A delicate balance

Fringe meeting (supported by *The Guardian*), 20 September 2009, Bournemouth, with Professor Martin Pugh, Lord Tom McNally and David Laws MP; Chair: Duncan Brack (Editor, *Journal of Liberal History*).

Report by **Mark Pack**

In his introduction, the meeting chair Duncan Brack explained that the reason for picking the topic was that work such as that by John Curtice has shown that the odds of the next general election producing a hung parliament are much higher than they have been for many years – a point also made earlier this year by BBC Newsnight's Michael Crick.[1] The point of the meeting was to examine how the Liberal Party, or Liberal Democrats, had handled the situation when it found itself holding the balance of power: at Westminster in the 1920s and 1970s and in the Scottish Parliament in 1999.

Professor Martin Pugh kicked off the trio of talks, looking at the two Labour governments of the 1920s. The Liberals were still badly divided between the Asquith and Lloyd George camps, even though the domination of the 1923 election by the question of free trade had helped to bring them together. The outcome of that election was a hung parliament: 258 Conservative, 191 Labour, 158 Liberal.

Based on his experience of the First World War, Asquith did not want a coalition government to be formed with either party. The Liberals did, though, have a choice of which party to let form a minority administration. Asquith took the view that a Labour government was inevitable at some point in the future – and so better to 'trial' one now in the, as he thought, safe conditions of a hung parliament. Churchill and others argued, however, that both Labour and the Conservatives should be voted down, hoping that the Liberals would therefore be given a try. Be bold, be quick in voting down a minority government – and hope something better would emerge.

Photos: Chris Millington

This call for boldness did not carry the day, and Labour under Ramsay MacDonald formed a minority government. MacDonald had clear, long-term strategic aims: keep the Liberals out of power and further strengthen the position of Labour relative to the Liberals. While Labour was pursuing its long-term vision of replacing the Liberals, Liberal MPs were shocked to discover that Labour did not cooperate in parliament and, in the constituencies, was gunning for their votes and seats. This included running candidates in many seats where they would split the anti-Conservative vote and so let Conservatives win from the Liberals. For Labour, the short-term pain of strengthening the Conservatives was worth it for the long-term gain of British politics becoming solely about two parties, with the Liberals not one of the two.

The 1924 electoral landslide for the Conservatives at the end of this period of minority Labour rule was, therefore, not as bad for Labour as it may have seemed. A result of Conservative 412, Labour 151, and Liberal 40 may have been poor for Labour in the short run, but the gap between Labour and the Liberals had nearly trebled.

Despite the Conservative landslide, their hold on power was fragile and the late 1920s saw both a revival for the Liberals under Lloyd George and then a hung parliament after the 1929 election: 288 Labour, 260 Conservative and 59 Liberal MPs. Again, a minority Labour administration was formed.

Although the Liberal revival in terms of votes did not turn into many more seats, Lloyd George was confident of the strength of his position, believing (rightly) that many people had voted Labour because they hoped that the party would implement some of the policies to tackle unemployment that the Liberals had been proposing. By the spring of 1930, Lloyd George was involved

in behind-the-scenes talks with Labour on policy areas such as unemployment and house-building in rural areas. This developed into a stable relationship, with weekly meetings by spring 1931.

Again, however, MacDonald's long-term vision was not one of cooperation. He wanted to ensure that Lloyd George did not back the Conservatives, but he did not really believe in cooperation and did not trust the Liberals. He wrote privately about the need 'to humour' the Liberals. When it came to electoral reform, therefore, there were talks – sufficient to humour the Liberals – but MacDonald was not a believer in electoral reform, even the alternative vote, despite the temptations of it delivering more seats for Labour. That was outweighed in his eyes by the way in which AV would help sustain the Liberals and a three-party system. In the end, he was content for the House of Lords to mangle an electoral reform bill.

