstered the unquantifiable economic advantages of membership, and was a particularly useful tool in exposing the divisions between the Cabinet opponents of entry, which prevented their objections coalescing into a coherent

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64 Jay, Change and Fortune, p392.
critique of Community membership in the immediate future. Nonetheless, the long-term economic benefits, balanced against the consequences of abstention from membership, were the main justification for an application.

The apparent unreality of Wilson's stance can perhaps be explained as a reflection of the uncertain chances for an application's success. At the final Chequers meeting discussing European policy pro-Europeans argued that seeking membership was the best option available for British interests. The GITA course (which the anti-Marketeers favoured), although necessary as a reserve position in the event of an application's failure, was not a viable option unless an application had been seen to fail through faults not of the Government's making. Only then would the Government be 'able to apply the economic policies which would be necessary to make a success' of GITA. In other words, much of domestic and foreign opinion supported British membership, and would not continue to cooperate with policies (for instance wage restraint and international support for the pound) necessary to British recovery, unless and until the Government itself was seen to be making every effort to find alternative solutions. Hence, Wilson was sincere in seeking membership of the Community, with full determination to succeed, nonetheless he recognised that, in the event of falling back on GITA, Britain would be dependent upon its existing links with the Commonwealth, EFTA and the US. Therefore, the application did not make a full break with the US, or with Commonwealth countries, and efforts were made to consult EFTA states. Consequently, the tensions between Britain's world role, and the future European role envisaged by the application would remain unresolved until the attitude of de Gaulle became clearer.

The anti-Marketeers in Cabinet were marginalised, and therefore acquiesced to Wilson and Brown's proposal for an early application. Wilson had successfully outmanoeuvred them, returning to the fact that the decision on entry must depend upon the terms available. Without full knowledge of the price of entry, resigning would appear to prejudge the chances of the application's success, thus opponents were

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67 Jay, Change and Fortune, p392.
bound by collective responsibility to uphold the Cabinet’s majority opinion.\textsuperscript{68} Without a clear definition from Wilson as to what exactly entry would mean for Britain, the anti-Marketeers were fighting against membership on shifting sands. As the political arguments had shown, their differences were immense, not only over why membership was the wrong course, but also on what alternatives were available to restore British economic viability without recourse to membership: left-wing critics such as Castle favoured the defence cuts and import controls strongly resisted by right-wingers such as Jay. Moreover, their positions representing different factions within the Party bred suspicion between them: when Jay suggested the bloc resignation of anti-Market ministers, Castle refused to have her ‘breaking point dictated by someone like Douglas [Jay]’, with whom she had ‘so little sympathy politically’.\textsuperscript{69} The anti-Marketeers also failed to insert minimum conditions that the Government should insist upon in any negotiation for entry, and therefore their objections to membership had little impact on European policy, leaving Wilson as the ultimate judge of acceptable safeguards for British national interests.

The Cabinet record reveals that the balance of opinion was ‘substantially in favour of making an immediate application for entry unaccompanied by conditions’.\textsuperscript{70} This did not, however, forego conditions; it simply meant that they would be clearly put to Parliament without being assigned specifically to the notice of application. In other words, domestic opinion should attach one meaning to the application, and foreign opinion should attach another. Given the momentum that had built up prior to the probe, and more so since, it would seem inconceivable that had a successful negotiation resulted in terms that Wilson could present as acceptable, that anti-Marketeers could

\textsuperscript{68} Estimates of the support for entry differ amongst the accounts of the period. Jay noted the Cabinet balance was 13:8 in favour (Jay, \textit{Change and Fortune}, p389); whereas Crossman (counting also the Chief Whip and Attorney General – neither officially members of Cabinet) considered the balance was 10 unqualified supporters, 7 unqualified opponents, with 6 members wavering in the middle, who would nonetheless side with Wilson in supporting an early application, making the opinion 16:7 in favour (Crossman, \textit{The Diaries of a Cabinet Minister: Volume Two. 1966-68}, entry for 1/5/67, pp336-337).

\textsuperscript{69} Castle, \textit{The Castle Diaries}, 1964-70, entry for 25/4/67, pp244-245.

\textsuperscript{70} PRO CAB128/42, CC(67)26 Approach to Europe, 30/4/67.
then have rejected British membership. Wilson’s skill in generating full Cabinet support for the application in May 1967 therefore had its foundations in the October 1966 Chequers meeting, yet the anti-Marketeers, at that time or now in April 1967, could not press their objections on the apparently moderate course Wilson proposed.

**Gaining support from the PLP and wider Party**

Wilson repeated tactics used in Cabinet to win support for membership to gain the wider Party’s acceptance for an application. Yet his best weapon in generating support throughout the Party – in Parliament and beyond – was achieving unanimous Cabinet approval for the application, without resignations even from ministers well known to oppose entry. This would go a long way towards convincing the PLP that the application could be supported, both by those known to have reservations, and even by those opposing membership in principle. Wilson’s success in steering the Cabinet around to endorsement of an unconditional application convinced many in the PLP that this was not the last opportunity for registering their opinions on membership.

Wilson carefully controlled the terms of the PLP debates on Europe. A week after the probe tour finished, he proposed that the PLP hold three meetings in April to discuss membership. 71 These would take place before the Cabinet’s consideration of the policy was completed, and therefore the Party’s thinking would be invaluable in informing the ministerial debate. This did not concede to the PLP a policy-making role, and Wilson made clear that the decision would lie with the Government, and as such, no motions would be discussed and no votes taken by the PLP. Wilson also noted that there would be further opportunities for discussions after the Government had taken its decision, implying that, in the event of a Cabinet verdict favouring an application, this would still remain provisional pending the outcome of negotiations.

