'BE CAREFUL WHAT

THE LESSONS OF THE LIB–LAB PA

Much attention has focused upon the lessons to be drawn by Liberal Democrat–Conservative coalition ministers from previous arrangements between Liberals and Conservatives. However, the most recent relationship between Liberals and another party – and in some ways the relationship most similar to the current coalition – is the Lib-Lab Pact of 1977–78, agreed by David Steel when James Callaghan's Labour government had lost its parliamentary majority. What can this episode tell us about the effects of co-operation on Liberal identity and fortunes? **Matt Cole** draws the lessons.

We must not give the impression of being afraid to soil our hands with the responsibilities of sharing power … We must be bold enough to deploy the coalition case positively. (David Steel, Liberal Assembly, September 1976)

We are prepared to co-operate with other parties, even as we insist on the need for a fundamental break in Britain's political habits. … We are prepared to co-operate with whichever party will go with us some way along the same road. (*The Real Fight is for Britain*, Liberal manifesto, 1979)

Electoral reform would enlarge [the parties'] choices and ensure an open coalition based on a public majority with authority to run our affairs … By a chance, which I am glad we were able to take advantage of, the Lib–Lab agreement provided a short but successful spell of majority government (David Steel, *A House Divided: the Lib–Lab Pact and the Future of British Politics* 1980, p. 161)

We had now accepted that Parliament could work and – with a future Lib–Lab coalition, stronger than the Agreement – the government could be effective in a hung Commons. (David Steel, *Against Goliath: David Steel's Story*, pp. 147–48)

'YOU WISH FOR . . .'

ACT FOR THE LIB–CON COALITION

David Steel regarded the Lib–Lab pact as more than an isolated chance event: he looked upon it as an early experiment in a strategy which would eventually see the Liberals in a full coalition government, and urged Liberals to draw conclusions from the experience of it for that purpose. Although Steel's preference and expectation was for a working relationship with Labour, the Liberal manifesto following the pact made clear the party's readiness to work with either main party under the right circumstances. Steel himself reiterated during the 2010 election campaign that 'Nick Clegg is absolutely right to stick to his argument that the electorate must first decide the composition of the Commons, and that the party leaders must thereafter act responsibly in accord with their decisions.'[1] He also confirmed his approval of the deal with the Tories after its publication.[2] Thus, though it is dangerous to make predictions from past events, it is reasonable to take Steel's cue and consider what the experience of the Lib–Lab pact of 1977–78 might suggest about the situation in which the Liberal Democrats now find themselves. There are certain similar features which give the Lib–Lab pact a potential value as a guide for observers, if not actors, in the coalition process.

The course of the Lib–Lab pact

The pact (Steel preferred to call it an 'agreement') came into existence because, following by-election defeats and defections, James Callaghan's Labour government had lost the parliamentary majority of four which it had gained at the 1974 election. To secure the passage of legislation and stay in office, Callaghan offered the Liberal MPs – then thirteen in total – consultation over policy in exchange for support in the division lobbies.

The first arrangement by which Liberal MPs supported Callaghan's government was a vote of 'no confidence' tabled by Margaret Thatcher on 23 March 1977; however, Steel had looked forward to the opportunity for some time, and his reaction to it set the tone of Liberal politics for years to come. The reasons for going into a pact were both national and partisan; tactical and strategic. Even the Liberals most suspicious of cooperation with other parties could see the attractions of sustaining Callaghan in office: a general election would expose the Liberals' financial and political vulnerability, whereas an arrangement with Callaghan would provide stability for the nation at a time of economic crisis on terms at least partly determined by Liberals, and demonstrate the practicality of the sort of cooperation entailed by the electoral reform promoted by the party. The questions were how long the cooperation should continue and at what price, and it was immediately clear that Steel would accept a lower price for a longer agreement than many of his colleagues. Although the tension between these views was present throughout the pact, there were three phases in the development of the arrangement: the first was one of relative harmony within and between the partners; the second was one of crisis, which broke the trust underpinning the pact; and the latter period was one in which the spirit of the pact had gone, though it lived on in practice – it was politically a 'dead man walking'. In all three phases Liberals secured achievements, but they were of diminishing significance and came at increasing cost.