For the Liberals, there were two problems – that of propping up a failing government and that of unity. There were persistent rumours that the Conservatives would give a free run to any MPs who opposed Labour and there was a group of Liberal MPs who, by the end, were regularly voting against the Labour government. Lloyd George had got sucked into talking details with the government, but without an overall strategic aim and without delivering the big prize of electoral reform. Given how he had also messed up getting electoral reform during the First World War, Martin Pugh suggested it was an issue he never really got to grips with. All was then swept away by the economic crisis of 1931: MacDonald formed a coalition with the Conservatives, Labour split and the National Government won a huge landslide in the 1931 election.

It was not until the 1970s that the Liberals next had a chance of power courtesy of a hung parliament. The story of the Lib–Lab Pact was taken up by Tom McNally, who had worked in Downing Street in the 1970s and subsequently became a Lib Dem peer. He echoed the dangers of losing sight of the strategic aim, recounting his memories of Paddy Ashdown returning 'bouncing' around after meetings with Tony Blair despite it not being clear what he had achieved.

On the Lib–Lab Pact itself, McNally challenged the consensus in Liberal circles that the Pact was a disaster. The years 1976–78 were the period when Britain was at its most equal, which McNally attributed to the Pact's influence. Moreover, it was sensible for the Liberal Party to act in such a way as to avoid a general election in 1976, the outcome of which would have been far worse than the Pact. At the time, many serious editorials were asking whether Britain was still governable – and again, for McNally, the Pact was a success in showing that it was. By 1978 every economic indicator was moving in the right direction, but the problem was that the Liberals were getting almost no credit for it.

So what was wrong with the Pact? For Labour Prime Minister James Callaghan, and for Labour as a whole, it was only a shotgun marriage of convenience; there was no parity of esteem between the two parties. There was also a complete lack of parity of resources. Both of these echoed the position in 1920s, as did the third problem – the failure to achieve electoral reform. As in the 1920s, David Steel did not push the issue to breaking point –though it was McNally's opinion that he had no alternative, as Labour was not willing to move.

This was in contrast to the Cook–Maclennan Labour/Lib Dem constitutional talks in the run-up to 1997, when the Liberal Democrats went in well briefed and with a clear idea of what they wished to achieve, whilst Labour had no clear set of objectives. Back in the 1970s, the idea of working together was still too hard for Labour to stomach. There was no long-term stability based on shared commitment and shared objectives.

It was in 1999 that there was the next round of Labour–Lib Dem talks, a story taken up by David Laws. He is now MP for Yeovil, but in 1999 he was the party's Policy Director and gave advice to the Scottish Liberal Democrats on how to handle the hung parliament that arose from the first elections to the Scottish Parliament. He talked about 6–13 May 1999, the period when the coalition agreement was put together. Looking at the experience of this week, he derived seven rules of coalition negotiation for Liberal Democrats:

1. There is huge pressure from the media, and others, to see a deal struck quickly, if at all.
2. About 20 per cent of colleagues will be happy with any sort of coalition, 30 per cent will oppose any sort of coalition, and the rest will decide based on the details of the proposal.
3. Any coalition has to address issues of policy substance.
4. You have to be tough and prepared to walk away to get a good deal.
5. But you can agree to postpone tackling some large and complicated issues if more time is genuinely needed to work out a compromise – and if there is always the threat that the coalition will end if compromise is not reached.
6. You need to get commitments in writing about the administrative details of how coalition government will work.
7. Vigorous internal party debate over the proposed terms is vital for any deal to stick.

Recounting the events of 1999, Laws said he was struck at the time by how, due to the heavy focus on fighting the elections, there was relatively little prior attention paid to what a coalition might involve. He had had two documents as a jumping off point – a draft coalition document that had been going round the party since the 1970s, which was of very limited use, and the Scottish elections manifesto. Laws therefore modelled his first draft of an agreement on the New Zealand coalition document that he and Malcolm Bruce MP had studied on a prior visit there. This had a very detailed section on how a partnership would work, along with sections on each policy area.