Managing the PLP debates was made much easier by the departure of Shinwell as PLP Chairman, whose opposition to membership had already caused embarrassment to the Government. Shinwell’s resignation two weeks earlier quashed his ability to direct the PLP debates. Douglas Houghton was elected by the PLP to replace him, and

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71 LHA PLP minutes, 16/3/67.
was far more amenable to Wilson's concerns than Shinwell, even going so far as to concede a three-line whip for the Parliamentary vote on the application, against his own opinion and the advice of Crossman.\footnote{Crossman, \textit{The Diaries of a Cabinet Minister: Volume Two, 1966-68}, entry for 3/5/67, p341.}

Wilson said the PLP debates 'were vigorous and well-informed, but much less passionate than those of 1962'.\footnote{Wilson, \textit{The Labour Government 1964-70}, p497.} The PLP minutes indicate that they were certainly wide ranging, however, without a motion or even a specific topic proposed for discussion, they were unfocused, reflecting the range of views within the Party over British Community membership and its links with other policy areas. There was no structure to the contributions from members, with political, economic, security, commercial and other factors brought up apparently randomly. The minutes suggest that PLP members made personal statements, rather than engaging in debate with each other. Moreover, their interventions were constrained when a time limit of five minutes each was imposed for the final of the three meetings.\footnote{LHA PLP Liaison Committee minutes, 26/4/67.} As for Wilson's claim that they were well-informed, the Party debates occurred without official briefing material for members. The Party meetings were an opportunity for PLP members to air their opinions, but they had little opportunity to question Government ministers about the decision, instead largely relying upon Brown and Wilson's speeches, which opened the first and closed the last PLP discussions respectively.\footnote{The only exception came from Wilson, who, at the final meeting after members had completed their contributions, replied to some of the points put to him by Shinwell: LHA PLP minutes, 27/4/67.}

The speeches by Brown and Wilson were designed to allay fears of membership held by Labour Party members. Brown began with an outline of the practical economic problems arising from membership.\footnote{LHA PLP minutes, 6/4/67.} He accepted that these problems were serious, and must be carefully considered in the Government's deliberations. Against these, he cited the dynamic effects of membership, which would meet British industry's requirement for larger markets to assure future prosperity, and the goal of closer technological cooperation to close the gap with the US. He also stressed the prospect
that UK entry could help the current trend towards ‘greater flexibility’ in the Community; in other words, Britain had nothing to fear from supranationality.

In Wilson’s speech to the final PLP meeting on Europe, infused with rhetoric on the historical and national importance of the decision about to be taken, he played the role of statesman, appealing to a higher instinct than the balance of economic advantage of entry. He stressed that the Cabinet had not yet reached conclusion of their deliberations, but as Wilson himself recorded, his speech was ‘taken as a strong lead in favour of an application’. He developed the economic argument at length, pointing to the ‘élan’ that would be created, for Continental Europe as well as Britain, as a result of enlargement. More important than this, though, was the technological dividend from British membership, affording Europe opportunities to avoid industrial dependence on the superpowers in the future. The dynamic effects of entry would boost internal and external investment in Britain, giving a fillip to regional development. Yet Wilson had to admit that on economic grounds alone, the decision would be made on ‘largely subjective value judgements, not capable of quantification’.

For the Prime Minister, then, the political case was more compelling, seeing in British membership opportunities for promoting European stability, easing East-West tensions and even for advancing the prospects for world peace. (These were all elements of the Labour Party’s manifesto in 1964, implying continuity in the Government’s objectives, even if the method to fulfil them was now altered.) It was the duty of Britain and its European partners to play such a role, but Europe must first realise its industrial strength in order to derive political strength. In other words, economic integration was a means towards European political unity. Yet Wilson was at pains to stress loyalty to the Atlantic Alliance, that he foresaw no changes to European defence arrangements, and to state that a federal concept for the Community’s future was not on the agenda. His vision of European political unity presented to the PLP therefore implied the prospect of European cohesion, but fell short of the necessary

78 LHA PLP minutes, Wilson’s speech to the PLP 27/4/67.
79 Let’s Go with Labour for the New Britain, p270.
commitment to supranationalism to make it a reality. This reflected the stance he took in Cabinet, as well as his speech in Strasbourg in January.\textsuperscript{80}

Notwithstanding the potential political benefits Wilson foresaw, however, he reinforced that a Cabinet decision to seek membership implied ‘no commitment about entry until the terms which emerged from the negotiations became known’.\textsuperscript{81} In other words, the duty of Britain and its European partners to play their role in easing world tensions was nonetheless dependent upon acceptable terms of entry for Britain. In fact, political arguments were a rhetorical device to generate support within the Party, and strengthen Britain’s negotiating position with the Six. Wilson ended his PLP speech with a reminder that this was the start of a deep and wide debate on the future of Britain, reiterating that the final decision on membership must await the outcome of negotiations. The PLP had opportunity neither to comment on his speech, nor to express their opinions in a vote. In this way, the positions of the undecided PLP members remained fluid right up to the House of Commons division two weeks later.\textsuperscript{82}

Although the PLP’s Commons rebellion on May 10\textsuperscript{th} against the Government’s application for membership included some 81 members (a quarter of the PLP), the Government Whips considered that this was much smaller than the actual figure

\textsuperscript{80} See Chapter 6, p226.

\textsuperscript{81} Wilson, The Labour Government 1964-70, p497.

\textsuperscript{82} LCE member Robert Maxwell had requested during the final meeting that the PLP should vote on a motion at the end of Wilson’s speech. Confident of a large majority in support of the Prime Minister, such a vote might be expected to muffle criticism from the anti-Marketeers in the Party. However, as no such motion had been submitted in advance, the PLP Chairman disallowed Maxwell’s request. (LHA PLP minutes, 27/4/67) And this was part of the careful management of the Party debate: the outcome of a PLP vote before the Cabinet had reached its decision would have become public knowledge, and the strength of opposition to membership within the PLP, expressed in the ‘privacy’ of a PLP meeting and without compulsion of the Party whip, was likely to reflect the reservations of a large minority of PLP members over the costs and indeed principle of entry, and therefore embarrass the Government or compel Wilson to make a conditional application. A PLP vote might also have influenced Cabinet members before their final decision was taken, when it was Wilson’s desire for Cabinet opinions to influence the Party. This problem would be avoided without a vote.
opposing membership.\textsuperscript{83} Three factors in particular contributed to limiting the rebellion. Firstly, the Whips made plain to wavering PLP members that no decision on the principle of entry could be made until the available terms of entry were known, so the current vote was simply an interim arrangement pending the outcome of negotiations.\textsuperscript{84} Secondly, with municipal elections falling on the same day as the House of Commons division (and following on from Labour’s poor performance in the GLC and local elections in April), there was a premium on Party unity – if Labour MPs could not be relied upon to support the Government in the Commons, this was hardly a good example for the Party’s activists and supporters at local level.\textsuperscript{85} Thirdly, some discipline had been re-imposed in the PLP in March 1967 following the Prime Minister’s ‘dog licence speech’, where Wilson admitted a conscience vote for individual members but warned that large and organised rebellions (on this occasion over the Government’s defence expenditure plans) were an abuse of the liberal regime of Party management.\textsuperscript{86}