Left: Jim Callaghan promises David Steel his reward (PR) after his Labour colleagues have voted on it (Gibbard cartoon, *Guardian*)

As they secured the confidence vote of 23 March, Callaghan and Steel drew up an agreement for the remainder of the parliamentary session, which was accepted by all Liberal MPs even though some were surprised at its limited fruits. There would be a Joint Consultative Committee between Labour ministers and their counterparts in the 'Shadow Administration', as the Liberal MPs and peers involved came to call themselves; Liberal proposals on worker participation, homelessness and small businesses were to be given a serious hearing, and – most tantalising of all – the issue of proportional representation (PR) for elections to the proposed devolved bodies in Scotland and Wales and for direct elections to the European Assembly was to be put before the Commons. Steel was in

bullish mood about the opportunity and wrote to Liberal candidates on 24 March:

> Admire the photos of the Liberal MPs in the *Daily Mail*! When did photographs of all the MPs last appear on the front page of a popular daily? You will have a difficult time. You will have resignations in your constituency. (You would have had from others if we had sided with the Tories). Don't be defensive. Be aggressive. Go all out to detail the bridling of socialism. Forget the textual analysis of the Agreement. It's what we make of it that matters.[3]

However, little was guaranteed, and the votes on PR were to be free votes so that Labour MPs would be at liberty to oppose the measure. From the outset there were Liberals who took John Pardoe's view that 'David was determined to do a deal at all costs'. Labour ministers agreed, as one source reported: 'the "terms" were heard with some incredulity by the Cabinet' and 'the [Labour] Party had simply undertaken to do what it had anyway intended to do and desist from what it could not do.'[4] Cyril Smith declared his opposition to the pact early on, and from the outset former leader Jo Grimond and David Penhaligon, the MP for Truro, were extremely sceptical and supported the project only out of loyalty to colleagues.[5] Most of the anxiety at this stage, however, was about the details of policy or the length of the agreement. Steel was able to persuade his colleagues at a weekend meeting of MPs in late June that 'the results to date have been worthwhile and beneficial to the nation but that any future agreement still depends on the government pursuing policies which will bring down the rate of inflation and provide the necessary economic stability for the country.'[6] In July, Steel convinced his fellow MPs to continue the pact into another parliamentary session based upon a ten-point agreement which promised a free Commons vote on PR for European elections and consideration of profit-sharing in industry.

For four months Steel unquestionably had the support of most of the party, and party headquarters noted confidently that 'initial reactions we have received are, with relatively few exceptions, favourable' and that 'the Party will stand solidly with the Parliamentary Party and the Leader.'[7] Shadow Administration and Joint Consultative Committee meetings went ahead and senior Liberals in the Lords wrote to Steel calling for 'a more stable and longer term agreement.'[8] There was even a remarkable historical continuum provided by a letter from Sir George Schuster, who said: 'in listening to what you said last night I felt for the first time that public expression was given to a true Liberal message.'[9] Yet there remained amongst Liberals a body of sceptical opinion which feared for Liberal independence and by the summer Steel recalled, 'the Party was extremely restless'[10] following very poor local election results in May, when three-quarters of Liberal county council seats were lost.

There remained amongst Liberals a body of sceptical opinion which feared for Liberal independence and by the summer Steel recalled, 'the Party was extremely restless' following very poor local election results in May, when three-quarters of Liberal county council seats were lost.

