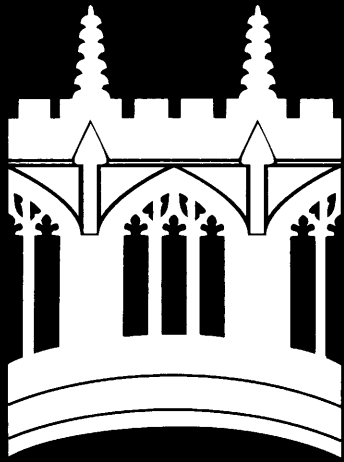


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P A P E R S  
*towards a biblical mind*

# Should Christians support the euro?

by *Paul Mills and Michael Schluter*

*'He is the king of the country whose coin is current in the country'*  
Talmud

*'Europe will be created via a currency or not at all'*  
Jacques Rueff

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### Summary

On 1 January 1999, the ten currencies of the eleven countries entering Economic and Monetary Union (EMU) become denominations of the euro at irrevocably fixed exchange rates. Whilst monetary unions have been attempted in the past, this is by far the most ambitious project of its kind in history. Its success or failure will determine the prosperity, and perhaps the peace, of Europe for decades to come. This paper examines what the Bible has to say about monetary systems and then derives biblical principles to evaluate political and economic developments of this kind. EMU is assessed against these principles. The paper concludes that because the euro is unlikely to succeed without political integration, Christians should be wary of giving their support.

### Background to the EMU debate

The European Economic Community (EEC) began in 1956 at the initiative of Christian Democrat politicians in France and Germany, with the aim of ensuring Europe would never again destroy itself by war. It started as a free trade area with six member states. The UK joined in 1973 with confirmation in a 1975 referendum.

From 1992 the EEC, now the European Community (EC), became a 'single market' area with capital and labour able to cross internal boundaries, theoretically without restriction. The free flow of capital within the EC created a presumption in favour of monetary union since currency fluctuations would otherwise hamper internal trade and permit competitive devaluations.

In the 1992 Maastricht Treaty, member states agreed to foster not just economic integration but an 'ever closer union among the peoples of Europe'.<sup>1</sup> In the process, the EC became the European Union (EU). Maastricht provided for the abolition of border controls among member states, a common EU Foreign and Defence policy and co-operation on matters of justice and home affairs, as well as the process and timetable for EMU. A unitary fiscal authority is not yet envisaged. Each nation still contributes to a central budget but the European Commission and Parliament lack independent tax-raising powers.

### The choice of monetary system

Since 1996 the process of establishing EMU has been put into effect. Eleven countries will join in the first round, including Germany, France and Italy but excluding Britain, Sweden, Denmark and Greece. The entrants' independent currencies will be abolished from the beginning of 1999, although they will still exist as denominations of the euro, and electronic transactions may be denominated in euro. Notes and coins will begin to circulate in 2002.

<sup>1</sup> Article A of the Maastricht Treaty.

Short-term interest rates will be set for the whole euro area by the Governing Body of the European Central Bank (ECB) on which each of the governors of the member central banks will have one vote alongside the six members of the ECB's Executive Board. Voting on interest rates will be secret for sixteen years. The ECB is charged with maintaining price stability; its independence from political interference is strongly enshrined in the Maastricht Treaty. The euro will fluctuate against other currencies (such as the US dollar and pound) but it is not clear whether or how member states' finance ministers will be able to influence the euro exchange rate. Members must pool some of their currency reserves to be managed by the ECB and governments will be limited in how much they are permitted to borrow each year or risk fines. Euro notes will not depict any national symbols. Prices and wages will still vary across countries in EMU according to local conditions and tax rates, but it will be easier to compare prices between countries because they will be in the same currency.

The alternative to EMU that the UK has recently adopted is to have domestic interest rates set by the Monetary Policy Committee (MPC) of the Bank of England, with an inflation target set by the Chancellor. This is a variant of the system that has been relatively successful in achieving low inflation in the US, Canada, Australia, New Zealand and Sweden. The exchange rate of the pound varies without being explicitly targeted and there is no requirement for a limit on the government's freedom to borrow. Minutes of MPC meetings, including the results of votes, are published two weeks later.

These alternatives do not seem very different. Does the question just boil down to which committee of central bankers is given the job of setting interest rates? While the two formats appear much the same, the effective differences are profound, as the rest of this paper will seek to demonstrate in the light of biblical teaching.

