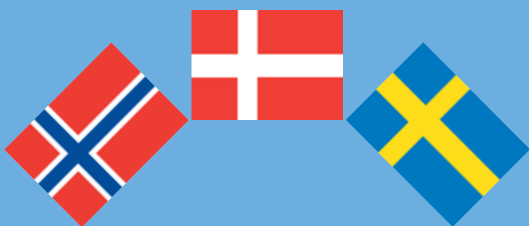
Scandinavians said No to the Euro

What Euro-supporters said before the Danish referendum, and did their predictions come true?



The People's Movement against EU Delegation in GUE/NGL

Three countries where the people decided

In 1994 the Norwegians voted No to EU membership for the second time and thereby kept the Norwegian krone. The Danes rejected the Euro-currency in 2000 and the Swedes did the same in 2003. In all three countries voter turnout was higher than 80% and there were intensive national debates before the referendums.

Of the current EU member states only Denmark and Sweden have had separate referendums on the Euro. Most EU countries' populations have never had a chance to give their opinion on the Euro and in the two countries where the people were able to decide, they gave a clear No. However, in many of the Euro-zone countries the Euro is unpopular, and in the Nordic country of Finland membership of the Euro has proved a bad experience.

In this pamphlet we want to tell you about some of the threats from the Danish Euro-advocates before the Danish referendum, and show how the Danish economy has in fact developed since Denmark's No to the Euro, along with some of the reasons why Danes rejected it.

We hope that the pamphlet can be of inspiration to other Europeans and wish you good luck with your countries' decision on the matter!

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Lave K. Broch, campaign coordinator.

Countries	**Norway** (EU membership referendum 28-11-1994)	**Denmark** (euro referendum 28-9-2000)	**Sweden** (euro referendum 14-9-2003)[1]
No	52.2%	53.2%	55.9%
Yes	47.8%	46.8%	42.0%
Distance between no and yes	4.4%	6.4%	13.9%
Voter turnout	89.0%	87.6%	82.6%

Sources: www.ssb.no, www.euo.dk and www.val.se

[1] In Sweden 2.2% of the votes in the euro referendum were either invalid or blank

Danish yes-side arguments


Photo: Claire Tsang – www.clairesmile.com

"A No will mean a welfare loss of 20 billion kroner." (Danish Ministry of Finance)

"A No to the EMU will cost 35.000 jobs." (The Danish Confederation of Trade Unions)

"Rent will rise after a Euro no." (Danish Prime Minister Poul Nyrup Rasmussen)

"A No will result in more expensive loans." (Danish Liberal Party)

"It is my estimate that the interest level will become 1–1.5% higher in Denmark." (Niels Due Jensen, President of Grundfos)

"A No will mean a 100 billion fall in the stockmarket." (Jørgen Birger Christensen, chief economist, Danske Bank)

"To vote No to the euro will be to punish oneself" and *"Danish companies will face higher costs ...and a weaker competitive power means loss of jobs. At the same time the krone will be exposed to pressure."* (Liberal Party leader Anders Fogh Rasmussen, who later became Prime Minister)

"A No will be expensive. It will mean that Denmark must manage outside: outside security, outside the Community, outside influence" and *"If you are still in doubt think seriously of your children and your grandchildren. It is my firm conviction that they deserve your Yes."* (Prime Minister Poul Nyrup Rasmussen in advertisements the day before the referendum)

As these quotations show, Danish voters were exposed to a massive bombardment of threats from the Yes side. Despite this Yes campaign people voted No. And after that No the No-side could celebrate a further victory. For the Yes-side's campaign of threats was shown to be a bluff.

Denmark's economy now better off – a second victory for the No-side

On the very day after the Danish referendum the negative predictions of the Euro advocates were shown to be just empty threats. This was a further victory for the No-side in the referendum and showed that citizens had understood things better than the majority of the politicians.

Berlingske Tidende, a Danish conservative newspaper, reported that the day after the referendum stocks and shares went up 1.5%, the Danish krone kept its value and the rate of interest of the Danish currency was unchanged. *(Berlingske Tidende 30/9 2000).*

One of Denmark's biggest banks: the value of sitting at the table is on the decline

"No matter how you put it – it is a marginal difference whether one is inside or outside the Euro. The argument about sitting at the political table where the decisions are being made is on the decline since more countries have joined the Euro." (Department Chief Klaus Kaiser, Jyske Bank; Dagbladet, 23 March 2005).