During the autumn of 1977, the pact was tested to destruction, though this would not be publicly evident until later. The delicate balance of opinion within the Liberal Party was reflected in the Annual Report to the Assembly, which argued that 'the sudden re-emergence of the Liberal Party onto the national stage as a result of the Agreement with the Government has enabled the Party to wield a degree of real and immediate influence more in line with its electoral support at the last election' but acknowledged that 'it has strained our meagre resources to the limit.' Cyril Smith's attempt to have the agreement renegotiated was voted down by 716 delegates to 385 at the Assembly in September, but Steel was obliged by an Assembly resolution to promise that in the coming vote on PR in European elections, 'we will be watching the division lists most carefully. We have a right to expect the substantial majority of Labour members – and especially Ministers whose continuance in office depends on us – to support the Government's recommendation.' The same month Liberal MPs were infuriated to see a study into the grievances of small businesses – for which they had pressed the government since the first days of the pact – set up with no recognition of their role in its establishment; Steel was obliged to release a retrospective press statement claiming the credit for his colleagues. Former Labour Minister Christopher Mayhew, who had defected to the Liberals three years earlier, convinced the Liberal Assembly at Brighton to pass a resolution demanding that a 'substantial majority' of Labour MPs must support PR for the European elections in order for the pact to continue.

October saw a reshuffle of the Shadow Administration in which doubters made way for more solid supporters of the pact: Smith, who had resigned as employment spokesman, was replaced by Baroness Seear, and Grimond stepped down from his responsibility for energy policy, which was handed to Lord Avebury. In November, a Party Council meeting at Derby insisted that if Labour MPs did not endorse PR for Europe, then a special Assembly would have to be called to review the pact. Everything now depended upon the Commons vote on the introduction of PR on 13 December.

The vote for PR in European elections was lost by 319 to 222. Conservative whipping against the bill did damage, but more significant to the Liberals was Labour's lukewarm response. Though a majority of Labour MPs voting – 147 to 122 – had supported the bill, fewer than half of the Parliamentary Labour Party had cast their vote, and eleven ministers, four of them Cabinet members, had voted against it. This was hardly the 'best endeavours' of the government which Liberal MPs had been promised in July. An immediate meeting of Liberal MPs decided to continue with the pact by only six votes to four. To achieve this, Steel was obliged to pretend that Callaghan was going to see the queen to call an election, a prank which made some of his colleagues feel physically sick. The pact was now doomed, although the precise circumstances of its demise were as yet unknown. A Special Assembly was called to meet in Blackpool in January 1978 to discuss the situation.

Conscious of the hostile reaction he was likely to face at Blackpool, Steel secured a long run-in of over a month to the Assembly, carefully crafted a resolution for debate which gave him discretion over the ending of the pact, and wrote a stern letter to Liberal candidates on 16 December on his view of the best way forward: 'I am not going to change course now. I think the

Party would be crazy to change course but you are entitled to do so if you wish at the Special Assembly.' By 13 January a note of anxiety had replaced the bravado of the previous month as he urged candidates 'please ensure if you or your constituency delegates are speaking that nothing is said thoughtlessly which can be picked up and used against ourselves in the future by our enemies.' Regretting that the discussion has taken him away from other activities he warned that 'there must soon come an end to this discussion of our strategy in favour of more effective promotion of it.' On the other side of the debate, *Liberator* argued that 'somehow or other the Liberal Party must find a way of deciding when to get out of the pact', and complained that 'the problem in all of this, of course, is to ensure that David Steel listens to the party, rather than blindly pursuing his obsession with coalition.'[11]