## The monetary system in the Bible

While direct biblical teaching on monetary systems is limited, it offers some useful pointers.

### *Precious metals were used as the monetary base*

Money originally acted as an aid to trade through avoiding the need for direct barter by substituting a portable, inherently valuable commodity for one side of an exchange. Initially, precious metals were used for the purpose. The first record of metals being used in this way in the Bible is Abraham paying 400 shekels of silver for Sarah's burial site (Genesis 23). Gold and silver were chosen for their scarcity, malleability and decorative qualities. But desire for their ownership runs deep in human nature and gives them an intrinsic value that is widely recognised.

The Old Testament gives no direct teaching on the form of money to be employed in Israel. The value and use of precious metals in fixed weights seems to have been assumed and legislated for (eg. Deuteronomy 22:19, 29). A metallic monetary base generally provides a long-term anchor for the price level. The price of people and land stayed roughly constant over several centuries in Israel. For instance, Jesus was betrayed by Judas for thirty silver coins (Matthew 26:15). This was approximately the value of a slave in the Mosaic period (Exodus 21:32; cf. Genesis 37:28). The same sum was used by the chief priests to procure a field in Jerusalem (Matthew 27:7-10); Jeremiah had bought a field in Jerusalem for seventeen silver shekels centuries earlier in a depressed land market (Jeremiah 32:9).<sup>2</sup>

A long-term anchor for the price level is important for both moral and economic reasons. Modern economies seem endemically prone to rising inflation due to their reliance on debt contracts to finance consumption and investment.<sup>3</sup> This is an immoral aspect of modern economic life in that the inflationary process redistributes wealth between creditors and debtors, savers and borrowers and those on fixed and inflation-linked incomes. Inflation is in effect collective theft by one group against another. It also erodes the incentives for long-term saving, investment and risk-taking and confuses price signals within an economy, leading to inefficient decision-making.

### *Political sovereignty is closely tied to issuing currency*

The next major monetary development was to mint coins of precious metals of set weights so that a coin was known to have a certain intrinsic value. Unfortunately, minted coins were vulnerable to debasement, leading to inflation. State-controlled mints were established to attest to the inherent value of the coin whilst their designs and inscriptions attested to the reliability of the issuer. But cash-strapped states soon realised that they could procure easy revenue by debasing their coinage themselves and passing it off for its face value. The implicit tax that a state receives through increasing money in circulation in excess of its production costs is known as seignorage. The process continued when governments began printing paper money unbacked by gold or silver. This is a lucrative source of revenue even today.

While an absolutely fixed link is maintained between a currency and its metallic base, the monetary system remains 'automatic' and apolitical. However, the possibility of debasement and seignorage makes money creation an inherently political process. On the one hand, states saw it as a mark of their trustworthiness and reliability that their currency circulated widely and was exchanged for its face value. On the other, if debasement was occurring, it was important for a state to be able to force the use of its currency on the populace to maximise seignorage.

This connection between political control and the issuing of currency informs Jesus' answer to the vexed question, 'Is it right to pay taxes to Caesar?'. Requesting a Roman coin, Jesus asks whose inscription and portrait are on it. He then gave his famous reply, 'Give to Caesar what is Caesar's and to God what is God's' (Matthew 22:15-22). This teaching makes clear that the state has legitimate but limited claims upon the resources and loyalty of Jesus' disciples. But the inference drawn by Jesus is groundless unless the use of a government's coinage by its citizens legitimates its tax-raising claims; if the Jews are to enjoy the economic benefits of the Pax Romana, as exemplified by their use of Roman currency, they should accept the taxation required to maintain it.

This connection between political authority and issuing currency has been remarkably close throughout history once debasement and seignorage became involved. Almost invariably, currencies are issued by the government of the state in which they circulate, although control over the amount of money in circulation is now exercised through setting short-term interest rates. Modern banking systems effectively can lend into existence as much credit as is demanded at the prevailing interest rate, so most governments now opt to control the amount of credit in their economy by setting the price for short-term credit to the banking system via the central bank. The fundamental questions are whether this control is better exercised on a country-by-country or EU-wide basis, and what the political consequences of pooling decision-making are likely to be.