Maersk: Denmark can manage outside the Euro

"Surprising was the clear No to the Euro. The population thinks independently and disregarded the doomsday prophecies. I do not doubt that if the will exists Denmark together with Great Britain, Norway and Switzerland can manage outside the Euro." (Mærsk McKinney Møller at the AGM of shareholders in one of Denmark's leading companies; Dampskibselskabet af 1912 A/S; also known as Maersk (Berlingske Tidende 8 May 2001).

The news magazine *Danske Kommuner's* internet issue had calculated the cost of a transition from the kroner to the Euro to be some 15 billion kroner (about 2 billion Euro). By voting No Danish society saved that money, and the time since has shown that the Danish economy has managed well outside the Euro-zone. It has been not just better than virtually every country in the Euro-zone, but much better.

At present, Denmark is the EU country with the highest surplus on its governmental budget. Denmark has lower unemployment than most EU countries, and it has a surplus in its international trade. As a small country with its own currency, Danish business is still globally to the fore.

than those of the Euro countries

Photo: Johannes Jansson – www.norden.org

Five years after Denmark's No to the Euro the Danish financial newspaper Børsen carried an item on the World Economic Forum's top 10 list of the globe's most competitive economies.

All five Nordic States (Denmark, Finland, Iceland, Norway and Sweden) were in the world's top 10. Denmark was number 4. Finland and the Netherlands were the only two Euro-zone countries in the top ten.

The statistics shows that Euro-zone membership is no guarantee of economic success.

Social matters not an aim of EMU

The European Monetary Union does not have a social aim. On the contrary, many Euro countries have been cutting down their social expenses to live up to the demands European Monetary Union imposes.

By contrast the welfare societies of the Scandinavian countries provide a solid basis for their strong economies and in a crisis situation we can choose to follow welfare goals of a higher standard than what is possible for countries joining the Euro.

The four main arguments against the Euro

Democracy

"... neither the ECB, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from Community institutions or bodies, from any government of a Member State or from any other body..." (Treaty Establishing the European Community, consolidated text, article 108)

Joining the Euro is giving away power to a more remote and closed system – the European Central Bank (ECB). In the ECB every member state will be represented but these representatives are not responsible to their native country or their national parliaments. The ECB is a totally independent body with very little openness or transparency. The Danish Yes-side used the argument, "We have to sit at the table". But the big question is: What "we" are they talking about? It is not the people, but the bankers, who will have a representative at the ECB table.

It is true that many national banks also have a great deal of independence, but that is decided by a law of the national parliament, which has power to change those conditions if it wishes. A change in the terms of reference of the ECB is impossible without a whole new EU treaty being negotiated, which can come into force only if all EU countries agree.

Joining the Euro-zone also limits national policies in other areas and lays down the goals of national economic policy. These limitations can be a great disadvantage if the national economy faces challenges that are different from the average Euro country. If a country violates the Euro criteria it runs the risk of huge economic penalties, including heavy fines.

Welfare

"A European currency will lead to member-nations transferring their sovereignty over financial and wage policies as well as monetary affairs...It is an illusion to think that States can hold on to their autonomy over taxation policies." (Bundesbank President Hans Tietmeyer 1991)

The European Monetary Union has as its principal goal to keep inflation down, but is not required to concern itself with such goals as maximizing employment or economic growth or improving social welfare or education. To live up to the Euro criteria many countries are cutting public spending on the weakest in society, or ignoring the UN goal of devoting 0.7% of GNP to development aid. The Euro has not been a success in improving people's welfare. On the contrary significant price rises occurred in the Euro countries following the introduction of the Euro, and if cheap imports from East


Photo: Claire Tsang – www.clairesmile.com

Asia had not been introducing cheaper prices, average price levels would have risen even more.