The size of the rebellion, with 51 members abstaining and 35 voting against the application, was larger than the ‘not more than fifty or so’ estimated by the Chief Whip John Silkin.\textsuperscript{87} Moreover, it occurred against his express warning, in advance of the Commons division on the application, that the three-line whip was a confidence vote in the Government therefore rebels would effectively be supporting the Government’s downfall.\textsuperscript{88} The size of the PLP’s rebellion reflected frustration within the Party, not only that the Government had abandoned its distinctive policies, but also that the Government refused to listen to its own MPs.\textsuperscript{89} Additionally, Wilson’s ‘dog licence’ speech was taken in a \textit{Tribune} editorial as a warning to behave in a future vote on

\begin{itemize}
\item \textsuperscript{83} Deputy Chief Whip Brian O’Malley, quoted in Robins, \textit{The Reluctant Party}, p64.
\item \textsuperscript{84} Robins, \textit{The Reluctant Party}, pp63-64.
\item \textsuperscript{86} LHA PLP minutes, 2/3/67; Benn, \textit{Out of the Wilderness}, entry for 2/3/67, pp489-490; Robins, \textit{The Reluctant Party}, p63.
\item \textsuperscript{87} Crossman, \textit{The Diaries of a Cabinet Minister: Volume Two, 1966-68}, entry for 30/4/67, p336.
\item \textsuperscript{88} LHA PLP minutes, 10/5/67 (wrongly dated in the PLP minutes as 11/5/67).
\end{itemize}
Common Market entry, and may therefore have been counterproductive. The anti-Marketeers had largely failed to organise any other effective method to communicate with the Government. As with the Cabinet opponents of entry, PLP anti-Marketeers made unhappy bedfellows, representing left and right in the Party; they had clashed several times in this Parliament – in particular over Vietnam and prices and incomes policy. This prevented a coherent critique of membership, much less agreement on an alternative. As one anti-Market backbencher remarked, ‘the alternative to suicide is not to commit it’, yet this provided no solution to the shortcomings of the Government’s economic performance. The PLP’s anti-Marketeers also lacked a leader: on the backbenches, Shinwell was the strongest critic of the Community, yet his opposition was undermined by his opinions on Party discipline. He resigned as PLP Chairman in protest to the liberal regime of Party management, yet his opposition to Community membership demonstrated the very need for a flexible PLP approach to supporting the Government. The most prominent anti-Marketeers in Cabinet were gagged by collective responsibility, and their failure to resign following the application signalled their complicity. Unable to organise effective resistance to the application, the only option for PLP anti-Marketeers was to disobey the Party whip. Nonetheless, the PLP rebellion could not alter the Government’s course when a three-line whip was imposed by the Conservative Party to support the application. Nor did it secure the anti-Marketeers greater input into policy-making.

Controlling debate and access to information were tactics Wilson also employed to prevent the NEC and Transport House influencing the Government’s European policy. Although Party officials at Transport House had reservations about changes in the direction and pace of the Government’s approach to Europe without a Party decision authorising it, the division of responsibilities between the Overseas and Research Departments frustrated their consideration of European policy. Not until March did the departments begin work on a joint paper, for either NEC or PLP discussions, however Wilson’s arrangements for PLP debate overtook these plans, and the paper was

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92 See Chapter 6, p220-221.
shelved.\textsuperscript{93} There is also evidence that suggests Wilson, aided by Burke Trend, suppressed circulation and consideration of a Transport House paper opposing membership when Cabinet met at Chequers for its final substantial discussion of European policy.\textsuperscript{94} Such papers were to be resisted by Wilson as they could tie the Government’s hands in any future negotiations if they insisted upon minimum conditions for entry acceptable to the Labour Party, when it was the Government’s duty to represent national rather than sectional interests.

The NEC fared no better in shaping the Government’s European policy. NEC minutes for March 1967 show that not until members asked for a discussion on the Government’s European policy did Wilson offer that he and Brown would make a ‘considered report’ at the NEC’s next meeting.\textsuperscript{95} This stalled discussion in the NEC for another month, by which time the Cabinet was well advanced towards accepting membership. On this occasion, Brown outlined his views on the advantages and disadvantages of British membership.\textsuperscript{96} The minutes record no more than a discussion taking place, yet it was agreed that the matter be considered again at a future meeting, suggesting that NEC members were unsatisfied by Brown’s report and their inability to influence Government policy. However, the NEC was unable to exercise any restraint over the Government, nor record its views via a vote. It was sidelined, in a similar way to the PLP.

Nor did influence over the decision to seek membership extend to the wider Party at constituency level. The Party Conference (which eventually endorsed the

\textsuperscript{93} PRO FC030/252, Statham to Hancock, 20/3/67, and also R.J. O’Neill’s handwritten comments on this document, dated 22/3/67.

\textsuperscript{94} Helen Wallace notes that Terry Pitt’s attempts to circulate a Transport House paper on membership were frustrated (Wallace, ‘The Domestic Policy-Making Implications of the Labour Government’s Application for Membership of the European Economic Community, 1964-70’, pp178-179), but it is unclear if this was the joint paper produced by the Research Department and the Overseas Department in March 1967. She also questions Pitt’s reliability as a source.

\textsuperscript{95} LHA NEC 7/1966-67, EEC, 22/3/67.