2 A similar degree of price stability was enjoyed in Britain from the end of the seventeenth century to the end of the gold standard in 1931. Subsequently, the price level has risen approximately sixty times.

3 See Paul Mills, 'The Ban on Interest – Dead Letter or Radical Solution?', *Cambridge Papers*, 1993, Vol.2, No.1.

## A Christian analysis of EMU

For a Christian evaluation of EMU, our approach will be to seek guiding themes from biblical teaching as a whole. As biblical teaching is always set in a specific historical and cultural context, it is not possible generally to lift precepts out of their context and apply them immediately today.<sup>4</sup> Jesus himself seems to have used 'principles' in teaching how difficult ethical problems should be addressed. For example, when confronted on the Sabbath with a disabled person, he asks his critics what principle should govern their response (Mark 3:1–6).

While Christians can and should agree about principles, they may legitimately disagree about the appropriate action to take as a result. For example, almost all Christians agree on the principle that discrimination on the basis of skin colour is morally offensive. However, Christians disagreed as to whether sanctions against South Africa in the 1980s were an effective response. Such disagreement about appropriate action is legitimate. Principles are moral absolutes; policies are the practical means to apply those principles today. Principles are derived from biblical reflection; policies are a matter of pragmatic judgement.

The value of applying biblical principles to a contemporary problem depends on how thoroughly we understand biblical teaching, as well as the quality of our judgement with regard to political and economic realities. So with some trepidation we shall propose seven relevant biblical principles and then use each to make an assessment of the ethical implications of Britain joining EMU.

## Seven biblical principles

### (i) The identity of peoples and nation-states

Many today are sceptical about the significance of the nation-state, defined as a people identified by language and cultural affinity existing in an independent political entity. Throughout history there have been many realignments following invasions and colonisation. The United States and Britain each share a language and cultural traditions but are a polyglot of peoples. China and India have a multitude of languages and cultures. Germany and Italy each have a common language but only relatively recently became single political entities. Add to this the undoubted danger of nationalism as a form of idolatry and current trends towards globalisation, and it is no wonder many are reluctant to defend the continuing role of the nation-state.

Despite these complexities, biblical teaching portrays national identities and diversity as ordained by God and something to be celebrated. Israel is nurtured by God to become a nation and her self-determination is seen as a blessing from God (Deuteronomy 28). In the New Testament, Paul reminds the Athenians that 'From one man God made every nation of men, ...and he determined the times set for them and the exact places where they should live' (Acts 17:26). At Pentecost, God celebrated rather than obliterated this diversity by enabling people to understand the gospel in their own language, rather than substituting one universal language. In the New Jerusalem, too, people will be differentiated by culture, language and national identity (Revelation 5:9–10; 21:24–25). Shared ethnic awareness is nowhere condemned in Scripture, only communal arrogance.

Loss of national sovereignty through absorption into empire is regarded as a judgement, both for Israel (eg. Deuteronomy 15:6) and her neighbours (eg. Amos 1). God may use empires as instruments to achieve his purposes (eg. Isaiah 40) but they are nowhere extolled

as part of God's social design. Rather, diversity of language is a means of restraining evil (Genesis 11).

*So we need to ask, what impact will EMU have on the strength and diversity of national identities, cultures and languages across Europe, since these are part of God's design both in creation and in the providential restraint of evil?*

Many of the proponents of EMU on Continental Europe unashamedly seek to foster economic and political integration within the EU, for laudable reasons. The economic case for EMU is unproven (see below) but they see it as a calculated risk worth taking to intertwine the trading relations and economic structures of Europe so completely that exit from the EU, let alone war in Europe, becomes too costly to contemplate.

The demarcation of current borders in Europe is no more sacrosanct than elsewhere in the world: the break-up of the USSR and Yugoslavia, for example, has rightly reconstituted several nations. But, as these processes have demonstrated, large and homogenous people groups cannot be denied a significant degree of national sovereignty indefinitely. The centralising forces that accompany EMU will significantly diminish decision-making powers of existing nation-states. This increases the likelihood of internal conflict within Europe (see below) and weakens the ability of nation-states to resist pan-European dictatorship. Too often the states of Europe have been the focus of nationalistic idolatry, but at the same time their existence has repeatedly prevented the rise of lasting pan-Continental Empires as, for example, under Louis XIV, the Hapsburgs, Napoleon, Kaiser Wilhelm III, Hitler or Stalin. If the EU bypasses nation-states by replacing them with a single executive and devolving administration to regional governments, the risk of Continent-wide dictatorship increases.