If a currency is to function in the long run, a common fiscal policy is needed. This means common EU taxes and therefore a common EU policy in the social area. Such a common EU social policy would undermine the Scandinavian welfare systems and we would risk becoming a "private risk" society where the wealthy would be covered by private insurance but the middle classes and poor would have a very low degree of social protection.

Economy

In 2005 the international financial firm JP Morgans concluded that there is a great risk that the EMU and the Euro-zone will not exist in ten-years time (*Jyllands-Posten* 20/9-2005). JP Morgans mention the likelihood of some countries leaving the Euro-zone, and said that the advantages of joining the Euro-zone had not turned out to be anything like what they were promised to be.

Also Commission President Jose Barroso's economic adviser, Professor Paul de Grauwe, argues that the Euro has damaged Italy's economy and that without "political union" in Europe, the Euro will collapse in ten to twenty years (Belgian daily, *De Morgen* 18 March 2006).

Limiting a country's economic potential by abandoning the national currency makes its national economy less flexible in the face of structural challenges that affect it particularly, but do not hit the whole Euro-zone. If a country loses the possibility of improving its competitiveness by altering the exchange rate of its currency in a devaluation, or is constrained from boosting economic demand through running budget deficits in times of recession, it throws away basic tools all independent governments possess for advancing a people's economic welfare. The policies it is left with in a recession are primarily:

(1) export your unemployed people;
(2) cut salaries and social benefits; or
(3) raise taxes.

Exporting unemployed people raise

problems due to language barriers and people's reluctance to leave their families and friends. Another danger is that the persons emigrating are the most skilled and best-trained workers and graduates, while the less skilled groups have to remain.

Cutting salaries and benefits or raising taxes seems to be the only real choice left to Euro-zone governments and this will not create a solid economy in which people are or feel secure. That in turn can generate further problems as we have seen with the French riots in 2006.

Another basic problem with the European Monetary Union is that the Euro-zone's one-size-fits-all interest rate regime does not benefit the different member states. The interest rate is always going to be too high for some countries and too low for others. One might say that Euro-zone interest rates have in recent years been too high for Germany, with its 5 million unemployed, but too low for Ireland, with its economic boom.

Basically it is hard to find good arguments for the Euro.

However the two "best" arguments from the Danish Euro supporters are:

1) That people would save the exchange commission when changing money;
2) That it will be easier to compare prices across the Euro countries.

Photo: Johannes Jansson – www.norden.org

There is some truth in these arguments, but they seem very weak compared to the more problematic sides of the Euro mentioned above. You can be on holiday in another Euro-zone country for two or three weeks a year, but you may have to work in a country with an unsuitable interest rate or currency exchange rate for the remaining 48 or 49.

Many people bring a VISA card when travelling and thereby do not have to pay any exchange fee. Nor does comparing prices tell one much about quality or service, which can vary a lot from country to country. Many commercial sites on the internet calculate different countries' prices in particular national currencies, for instance the Danish krone, so the problem of comparing prices is reduced.

No to a United States of Europe

*"There is no example in history of a lasting monetary union that was not linked to one State." (*Otmar Issing, Chief Economist, German Bundesbank Council 1991).

"We already have a federation. The 11, soon to be 12, member States adopting the Euro have already given up part of their sovereignty, monetary sovereignty, and formed a monetary union, and that is the first step towards a federation." (German Foreign Minister Joschka Fischer in the EU Parliaments' constitutional affairs committee, Financial Times 7 July 2000)

"It is evident that if you can have a common currency, you can have more integrated policies in other fields. I often say: If you can have a single currency, why not a single army in the future? They are two sides of national sovereignty." (Belgium's Prime Minister Guy Verhofstadt, The Economist, 27May 2000)

These quotations show that many see the Euro as a political rather than an economic project, a step towards creating a United States of Europe – a new superstate and a new superpower. In Denmark the Yes-side seeks to deny this development. But it is hard for Euro supporters to deny that having its own currency is one of the key attributes of all States – as well as a parliament, a supreme court, various symbols (passport, flag, national day etc), military, police, common law and a constitution and in some countries a president. Most of these attributes the EU already has and others the EU has clear ambitions to get.

Creating a super-state raises many other questions. For instance: how can a living democracy be secured in a State of that kind, and will it be a good thing for the world?