\textsuperscript{96} LHA NEC 8/1966/67, EEC, 26/4/67. (Wilson was absent in Bonn for the funeral of Adenauer.)
Government’s policy by a 2:1 majority\(^{97}\) was five months away, therefore the Government did not canvass support at local levels. The minutes of the NEC’s Overseas Sub-Committee for May 9\(^{th}\) recorded a surge in requests for information on the Community, indicating an interest in the constituencies.\(^{98}\) However there had not, thus far, been any systematic effort to transmit information from the central Party organisation to the local level, not least because Transport House itself was sidelined before Wilson announced the decision to seek membership. The Sub-Committee agreed to order fifteen hundred copies of the Prime Minister’s speech in the House of Commons of the previous day to satisfy requests; but to set this in context, Frank Cousins, after Gaitskell’s speech to the 1962 Party Conference, pledged his union to fund the printing of one million copies of the speech.\(^{99}\) In May 1967 the onus appeared to be on constituency parties to request information, however Transport House did not have a prepared Party document ready to meet this need, and could only circulate Wilson’s public speech, which would not, in any case, arrive until after the Government had committed to the application, thereby denying constituency parties any opportunity to comment on policy or stipulate conditions of entry. Anne Deighton notes that only a handful of resolutions on European policy were submitted for the 1967 Party Conference, suggesting that the issue was of lesser importance to the CLPs than others, such as Vietnam.\(^{100}\) Whilst this may be the case, it was achieved through Wilson’s attempts to limit information, not only to avoid a Party split, but also to retain for himself the ultimate decision on what constituted acceptable terms of entry.

If the Party leaders felt they could afford to bypass Transport House, the NEC, and the wider Party, they made greater efforts in winning over the trade unions, recognising that their support was necessary to make entry a success. Wilson had already involved the TUC via the Industrial Consultative Committee, although its scope was limited. Additionally, the TUC Economic Committee had consultations in

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Whitehall, during and after the probe tour, to discuss their concerns regarding entry, including agriculture, economic planning, social policy and sterling. In recognition of the political necessity of union support for entry, Brown gave indications that trade unionists’ interests would be addressed by membership, for instance, undertaking that after entry the Government would try to improve the influence of union leaders in the Community. (The declining role of trade unionists within the Community institutions (occasioned by the fusion of the three Community executives) had been cited by union leader Clive Jenkins as an indication that the Community was undemocratic.)

Another reassurance given to the unions was that, as Cabinet had discussed, Exchequer savings resulting from membership could be used to offset the higher food costs through social distribution policies. Both these assurances became incorporated into the TUC’s report to the 1967 Congress, proposing support of the Government’s application. In other words, the Government secured TUC backing for membership by addressing issues of specific interest to trade unionists.

Notwithstanding the efforts to court the trade unions, however, endorsement of the Government’s application for membership at the TUC Annual Congress in September 1967 was agreed at a price. Frank Cousins, now returned as the TGWU’s leader after his stint in Wilson’s Cabinet, insisted that a special TUC conference be held when terms of entry became known. Although this went no further than the PLP had done, in that MPs’ support for the application was secured on the understanding that the eventual decision would await the terms, the TUC was the only section of the Labour movement to explicitly reserve its position on membership, made possible because it was the only section with a source of power independent of the Party leader. Wilson

101 PRO FCO30/250, ‘TUC Questions on the Approach to Europe’, FO Minute by Charles, 22/2/67; PRO FCO30/250, Note of a Meeting in First Secretary’s Room, 23/3/67; PRO FCO30/250, FO Minute by Hancock, 4/4/67.
102 PRO FCO30/250, Marjoribanks to Statham, 11/7/67.
could dominate the NEC and the PLP, and controlled Transport House via these two. Yet he had little effective sanction against the trade unions, which were already disillusioned with the Government after continued battles over incomes policy. The TUC formally retained its right to object to membership when the terms were known, thereby explaining the close attention paid to it by Government ministers during the policy-making process. This did not necessarily concede a policy-making role to the TUC, nonetheless their interests were considered in a way that neither NEC, PLP nor the wider Party’s concerns were regarded. If, as Robins notes, the TUC was the ‘most pro-Market decision-making forum within the wider Labour movement’, then their reluctance towards an unconditional application indicates much deeper reservations held within the Labour Party than the House of Commons vote or the lack of anti-membership pressure group activity would seem to imply. This, in turn, demonstrates Wilson’s effective management of the application.

**Conclusions**

When Wilson presented his Government’s application for Community membership to the House of Commons on May 2nd, his speech reflected the rationale for entry he had given to the PLP a week earlier. He did not downplay the serious economic difficulties associated with British entry, but he remained optimistic that they could be met in entry negotiations with the Six. Importantly, he did not specify the minimum conditions acceptable to the Government. Yet the political arguments were decisive: Britain’s duty was to play a full part in the ‘great move forward in political unity’, on which Europe was poised. He made clear that membership was the ‘right’ choice, for Britain and for Europe. Nonetheless, he stressed that Britain did indeed have a choice: it was ‘not a question of “Europe or bust”’, there was no doubt about Britain’s ‘power to survive and develop outside the Communities’.

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Yet this masked the future difficulties for the Government for ‘going it alone’. As Cabinet ministers were forced to acknowledge, the Government’s performance had been hampered by the persistent balance of payments deficit, and the problems it created for the implementation of Labour’s alternative economic strategy. The extent of the Government’s failings was forced home to ministers in recognising that the GIT A option could not be sustained without at least an attempt at gaining Community membership. Cabinet approval for an application would swing the wider Party behind support for entry, without having to reveal to those outside the Government the extent of the crisis. Had Wilson declared publicly that Britain had little option but to seek membership, it would have been a startling admission of his Government’s failings. It would also have undermined the bargaining position in negotiations for the terms of entry. Nonetheless, the decision to seek entry acknowledged (at least within the Cabinet) that the Government now considered the European context as providing the best forum in which to promote Labour’s domestic goals for regional development and industrial modernisation. Responsibility for these aims would be transferred away from the national level, to be fulfilled through the Community framework. This was a remarkable admission for a Labour Government that took Office committed to the national Government’s role in moderating the economy.

This confirms Helen Parr’s conclusions that Wilson saw no choice but membership, however this requires qualification. Whilst this may have been true in the longer-term, Wilson at least saw that an application was tactically necessary in the short term, even if rebuffed. Without an attempt to seek membership, GIT A was not an option. Only once a genuine attempt by the Government to join the Community had tried and failed (through no fault on its part), would EFTA countries’ desires for membership be addressed (in the short term, at least), enabling the retention of EFTA, which was vital to Britain’s future viability outside the Community. It would also show British public opinion that the difficult domestic measures necessary to go it alone were vital; there could be no escape into Europe. The second choice, GIT A, was only feasible if and when the first choice failed. Therefore the application for entry widened

options for Britain that would otherwise be closed off. For all Wilson's enthusiasm for entry, he had not discounted the possibility of failure, and the backup position was part of his strategy.