### (ii) Solidarity of family and local community

As William Temple noted:

'Each individual is born into a family and a nation. In his maturity he is very largely what these have made him. The family is so deeply grounded in nature and the nation in history that anyone who believes in God as Creator and as Providence is bound to regard both as part of the divine plan for human life'.<sup>5</sup>

Much of Old Testament law is designed to protect and give function to the family and local community. For example, the Jubilee laws worked to protect a family's roots in the local community and specific locality as well as providing it with a long-term asset. Laws on debt and interest protected families from penury, while welfare was organised primarily through families and local communities.<sup>6</sup> Although Jesus makes clear that the demands of his kingdom must take precedence over family loyalties, he nevertheless underlines family obligations for welfare in his teaching (eg. Mark 7:9–13) and by example (eg. John 19:26–27). Paul does the same (eg. 1 Timothy 5:3–8).

*So, will EMU protect and strengthen the institutions of the family and local community which lie at the heart of stable and healthy relationships in society?*

One of the economic motivations behind EMU is to remove currency differences and volatility so as to foster a single EU-wide labour market. Workers will be able to see where wages are highest and companies where costs are lowest. Indeed, in the absence of fiscal transfers within EMU, greater mobility is probably the only way that regional divergences of economic performance within EMU can be evened out. This runs counter to the need to reduce

4 Eg. Michael Schluter, 'Roots: Biblical Norm or Cultural Anachronism?', *Cambridge Papers*, 1995, Vol.4, No.4.

5 William Temple, *Christianity and Social Order*, 1942, republished SPCK, 1976, p64.  
6 Michael Schluter and Roy Clements, *Reactivating the Extended Family*, Jubilee Centre, Cambridge, 1986.

social isolation and welfare dependency, both of the elderly and young families, which arises as a result of the disintegration of the extended family through spatial job mobility. A major flaw of the US economic system is that it undervalues the role of 'rootedness' in bolstering the extended family and local community as supports for the nuclear family. Societies should attempt, wherever practicable, to move jobs to people. EMU will operate to do the opposite.

### (iii) Avoidance of concentration of political and economic power

The third principle is closely tied to the first two. If Israel's political and social design was intended to teach general normative principles for social organisation, one of its most obvious lessons is the importance of diffusion of political and economic power. Politically, the Law tightly controls the military and economic power of the king (Deuteronomy 17:14–20). It makes no provision for tax-raising powers or a standing army. When the people want a king 'like the nations round about' (totalitarian Canaanite city-states), Samuel uses the strongest possible language to warn them of the consequences of centralised state power (1 Samuel 8). The theme continues through the period of the prophets (eg. 1 Kings 21). The Law also seeks to ensure diffusion of economic power through laws such as the Jubilee (Leviticus 25:1–34), the seventh year remission of debt (Deuteronomy 15:1–6) and the ban on interest (Deuteronomy 23:19–20) – laws preventing property accumulating in the hands of an elite, and slowing down individual accumulation of capital.

Decentralisation of power facilitates the widespread participation in political and economic decisions, which is a necessary expression of every person being made in God's image. It is also important to ensure accountability in the exercise of power, given the reality of human fallenness, and prevents the state abrogating to itself the glory that rightly belongs to God (cf. Revelation 13).

*So, will EMU help protect European societies from concentration of political and economic power and make public decision-making more accountable?*

The delegation of decision-making over interest rates to non-elected appointees shifts power away from elected politicians. This is in the well-founded belief that politicians would otherwise make inflationary decisions for electoral gain. The special feature of EMU, however, is that this decision will be made at the EMU-wide level rather than by individual economies. In some countries, this represents an increase in influence since their monetary policies have had to shadow closely that of Germany. However, for Germany, the UK, Italy and Spain, EMU entry entails a diminution of independence over interest rates. This is problematic in that, no matter how wise the decisions of the ECB, divergences among EMU economies will mean that monetary policy will be simultaneously too tight for some and too loose for others. For those countries that have sacrificed a degree of independence over interest rates, EMU automatically entails a loss of decision-making autonomy.