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election, despite the time that consultation takes and the exhaustion of everyone at the end of a campaign. Laws erred on the side of believing in the importance of speed, in part because of the need to build confidence that an arrangement would work. The draft agreement went through detailed consultation with the Scottish Liberal Democrats over two days, and then went over to Labour by the Sunday evening following the election. Labour's response was an extremely brief document – only four sides – which was not much of a coalition offer. It talked about 'implementing Labour's manifesto' and on the big issue of tuition fees only offered to monitor the situation for three years.

One reason why Laws did not believe that this was sufficient was due to his observation that around 20 per cent of a leader's colleagues were keen on agreement at any price, and around 30 per cent wanted no coalition under any circumstance, while the remaining 50 per cent were willing to be persuaded – which is why the discussions had to be heavy on policy detail in order to convince them that an agreement would deliver enough of what they believed in. The subsequent negotiations were very intensive: Laws showed the meeting four different drafts of the agreement that were produced in just one afternoon. The civil servants were not impartial, very much seeing themselves as working for the largest party.

Labour believed that the lure of ministerial jobs would eventually mean that the Liberal Democrats would weaken their demands and agree. But, by being clear that they would not fold, the Liberal Democrats extracted a much more substantive and amenable proposal. Labour also found it hard to understand the consultative internal processes that the Liberal Democrats followed. But these processes were crucial, not just to how the party operates but also to making an agreement that could last – and it did, in effect for eight years.

Michael Steed in questions raised the point that stability also came from fixed-term parliaments for Scotland. In all the other cases discussed in the meeting, the Prime Minister had had the nuclear option of calling a general election at any time.

Another question was from Michael Meadowcroft, who highlighted the lack of unity between the Asquith and Lloyd George camps in the early 1920s. He had met someone employed to work on a by-election of the time. The by-election team was based in one building, but split between the two camps over two floors – and the person he met was employed to run messages back and forth between them.

In concluding comments, Tom McNally highlighted how similar the lessons were from all the historical examples, in particular the importance of a united party with a clear strategy and of party consultation, effective but quick. Martin Pugh echoed the point, talking of the need for personalities to gel across the agreement. Looking at MacDonald's flaws, which made him very difficult to deal with and put the Liberals on a hiding to nothing in the 1920s, he suggested that Gordon Brown would be similarly impossible to deal with. Laws echoed this and recounted how Gordon Brown was brought in to the Scottish negotiations at one point and shifted his arguments around in a way which made negotiation extremely difficult. On that rather contemporary note, the meeting concluded.

Mark Pack is co-editor of Liberal Democrat Voice (www.LibDemVoice.org) and a member of the Journal's *Editorial Board.*

A short report of this meeting was posted on the Reuters website on 21 September; see http://blogs.reuters.com/uknews/2009/09/21/liberal-democrats-and-the-balance-of-power/

1 Michael Crick, 'Why a hung Parliament is a good bet', http://www.bbc.co.uk/blogs/newsnight/michaelcrick/2009/04/why_a_hung_parliament_is_a_goo.html.

LIBERAL HISTORY QUIZ 2009: ANSWERS

(See page 21 for the questions.)

1. Caithness and Sutherland
2. National Liberals
3. Henry Campbell-Bannerman
4. Charles Kennedy, Simon Hughes, Malcolm Bruce, Jackie Ballard, David Rendel
5. Minister for Education
6. Richard Allan
7. High Commissioner for Palestine
8. The National Trust for Scotland
9. Peter Bessell
10. All Saints Church, Sutton Courtenay, Oxfordshire
11. Highgate
12. W E Gladstone
13. Francis Schnadhorst
14. John Stuart Mill
15. Michael Steed
16. John Bright
17. Six: Margaret Wintringham, 1921–24; Lady Vera Terrington, 1923–24; Hilda Runciman, 1928–29; Megan Lloyd George, 1929–51; Elizabeth Shields, 1986–87; Ray Michie, 1987–88 (and 1988–2001 as a Liberal Democrat)
18. Sheelagh Murnaghan
19. John Morley, Viscount Morley of Blackburn
20. The Beveridge Report