Anne Deighton notes that the application was presented as a largely economic enterprise, and that Wilson did not explain the full political significance of membership, in terms of limiting Britain to a European, rather than worldwide, future role. This too requires qualification. Although the decision-making process inside Government was largely based on the economic benefits of membership judged against the consequences of non-membership, Wilson presented European policy in public by reference to the political gains of enlargement of the Community. This was to strengthen his bargaining position, and to appeal to a higher instinct amongst his own Party's doubters. That he did not present the full political consequences, in terms of altered dynamics of Britain's relationship with the US and the Commonwealth, was largely because he had not yet fully accepted them himself. This was a consequence of the necessity to retain GITA as a reserve option. In the event of a veto blocking British membership, Britain would be dependent on its existing alliances - with the Commonwealth, EFTA and the US. Therefore, as Philip Alexander has argued, the Government did not forsake all Commonwealth interests in order to placate de Gaulle and gain entry. Nor would it give up the Atlantic Alliance. The application may have been more successful had Wilson adapted all his policies solely to secure membership; that he did not, reflects the uncertain prospects for the application. Although the application for membership was made with full and firm determination from Wilson, its ambiguities were an acknowledgement of the difficulties that lay ahead in achieving entry. He had engineered Cabinet, Party and Commons approval for the unconditional application with skill. The ball was now in de Gaulle's court. Within a week of the application being submitted, de Gaulle's reply came, in what became known as 'the velvet veto'.

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112 Alexander, 'From Imperial Power to Regional Powers: Community Crises and the Second Application', pp203-204.
Conclusions

De Gaulle’s press conference, coming five days after the British application for Community membership was submitted, stated that there was no question of a French veto preventing membership. However, de Gaulle’s objections to British entry – on the grounds that it would disrupt the progress made by the Six during ten years of integration – certainly indicated that he had little confidence that Britain was yet a suitable candidate for admission to the Community. Only once Britain had ‘first and for itself carried out the fundamental economic and political transformation’ necessary to enable membership, would France ‘wholeheartedly … welcome such a historic conversion’. Veto or not, there was little doubt that de Gaulle did not approve of British membership, nor did he accept Wilson’s presentation of British entry offering benefits in terms of European political strength. De Gaulle would not allow the Government to transfer its economic problems to the European context in order to find external solutions, nor would he sanction the dilution of the Community’s European character implied by the entry of Britain and its EFTA partners. This setback did not amount to a formal veto, however, thus the Government continued to press the application, Brown outlining the case for British membership to the WEU meeting held in July 1967, a forum where the members of the Community and Britain met as equals.

The Community’s Council of Ministers had yet to consider the British application when, in November 1967, the Government was forced to devalue the pound by 14.3%, switching from a rate of $2.80 to $2.40. Ironically, although devaluation was well acknowledged as a prerequisite to membership, de Gaulle, in his November 1967 press conference, cited sterling’s instability as an example of Britain’s ill-preparedness for entry: Britain’s economic vulnerability could undermine the economies of the Community. De Gaulle resented ‘the extraordinary insistence and

2 Brown’s speech to the WEU, 4/7/67, quoted in Kitzinger, The Second Try, pp189-201; Brown, In My Way, pp221-222.
haste’ of the British application, considering that British economic health should be fully restored before opening any negotiations for membership. At the December 1967 meeting of the Council of Ministers, French representatives pressed this point, against opposition from the Five; therefore the British application was effectively blocked.4

The application remained on the Council’s agenda, nonetheless, and this was matched by the Government leaving the application open,5 eventually to be taken up in 1969, after de Gaulle left Office, and resulting in successful negotiations in 1970-71 under Edward Heath, leading to British accession to the Community in 1973.

The failure of the application to achieve its primary objective of securing British Community membership has often been regarded in accounts of Britain’s relations with Europe as a coda to the first application by Macmillan: that the Labour Party reluctantly agreed with its Conservative predecessors that Britain’s world role could no longer be sustained. The Labour Government’s application has been characterised as a failed policy in that it was a half-hearted attempt to reconcile Britain’s world role within the Community in a manner that France, at least, found unconvincing. However, recent historians have taken exception to this view, noting that the application achieved alternative external gains, for instance in preventing NATO disunity in the face of French unilateral withdrawal from NATO integrated command structures, and preventing the emergence of specifically European security arrangements dominated by the French in confrontation with the US.6 Additionally, the application has also been posited as an important ‘staging post’ towards eventual entry in 1973.7 Such recent interpretations have given renewed vigour to the debates surrounding the second application. It has been the intention of this thesis to engage in the ongoing debate, by foregrounding the domestic circumstances that shaped the evolution of Wilson’s

4 PRO PREM13/1488, FO Guidance Tel. No. 318, 20/12/67.
5 PRO CAB128/42, CC(67)73(3) Approach to Europe, 20/12/67.
European policy, in an effort to make sense of the apparent contradictions in his policy that led earlier commentators to dismiss it as an abject failure.

When Labour came to power in October 1964, there was little prospect of closer relations with Europe, not only after de Gaulle’s veto of the first application some eighteen months earlier, but also because the Labour Party appeared indifferent to the Continent. Indeed, Labour’s first actions towards its European partners – in imposing the industrial import surcharge, and attempting to end the Anglo-French Concorde project – substantiate this impression. Labour’s domestic and national objectives illuminate the reasons for the Party’s indifference. Labour’s concept of national interests was informed by an obligation to the multiracial Commonwealth, politically and militarily, but also as a source of cheap food and raw materials, with which to supply Britain’s manufacturing industry. In addition, the Labour Government aimed to maintain the external value of sterling in view of its use as an international trading and reserve currency, not only as a symbol of national virility, but also in commitment to Commonwealth holders of sterling reserves. Interests extending beyond national borders aligned Britain closely with the US, whose currency was the other (dominant) international unit of trade, and who also shared worldwide defence commitments. As well as Commonwealth defence commitments, Labour’s concept of national interests also rested upon support for the Atlantic Alliance in European defence to prevent hostility from the Soviet Union, and to this end, Labour would maintain the British security role in Germany.