Of far greater importance, however, is the centralising of economic decision-making that will result if EMU succeeds in creating transparent product and labour markets and a more mobile capital market. Countries in EMU will be fined if their government deficit to national income ratio exceeds 3%, while the prospect of EMU is already prompting calls for harmonised rates of tax on profits and savings for fear of competition from low-tax areas. The same logic points to harmonised income tax rates, excise duties and welfare systems. Once agreed by the majority, it will be impossible for one country in isolation to negotiate a change to the system. By its nature and its intended effects, EMU is designed to centralise economic decision-making away from national governments.

EMU is a further step towards the centralising of economic and

political decision-making on matters that affect the whole EU. As noted, the Maastricht Treaty already envisages the establishment of a common EU defence and foreign policy. It will be much more difficult for concerned organisations or individuals to influence EU decisions than national decisions. Although the views of those calling for a change in UK monetary policy can be given some weight by the Bank of England's MPC, their influence would be minimal on the ECB. Regarding the European Parliament, most MEPs have constituencies of over half a million voters, so the time available for each constituent is around a sixth of that of a Westminster MP. As yet, there are no pan-European parties to counterbalance the executive. In such an environment, only the largest and most highly-resourced lobbying groups will influence policy.

### (iv) Effective stewardship of resources

Christians generally understand the command to 'subdue the earth' (Genesis 1:28) as a mandate for the effective stewardship of the earth's economic and human resources. The same theme underpins the parable of the talents (Matthew 25:14–30). Stewardship is partly a matter of making the best possible use of the resources God has given us, so maximising economic growth and wealth creation. However, it is also concerned with the long-term sustainability of the growth process and the care we take of the environment. Since the natural world belongs to God rather than ourselves, we are under an obligation to use it both productively and responsibly.

*So, will adopting the euro result in a more efficient and sustainable use of the economic and human resources God has given us?*

The strongest arguments in favour of EMU are that it will foster more efficient use of resources. By eliminating internal currency movements within Europe, longer-term investment horizons should become feasible due to the greater degree of certainty over relative prices.<sup>7</sup> Local monopolies that are protected by pricing in local currencies should be eroded. Transparent prices should foster even greater trade and specialisation within the EU, leading to larger production volumes and greater economies of scale. A more efficient and integrated financial capital market is already developing in Continental Europe in anticipation of EMU. Although often exaggerated, there will be some saving of resources through eliminating the need for cross-currency transactions and risk hedging.

However, the efficiency case for EMU is far from proven:

(a) EMU is not necessary to foster trade and cross-border investment and could easily raise costs and prices. Economists have not, in practice, found a strong link between currency stability and growth of international trade. Even if such a link were significant, currency risk can now be hedged more cheaply than previously; also the Internet and electronic payment systems are dwarfing any impact of EMU in furthering international trade and transparent pricing.

(b) The EU probably trades too much with itself anyway to be truly efficient in trade terms due to its tariff wall and agricultural protectionism.

(c) The transition costs of changing the currency and IT systems are likely to amount to 3–7% of GDP.<sup>8</sup> Even on optimistic scenarios this will take 15–20 years to recoup in higher growth. The move to unfamiliar prices for goods and services will not only lead to temporary confusion of consumers and opportunities for fraud, but probably also higher prices as producers round their prices up and have to change production runs.

<sup>7</sup> An undoubted weakness of the current system of floating exchange rates is that foreign exchange markets tend to overshoot in their adjustments to shocks due to self-sustaining speculation. This disrupts trade and capital flows by introducing relative price uncertainty.

<sup>8</sup> European Research Group, *The Euro: Bad for Business*, London, 1998, p49.

The pragmatic case against EMU does not stop there, particularly for the UK. The borrowing restrictions in EMU will limit the degree of freedom for fiscal policy (government spending and taxes) just when giving up interest rates autonomy makes an active fiscal policy more necessary. There is no clearly defined 'lender-of-last-resort' for the banking system and so EMU increases the risks of contagious financial crises. The UK's different trade and economic structure, relative to the rest of the EU, means that the UK would suffer more currency volatility relative to the US dollar, when stability against the dollar is more important for the majority of UK exporters and importers. The UK's greater exposure to short-term interest rate movements (owing to greater corporate and personal debt at variable interest rates) means that a disproportionate share of the effect of interest rate changes will be felt in the UK. As a result, the UK's economic cycle could easily become more, not less, volatile following EMU entry. We could go on. Suffice it to say, from an economic viewpoint, the 'stewardship' case for EMU is far from proven and runs the risk of major costs, especially for the UK.