The EU already suffers from a democratic deficit, and the EU Parliament elections show that moving more power to that parliament does not strengthen democracy. Participation in these elections is very low and reached the lowest level ever in the last election in 2004, when only 45.6% of voters across the EU used their right to vote (Source: www.elections2004eu.int).

Also from an international perspective the creation of an EU super-state could turn out to be a problem. Big Powers and Super-states have less reason for supporting the rule of law on an international level than smaller states have, and therefore there is a risk that the EU will also choose the path of power. That would not be progress for the world as a whole or for the peoples of Europe. The world needs a system where the rule of law is more important than state power.

European and international co-operation after a No to the Euro

There is no risk that voting no to the Euro will limit possibilities for trade and good international relations. Great Britain, Sweden and Denmark are still members of the EU and important trading partners of the other EU countries without being members of the Euro-zone. Even countries like Norway and Iceland that are completely outside the EU, are partners with all the EU-countries in the European Economic Area (EEA). They are partners in a single market with common rules regulating their trade. But they enjoy complete independence in such important areas as monetary policy, foreign policy and environmental policy.

Independence of this kind is no obstacle to Norway's exports to the EU, for example. In 2004 more than 62% of the Norwegian exports went to EU-countries other than Denmark, Finland and Sweden. (The share of Norway's exports that goes to EU has actually been rising steadily since Norway's No to EU-membership in1994.)

Iceland and Norway are, together with Switzerland and Liechtenstein, members of the European Free Trade Association (EFTA): an organisation that has no ambitions of becoming a centralized superpower, but simply secures free trade among its members and has a great number of free trade agreements with countries all over the world, for instance Mexico, Chile, Turkey, South Korea and Singapore. Among other things, these trade agreements ensure that the EFTA countries can export their fish duty-free to many countries around the World.

EFTA is also an important partner for the EU. EFTA is actually the EU's next largest trading partner.

EU trade – main partners 2005

USA	18,4%
EFTA	11,4%
China	9,3%
Russia	7,3%
Japan	5,2%

Source: EFTA.

On the international level we find also the World Trade Organisation (WTO). The WTO has 148 member states, and it works for the liberalization of world trade. World trade does not depend on the number of EU-countries that adopt the Euro. And besides the WTO there is the United Nations, the Council of Europe and the OSCE – all working for a more peaceful and sustainable future.

The choice between adopting the Euro (and giving up your own currency) and keeping your currency is not a choice between staying with your family and leaving it. The question is simply: under what conditions do you want to trade with your European family and the rest of the World?

Do you want to trade chained by rigid inflexible economic rules forced on your country by a centralized and centralizing Union (where the old "Great Powers" and their interests have the greatest influence)? Or do you want to trade and co-operate with your neighbouring countries in a flexible way that will be advantageous to your economic and democratic life – thereby making your country a much more useful partner on the international scene?

Links with more information about the Scandinavian central banks, the Euro, the EU and alternatives

- TEAM – the European alliance of EU-critical movements: www.teameurope.info
- EU's treaties: http://europa.eu.int/eur-lex/lex/en/treaties/index.htm
- The Danish National Bank: www.nationalbanken.dk
- Norway's central bank: www.norges-bank.no
- Sweden's central bank: www.riksbank.se
- The European Central Bank: www.ecb.eu
- MEP Ole Krarup's website: www.olekrarup.dk
- The People's Movement against EU in Denmark: www.folkebevaegelsen.dk
- No to EU in Norway: www.neitileu.no
- No to EU in Sweden: www.nejtilleu.se
- EFTA: www.efta.int
- UN: www.un.org
- Official co-operation in the Nordic region: www.norden.org

- "The Eurozone: Problems and Prospects" by Professor Paul de Grauwe, Commission President Jose Barroso's economic adviser: www.econ.ynu.ac.jp/CITShomepage/CITS%20WP%202005-04.pdf#search=%22The%20Eurozone%3A%20Problems%20and%20prospects%22

Published by: The People's Movement against EU Delegation in GUE/NGL
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Graphic design: Karen Hedegaard.
Cover photo: Claire Tsang – www.clairesmile.com

Printed by: Johnsen Offset a/s