In 1964, Labour was committed to a domestic programme of national planning to restore economic competitiveness with other industrialised nations, that was built on Labour’s commitment to the state as the best means to mitigate the excesses of the capitalist economy. By improving the economic base from which power derived, Labour would be able to further its domestic social objectives of redistribution, as well as its international aims, to mitigate the inequities between rich and poor nations, and to promote world peace and stability. (These objectives were not, however, unanimously held within the Labour Party, but an aggregation of the different ideological strands of thinking incorporated within the Party.) Relations with Europe were thus confined to defence and trade, and with existing machinery through EFTA and NATO securing
these, Labour’s programme in 1964 had little need for maintaining the prospect of British Community membership.

In addition, Conservative support for membership provided an additional political stimulus for Labour’s apparent hostility towards the Community. In the 1964 General Election, Labour drew attention to the failed Conservative application and negotiations for Community membership in 1961-63, to highlight the Conservative Party’s inability to provide solutions to the domestic economy’s difficulties. This was contrasted with Labour’s alternative plans to revitalise the economy, and through it, the country; and was partly a reflection of deep-held reservations about membership within the Labour Party, but also a convenient method to make political capital from Conservative failures. Yet Labour had its own internal pro-entry faction, accommodated by Gaitskell’s 1962 Party Conference speech that, although erecting obstacles to British membership in the form of national and Commonwealth safeguards, had never opposed the principle of entry. The Party’s five conditions meant the decision on entry always revolved around the terms rather than the principle, which was necessarily a subjective judgement. Wilson, as Prime Minister, was in a position to determine what costs were acceptable, based on the national interests of the day. As domestic circumstances altered and foreclosed on Labour’s alternative economic strategy of national planning, in turn straining many of Labour’s external commitments to the point where they were no longer justifiable, Gaitskell’s ambiguous formula was to provide the means for Wilson to support membership in 1966-67, whilst also opposing it on other occasions.

Upon taking Office, Wilson’s Government was faced with an £800 million balance of payments deficit, which threatened the programme of national planning (and was, eventually, to destabilise it completely in July 1966). The immediate measures taken to address the deficit – the temporary import surcharge, and plans to withdraw from the Concorde project – dictated the manner of the Government’s relations with its European neighbours in EFTA and the Community. Devaluation was not a viable solution at this time, as it would undermine national planning. The surcharge offered the best option, within the constraints of the deficit and the desire to maintain the sterling parity, from which to launch the Government’s economic planning strategy.
Economic difficulties over the coming years, necessitating reliance upon international loans, particularly from the US, meant economic dependence bolstered an underlying disposition from Wilson towards Atlanticism.

As the political fallout from the import surcharge began to threaten the viability of Britain's existing trading relations within EFTA, and the measures to address the payments deficit were shown to have only temporary benefit, the Government required a means to reverse these problems. The Vienna bridge-building initiative was a device encompassing several objectives: enabling the import surcharge to continue whilst also rehabilitating Britain's reputation within Europe; satisfying EFTA concerns for closer trading relations with the Community; and offering limited prospects for increased trade and cooperation between the two European groups. It was not, however, a signal that Wilson would be ready to accept the price of future membership of the Community, but an indication that the Government needed an alternative method to maintain existing advantages to Britain, to boost trade in order to avoid both domestic deflation and devaluation.

Maintaining the value of the pound was made harder by the failure of the national economy to make improvements. Domestic resistance to the conditions of wage restraint, necessary for the implementation of national planning, hindered progress towards recovering economic viability. This in turn drained confidence in the value of sterling, given that it was dependent on a healthy economy, and strained the Government's finances through the commitment to support the parity.

The Community's empty chair crisis threatened prospects for increased trade that could alleviate the problems caused by balancing planning and the parity, not only by preventing any progress towards closer cooperation between EFTA and the EEC by stalling the bridge-building initiative (which had, in any case, only limited scope for practical commercial gains), but also by jeopardising the Kennedy Round of trade talks, where Britain's objectives were to secure industrial tariff concessions from the Six in order to mitigate the effects of the Community's Common External Tariff. If export markets contracted, no amount of Government-inspired domestic industrial reforms would restore competitiveness to boost British trade. Wilson began to see that his Government's economic strategy, reliant upon national and domestic mechanisms to
increase productivity and competitiveness, had inherent difficulties because the conditions of international trade could not be controlled at the national level. Attempts to revitalise the Commonwealth through coordinated trade agreements showed little chance of success to overcome the problems. Moreover, the continued vulnerability of sterling, necessitating international loans, placed additional burdens on the Government’s economic strategy, with domestic deflationary measures a condition of international support. This brought home to the Government the difficulties involved in national economic sovereignty.

Britain’s relations with its Commonwealth partners were also aggravated by the Government’s inability to secure domestic industrial improvements. The cost of maintaining defence commitments east of Suez was a heavy burden on Government expenditure, which, without a successful strategy for restoring the national finances, was increasingly hard to bear. Recourse to international credit agreements enabled the Government to continue Britain’s worldwide defence role, but this created a level of political and economic subservience to US interests that many in the Labour Party considered unacceptable.

Hence there was a perceptible shift, during Wilson’s first term in Office, in Government opinions on which aspects of Labour’s concept of national interests were feasible. This gave rise to increasing interest in Community membership amongst ministers and officials as an alternative method of boosting economic growth, yet was tempered by the knowledge that, as well as being politically difficult to achieve, entry would also require harsh domestic deflation, further undermining the Government’s planning objectives. Nonetheless, structural reforms to increase British industrial competitiveness would bear little fruit with export markets contracting and no substitute in sight.

Labour’s policy towards the Community was also conditioned by electoral needs in March 1966. Given the closeness of the Conservative and Labour parties in terms of popular support, modifying Labour’s previously negative stance on membership offered a method of closing this gap between the two main parties, when British Community membership was increasing in public popularity. Balancing the imperative to retain his own Party’s cohesion with the requirement to neutralise the issue, Wilson took
advantage of the Gaitskell formula to give a more positive sign that the Labour Party was ready to consider membership, but only on the right terms. Defusing the issue in the electorate’s choice ensured that the floating (Liberal) voters, who largely favoured entry, would not, then, be put off by Labour’s hostility to membership.