#### (v) Equity in distribution of wealth and income

Every person is made in the image of God. From this foundation stems the obligation to ensure the welfare of every person. This in turn raises concerns about both absolute and relative levels of wealth and poverty, in particular how the structures of political and economic organisation impact on the distribution of wealth and power. The concern for some measure of equity in society is clearly evident in Israel's economic and social order. Every family received a piece of land at the time of entry into Canaan; the land was given out in roughly equal amounts, and the Jubilee laws were given to ensure the land was held by those families in perpetuity (Numbers 33:54; Leviticus 25:8–13). The prophets spoke out strongly when actions by the wealthy resulted in families being robbed of home and farm (eg. Micah 2:2).

*So, will EMU bring greater equity in the distribution of resources across regions, ethnic groups and social classes?*

Proponents of EMU hope it will lead to the swifter 'catching-up' of some of the poorer peripheral regions of the EU. Certainly, there is evidence that the constraints of EMU preparation have led to better governance in Spain, Portugal and Greece. The greater visibility of lower wages in the periphery could lead to greater outside investment than otherwise.

However, this is not a foregone conclusion. Persistent regional imbalances remain even now within EU countries despite a single internal currency and large fiscal transfers (eg. Italy). These hopes would certainly be dashed if, as some trade unions hope, EMU results in a levelling up of wage and benefit rates to German levels. If this does occur, the lesson from highly protected labour markets in Europe, combined with a non-inflationary monetary policy, is that it leads to high structural unemployment. Harmonisation of currency, wage and benefit rates at unwarranted levels during German unification has resulted in Eastern German mass unemployment, dependency and the re-emergence of fascism.

There is a role for richer EU nations to help their poorer neighbours but this does not require EMU. Indeed, at a wider European level, EMU will increase income disparities between countries inside and outside the EU as it raises the entry requirements for Eastern European countries wishing to join the EU. Meanwhile, they will remain discriminated against in their agricultural exports to the EU. Making EU markets more accessible to former Communist countries would raise incomes and bolster democracy. EMU will delay that process.

#### (vi) Peaceful relationships between nations

It is almost a platitude to say that God is concerned that there should be peace between nations. Perfect harmony of understanding and

purpose is the hallmark of relationships within the Godhead (eg. John 5:19–23). Jesus' concern for peace is central in the Beatitudes (Matthew 5:9) and one of the signs of God's coming kingdom will be the end of war (Micah 4:1–4). The desire for peace, however, must be compatible with the demands of justice – God does not want 'peace at any price'.

*So, will EMU help to promote peaceful coexistence among the EU member states, and between the EU and other countries around the world?*

The original goal of the Christian founders of the EEC was to foster peace in Europe so as to make another war in Western Europe inconceivable. Although NATO must take most of the credit for the past 50 years of peace, the EU has played its part by fostering closer political and economic ties. EMU is a logical progression from that start. By unifying the EU nations' currencies, EMU will not only make them more economically interdependent but also make exit from the EU virtually impossible.<sup>9</sup>

Unfortunately, EMU may well foster conflicts and increase nationalism among EU countries. If the system works well and an active fiscal policy compensates for the lack of an independent monetary policy, some countries will need to raise taxes in order to cool their economy even though the government is in strong surplus. Quite correctly, electorates will blame the system. However, if EMU fails, endemic unemployment will result in some countries due to an overvalued exchange rate for their needs and excessively high interest rates. Wage cuts in, or labour movements from, the countries thus affected seem unlikely and the current treaty does not provide for fiscal transfers from a prospering country to a depressed one as a result of EMU. Hence, some countries will feel neglected in the interest-rate setting process, and will demand restitution from the centre. To make matters worse, they could be having to cut spending and raise taxes in a recession to avoid being fined for an 'excessive' deficit, while having to bail out a collapsing banking system due to inappropriate interest rate levels.