The interest in membership was consolidated by the July 1966 crisis, which exposed the conflict between planning and maintaining the parity. The deflationary measures enacted to avoid devaluation signalled the end of the National Plan, and the failure of the Government’s alternative economic strategy. There was now a void at the centre of the Government’s programme. With the Labour Government unable to succeed in its aims to strengthen the British economy through structural reforms, the Community became a more attractive prospect, and correspondingly, interest in membership gathered pace and support amongst policy-makers. With national planning in ruins, objections to Community membership on the grounds that it would hinder national planning and economic control were largely academic: the Government’s inability to promote and adequately support its planning experiment had already demonstrated that economic sovereignty was largely a myth.

In authorising the probe tour of European capitals in November 1966, the Cabinet acknowledged that an external solution to Labour’s failed economic planning now offered the best method to restore British viability in the long term. The probe tour also had immediate dividends, in minimising the damage to sterling expected to arise from developments in the Rhodesian crisis, and the end of the import surcharge. The probe tour revealed that there was a general level of sympathy for British membership amongst the Five, who indicated a readiness to accommodate (limited) British and Commonwealth interests in negotiations for British accession. Bolstering this assessment that membership offered the best alternative were political considerations: without economic viability the east of Suez role could not be sustained, which in turn would alter the dynamics of the special relationship.

Given the understanding that the national level was no longer able to fulfil the Government’s economic and domestic objectives, membership would now enable them to be transferred to the European sphere. Although not explicitly admitted, membership also offered the additional potential advantage of providing a face-saving method of
addressing sterling's overvaluation, which had thwarted the Government's domestic economic programme from its first day in Office. In sum, membership would provide a valuable solution to the persistent difficulties the Government was unable to resolve within the national context.

Cabinet consideration of the outcome of the probe tour was framed to demonstrate that even the option of going it alone (without access to any new external grouping) was unfeasible without first exposing that rather than a British unwillingness to address its problems, it was French intransigence that prevented Community enlargement: an industrial free trade area would not satisfy EFTA members in the long term, and Britain's international creditors needed reassurance that the Government would take steps to tackle its economic problems. In other words, simply the submission of a sincere application, regardless of its outcome, would widen Britain's options by satisfying international and EFTA opinion in forcing de Gaulle's hand. Unwilling to reveal the extent of his Government's failings, however, Wilson did not present his policy in these terms outside the Cabinet.

Wilson's European policy evolved in a piecemeal way, responding to domestic and external concerns that impacted on his assessment of British national interests. During his first administration, Wilson's attitude to Europe was an aggregation of factors, economic, political, partisan and electoral. Wilson was more responsive to the PLP's anti-Marketeers, as the Parliamentary situation could be imperilled by only a small band of implacably opposed hardliners. With little prospect for membership at this time, however, he had to do no more than uphold the Party's five conditions to satisfy them. The actions of the Party's pro-Marketeers during the first administration were more problematic, largely because their pressure for a more accommodating policy towards Europe provoked an anti-Market response within the PLP. Disputes over membership could cause a Party row and any threat to unity would have an impact with the electorate, when a General Election could be forced at any time.

Only when he became better disposed to the idea of membership, throughout the first half of 1966, did Wilson's approach to policy management change. This was seen in the establishment of specific Whitehall machinery to control European policy, and the ministerial responsibilities given to George Thomson and George Brown.
With the majority secure, the PLP’s anti-Marketeers lost their leverage over the Prime Minister: Conservative support for entry effectively neutralised them. Wilson became far more responsive to the pro-Europeans in the PLP and Cabinet, not only by the force of their arguments and the general direction of economic events, but also by their ability to threaten his leadership, especially when considered in conjunction with widespread disappointment at his stewardship over the first two years in Office. Dissent over Wilson’s style of governance and his policy choices left him vulnerable to rumours to overthrow him as leader, which he, if few others in positions to gain from them, took seriously. Having disappointed Cabinet and PLP members in July 1966 by refusing to sanction sterling devaluation, Wilson became more disposed to right-wing pro-entry pressure, recognising the need for an external solution to the demise of the Government’s planning strategy, as well as a way to secure his Party position. This demonstrates the complex, dynamic relationship between policy issues and Party influences that affect policy development. It also indicates Wilson’s pragmatism: he was willing to use the issue of membership as a tool to restore his standing within the Party, aligning himself with the pro-Europeans within the PLP to prevent his challengers for the leadership increasing their status at his expense.

With Wilson’s political will engaged in steering the Party towards endorsing the application, he adopted creative methods to limit dissent. When Wilson became fully engaged in the approach to Europe, maintaining Party support was vital, not only to increase its chances if success, but also in terms of Wilson’s self-image. He was a leader who, according to Peter Hennessy, ‘put party unity on a very high pedestal’. Given the discord over both his style and policy choices, he was careful to limit dissent over the contentious issue of membership by skilful management of the Party. The probe tour was a factor of this, serving Party needs by allowing a period of adjustment to the idea of membership. In addition, his own presence on the tour reassured the PLP’s doubters that he would remain a strong defender of British national interests in any application, and would prevent Brown’s enthusiasm for entry from overriding the conditions necessary in order to make membership an acceptable prospect. The

8 Hennessy, The Prime Minister, p289
technological community theme was also designed with a Party function in mind – technology was a common ground amongst the Party’s factions, evoking technological cooperation to serve the Party’s objectives of modernisation.

In generating Cabinet approval for the application, Wilson adopted a consensual style, sharing information about the extent of Britain’s difficulties in remaining outside the Community in order to secure support. But the powers accruing to Wilson as Prime Minister, in setting the terms of the debate, allowed him to direct the Cabinet towards approving the application, without conceding them any opportunity to specify minimum conditions on what would be acceptable in negotiations for entry.

Without revealing to the PLP the extent of concern about the economic strategy’s failings, Wilson had to impose his European policy on the PLP. The PLP having had little direct impact on European policy-making after Wilson made membership his personal policy during the probe tour, Wilson was nonetheless anxious to contain a PLP rebellion in the House of Commons vote approving the application in May 1967. Opinions were canvassed in PLP meetings, but Wilson, exploiting his close contacts with the managers of the Party, set the agenda and terms of reference for this debate, making clear that PLP opinion would inform the ongoing Cabinet deliberations, but would not mandate them, either on the decision whether or not to apply, or on any specific minimum conditions of entry. Apparent caution on the terms of entry Wilson would accept, and the implication that the decision of principle could not be taken until the terms were known, were tactics to minimise PLP dissent to his European policy. When the application was launched in May 1967, Wilson’s theme of European political unity was also framed with an eye on the Party’s dissenters. Presenting the application in terms of its wider benefits to the whole of Europe isolated anti-Marketeers, forcing them into a position of denying the Party’s aims to mitigate conflict in the world.

Wilson’s skilful management of the application limited the opportunities of the significant anti-Market minority in the Party for opposing the application. By steering the Cabinet round to endorsing entry, he prevented a vertical coalition between opponents of entry in the Cabinet, the PLP, and the wider Party. This was assisted by a number of factors: his presentation of the policy as an interim decision pending the outcome of negotiations; continuing ambiguity about exactly what entry would entail.

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for Britain's world role; and his public presentation of the British bid in terms designed to appeal to common Party goals. Their own divisions also prevented effective opposition by the anti-Marketeers. With differing concepts of both the Party's aims, and the best methods to achieve them, they could not offer any alternative to entry. As Benn noted, the conditions for an effective Cabinet resignation included following it up with a vigorous campaign in support of the reason for the resignation. But Wilson's careful management and presentation discounted this possibility, as the anti-Marketeers in Cabinet could only press their objections to entry (which, in any case, ran counter to the Party's official policy of readiness to enter) rather than an agreed alternative with which to fight the application.

Given their failure to influence Wilson's decision, the PLP's anti-Marketeers were forced to use unorthodox methods to highlight their opposition - siding with the largely anti-Labour press, who relished the chance to expose the Government's internal difficulties; and rebelling in the Commons division. This demonstrated that other means of backbench pressure had been ineffectual.

Wilson's European policy had to be presented as meeting national interests. In October 1964, Labour's programme of national economic planning was presented as the best method to secure national prosperity. By 1967, with the planning experiment discredited, Wilson now recommended the application as the best method to secure British economic and political interests. Presentation of policy, in terms of political rhetoric, demonstrated that membership was consistent with the national interest, in securing the best opportunities for peace, stability and economic prosperity. Cross-party consensus also bolstered this perception. And Wilson's authority as Prime Minister gave the policy legitimacy. After he had taken up the case for membership, favourable public opinion to membership was a resource: he could present his application as being both in national interests and responsive to popular support. In the

event of the application’s failure to achieve membership, the damage to him was limited; he was, after all, following the public’s wishes.

Wilson’s application was submitted without conditions and endorsed by the largest House of Commons majority (on a contested policy) for over a century. In less than three years since taking Office, he had steered his Party round from its very different objectives of 1964. His European policy evolved as a series of pragmatic responses to electoral necessities, as well as failings in the domestic economy and their impact on Britain’s external relations. That it contained inherent inconsistencies (in terms of not fully embracing the political conditions necessary to its success) reflected the fact that it was an imperfect solution to the problem of reconciling Britain’s domestic and national objectives with its economic means. Moreover, with its chances of success doubtful because of de Gaulle’s hostility, it also represented the fact that Britain could not forego its existing alliances before membership was secured, as they would provide the base from which to pursue domestic and national objectives in the event of a veto. Ambiguity about the extent of the commitment implied by the application, and also about what membership would entail for Britain’s existing national interests, helped Wilson gain his Party’s acquiescence for the entry bid without their fully informed consent. Although such a policy management style of central control and imposition stored up problems for the longer-term, the Party’s approval of the application was a tactical success for Wilson. He had shifted them from an ideologically driven commitment to national planning, to endorsing an unconditional application for membership of a supranational organisation. This was not Wilson’s intention when he first took Office, confident of his ability to restore economic health by national planning. But when planning failed (in response to conflicting national objectives) Wilson’s assessment of national interests altered, and he now saw a method to transfer at least some of his domestic and national objectives to the European sphere. The application was swiftly followed by the announcement in July 1967 of a timetable for withdrawal from east of Suez, and some five months later, devaluation. Given that membership was widely accepted as necessitating devaluation, the application suggested that Wilson’s commitment to the pound was, in Pimlott’s words, ‘not
Although devaluation was forced rather than planned, and was indeed a personal failure for Wilson, the application furthered national interests by contributing to forcing the decision that was necessary to restoring British economic viability, either in preparation for membership, or to make going it alone viable.

Wilson succeeded, via the application, in rehabilitating his personal standing with the Party’s pro-Europeans, as well as preventing the Conservatives from monopolising the issue, or making capital out of Labour’s hostility to membership. The application also succeeded in making the Labour Party acknowledge that Britain’s interests had to take account of Britain’s trading relations with other industrialised countries. This was a more realistic assessment than some on the Party’s left, who called for disengaging from political commitments to create a socialist ‘little England’, that relied upon reviving the Commonwealth economically. Given British reliance on industrial exports, and the trends in international trade towards regional alignments, the Commonwealth could not fulfil this role, indeed was not prepared to sacrifice its interests for the sake of British national interests. Events point to a willingness to accept a change in Britain’s national and domestic interests, a diminution of world role. The failure of Labour’s domestic economic strategy, and the impact of this on Britain’s wider national interests, suggests Wilson’s European policy was a pragmatic response to the changing basis to fulfil national and domestic objectives.

It has been the basic contention of this thesis that Labour’s European policy is best understood when set within the domestic context: in other words – to borrow from Stephen George – domestic politics do matter. Wilson succeeded in moderating the ideological focus of the Labour Party’s policies, towards a pragmatic assessment of national and domestic interests, based on both the realities of Office, and the interdependency between nations. This was a gradualist rather than radical approach to altering British perceptions of national and domestic interests. That this left many in the Party disillusioned and confused about the nature and extent of British objectives domestically and nationally, and stored up problems for the future, was a factor of the

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problem, identified by former New York Governor Cuomo, whereby 'you campaign in poetry; you govern in prose'.

14 Governor Cuomo, quoted in Healey, The Time of My Life, p252.
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