If a country faces an unsustainable fiscal situation, it may be forced to threaten default on its debt or request help from other members. If a transfer or debt guarantee is granted, those populations in solvent countries may resent their taxes being used to bail out irresponsible governments elsewhere. If these payments have no democratic mandate, resentment of neighbouring countries within EMU may result. Such a scenario has prompted some US economists to place a high probability of civil strife within Europe as a result of EMU.<sup>10</sup> Lessons from history are being ignored. The American Civil War was at root a conflict about whether the states would remain a single economic entity rather than divide to follow their divergent economic interests. Single currencies did not hold the artificial political creations of Yugoslavia and the USSR together. The first action of the newly independent states was, of course, to create their own currencies.

#### (vii) Acknowledgement of God's sovereignty over political life

All Christian thinking about society must begin not with man but with God. Contrary to the ideas of Rousseau that political sovereignty lies with the 'general will' expressed through an autonomous state, a biblical understanding of government is that ultimate sovereignty lies with God (Romans 13:1). A fundamental Christian concern, therefore, is that the word of God should be acknowledged, or at least taken into account, when laws are made and society structured, and that there should be a sense of submission to God in the making of law and

<sup>9</sup> Essentially, once in EMU, a country could only contemplate withdrawal if it was prepared to exit from the EU altogether and reinvent its currency – an immensely costly process.

<sup>10</sup> Eg. Martin Feldstein, 'EMU and International Conflict', *Foreign Affairs*, November 1997.

policy. Although this becomes increasingly difficult in pluralistic European societies, as Christians we still have to ask whether closer European integration will help or hinder keeping God and his values as an influence on the political and economic system.

*Is the economic and political integration that EMU will encourage likely to strengthen or weaken the acknowledgement of God in the political and economic decisions which govern our lives?*

From a Christian viewpoint, political integration of the UK into the EU could be advantageous. In many cases, the constitution and legislation of other EU countries embody a stronger Christian Democratic or Christian Socialist outlook than those of the UK. Some prominent examples include laws governing abortion and embryo experimentation as well as Sunday working. However, counter-examples can be cited, such as pornography legislation and control over TV channels. Of greater significance, in most of continental Europe the trend towards secularisation is even stronger than in Britain (notwithstanding the choice of an overtly Catholic symbol for the EU flag). While British Christians may have a strategic role in the re-evangelisation of the continent, closer integration of Britain into the EU through EMU is unlikely to bring about greater acknowledgement of God's sovereignty in temporal affairs, particularly if it results in weaker ties with the US.

## Conclusion

Based on the biblical principles we have derived for judging economic and political structures, our conclusion is that any pragmatic benefits to EMU are outweighed by both the economic costs and risks, and the centralisation of power that will result.

Of course, although we feel that the weight of argument from our biblically-derived principles is contrary, Christians may favour greater EU integration on purely pragmatic grounds or they could derive this position from some of the principles already outlined. However, if political integration is the goal, the irony is that monetary union should be introduced *after* political union has received democratic validation. Then, a far more workable currency union could be designed without the inefficiencies and internal contradictions of EMU. It is perfectly possible to be pro-EU but EMU-sceptic.

Due to the divergent nature and structure of the UK economy compared with the deutschmark bloc, entry would almost certainly

be economically damaging for the UK, while remaining out of EMU is a tenable position. Recent financial market turbulence has shown that the UK now has a credible monetary regime that can be exercised independently of EMU. Thirty-year rates of interest in the UK – a good test of credibility – are even now much lower than in the EMU-area. Switzerland, Canada and Norway continue to prosper without participating in larger currency blocs nearby.

Our greatest concern is that EMU cannot work without substantial political and economic centralisation. The near-universal observation from economic history and current practice is that currency areas follow the boundaries of sovereign political entities. This realisation even seems to have informed Jesus' teaching on the legitimacy of tax-raising authority. The clear inference is that either EMU will break up in a costly and acrimonious way, or that sovereignty over national fiscal policy will have to be sacrificed – first by mutually guaranteeing other governments' debts and then by agreeing to large-scale fiscal transfers to regions in recession. This in turn will require a much higher degree of political integration.

That the political implications of EMU are not being fully spelled out to the electorates of Europe is deeply concerning to Christians who believe in democracy. It is no coincidence that the German people, who have most to lose economically from an unsuccessful EMU, have not been given the opportunity to express direct support for the project. We conclude that the foundations of EMU are suspect, and Christians in Britain should be wary of joining.

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*The views expressed are those of the authors alone and not necessarily of the organisations they represent.*

**Next issue: Engaging with cinema**