The Blackpool Assembly approved the continuation of the pact by 1,727 votes to 520, but it exposed publicly the divisions within the party. Steel continued to insist that 'I have to place on record that the Prime Minister delivered exactly what he undertook to deliver on PR', to delegates' cries of 'Rubbish!'; but even Richard Wainwright, who opened the debate with a speech supposed to bridge the two factions, referred to the 'perverse sectarian Labour vote in favour of gerrymandering', and the tone of the debate was more important than the substance of the resolution which was agreed. Although Steel was granted the freedom to continue with the pact for the remainder of the session, most delegates regarded this as allowing the pact a dignified demise in preference to administering a lethal injection; it was not an encouragement to attempt to revive it. The exasperation that would continue to face Steel over the next decade was expressed in *Liberator*, which said 'the Special Assembly showed that getting radicals elected to positions within the party does little or no good if the majority of constituency workers are prepared to come along to Assemblies and play "follow my leader".'[12] *The Times* (23 January 1978) however, was more accurate in its assessment of Liberal attitudes to the pact, commenting that 'neither the wording of the motion nor the mood in the conference hall suggested that the delegates were voting to continue it indefinitely.'[13]

There were occasional minor triumphs over budget measures, or opportunities to advertise Liberal novelties such as a land bank, but few of these ideas came to fruition. One or two MPs, such as Sir Russell Johnston, urged Steel to press on with the pact, hoping that Labour would repent on PR for Europe and the proposed devolved bodies in Scotland and Wales, but these measures were again defeated by Labour peers in April.[14] The balance of party opinion had tipped in favour of the sceptics, and only courtesy and electoral necessity had restrained the Liberals from ending the pact straight away. The lesson for Steel was clear: much of the Liberal party would support his strategy of inter-party cooperation, but the circumstances had to be right, and the rewards had to be delivered. In particular, the promise of electoral reform – always central to the Liberals' idea of politics – was sacrosanct. Publicly, the pact ended with a whimper: in May Steel acknowledged that it would not continue beyond the parliamentary session;[15] on 23 June 1978, he told Scottish Liberals wearily that 'it has been an appallingly difficult time for Liberals. We face an electorate brainwashed into seeing politics as a contest between a pair of mighty adversaries' and called for autumn election. At the end of July, Liberal opposition lost the government a vote on the dock labour scheme; but it was not until August that Alan Beith as chief whip gave notice that all joint meetings were at an end.

For sceptics this experiment in cooperation had been costly and fruitless: electorally, not only did they lose previously hard-won council representation, but the Liberals also lost ground at every parliamentary by-election during the pact, with the vote declining by over 10 per cent in half of the contests between April 1977 and May 1978. The party's Gallup poll rating fell into single figures for the first time in five years in August 1977, not to rise again until the 1979 general election campaign.[16] The tangible rewards in terms of policy had been thin, though a number of Liberal demands had received serious discussion and had been the subject of clear legislative proposals, a situation upon which the party could build. Such was the opposition to the Lib–Lab pact in the party that Steel has acknowledged recently that 'it's fair to describe it as a Steel/Callaghan Pact' because 'the Liberals, as usual, were difficult and had to be cajoled along.'[17] For Steel, however, a precedent had been set: he opened 1979 with a party political broadcast quoting Bill Rodgers and Edward Heath on the virtues of inter-party cooperation and the need for a statutory incomes policy, and went on to argue at the general election in May that the Liberals had 'knocked sense into Labour' and to appeal for a 'Liberal wedge' to split the two main parties' control of the Commons. The argument over cooperation would surely return.

Sunday Times, 19 September 1976

Daily Mail, 28 September 1977

How the *Sunday Times* and the *Daily Mail* saw the Pact

Similarities and differences between the pact and the coalition

The relationships and circumstances of the parties involved in these two

arrangements can be compared in the following ways:

- Both arrangements are – as in 1924 and 1929 – the result of parliamentary arithmetic rather than ideological convergence (as would have been the case in 1997 had the Liberal Democrats joined Blair's Cabinet) or economic crisis or war (as in 1915–22 and 1931–45). The motivation holding the parties together is the belief that the government they have formed is better for the nation and for their party than the holding of another general election. Any threat to that analysis therefore jeopardises the arrangement.
- In both arrangements, the Liberal Party and its successor are the junior partners, able and expected only to secure a limited number of concessions from the other party.
- Both arrangements have featured the establishment of formal negotiating machinery by which commitments are secured, including policy promises from the major partner party (a free vote on PR for European elections in 1977, for example, or the referendum on AV in 2010). The machinery in 1977 was the Joint Consultative Committee of six leading figures in the Labour and Liberal Parties; in 2010 the machinery took the form of the negotiating teams.
- Both parties in the arrangement contain now, as they did in 1977, a spectrum of opinion ranging from enthusiastic support for cooperation (on both occasions found specifically in the leaders of both parties) to grudging, suspicious acceptance of the idea, and resistance to its individual effects (Peter Shore and Tony Benn in the Labour Cabinet of 1977, mirrored by Cyril Smith and Michael Meadowcroft in the Liberals; David Davis or Christopher Chope in the Conservatives of 2010 or Charles Kennedy and Adrian Sanders in the Lib Dems). Most MPs and activists hover between the two, and most are capable of moving along the spectrum when they feel loyalty to the leadership has been stretched and party identity is under threat.
- The Liberal Democrats are suffering at the polls just as the Liberals did in 1977–78. At by-elections in traditional areas of Liberal presence (Penistone in July 1978, Oldham East in January 2011) the Liberal vote holds up, but there is no mid-term fillip; in other contests (such as the Barnsley Central by-election of March 2011, the July 1977 Saffron Waldon by-election, or the local elections of 1977 and 2011) the tactical and strategic purpose of the Liberal vote is harder for the floating voter to grasp whilst the Liberals support, but are not themselves, the main party of government.

The differences between the pact and the coalition which might give observers caution in drawing conclusions are as follows:

- The current arrangement is with a different, and historically less tribal and more pragmatic, party. The reluctance of the Labour Party to make meaningful concessions at times of tension in 1977–78, and in the coalition negotiations of May 2010,[18] may be replaced by greater flexibility in the pursuit of power by the Conservatives. This was apparently illustrated in the substantial amendment of Andrew Lansley's health reforms.
- The Liberal Democrats are now in office as members of the executive, rather than merely supporting the party in government. They have lost opposition-party funding, and are now held directly responsible for government policies. On the other hand they have access to the civil service and have more direct control over policy. One key effect is that policy is made in coordination with the other governing party rather than by taking Liberal decisions to an ongoing Joint Consultative Committee.
- Lib Dem MPs are more numerous and more vulnerable to party support swings, than in the 1970s. The ratio of Labour MPs to Liberal MPs during most of the pact was 24 to 1; between the parliamentary parties of the coalition it is a less uneven 5.4 to 1. There is now competition for Lib Dem frontbench positions, whereas Steel had to draft peers into his Shadow Administration to make up the numbers rather than to represent the government in the Upper House. However, this entails the reality that Lib Dem MPs, unlike Liberal MPs of the 1970s, cannot all rely on the sort of media exposure and personal vote which sustained all but three of the thirteen Liberal MPs who supported the pact from a drop of a third in their party's nation vote in 1979.
- Most importantly the relationship in 2010 is a fixed one, unlike the temporary and spontaneous relationship of the pact. There is no obvious way of creating space for a recovery such as Steel enjoyed between 1978 and 1979; Steel himself has been quoted talking of the need to formulate an exit strategy.[19]

The pact avoided the worse immediate fate of a renewed electoral contest, and changed public perceptions of the Liberal Party and its role in such a way that when the election came it was less damaging than most had feared it would be.

Conclusions

The conclusions which might be drawn from this comparison are:

- For observers, the ostensible relationships between the parties do not necessarily reflect the changing reality of attitudes within the parties, which are far more fluid and complex than the arrangement itself; and yet its continuation is dependent upon the balance of those attitudes.
- Needless to say, strategy for the 2015 election will depend heavily upon the display of 'trophies' from the coalition: key policy achievements that are held to justify the arrangement and its adverse effects from the point of view of former and potential Lib Dem voters. This can even be a general and negative achievement like Steel's 'stopping socialism' or the progressive lowering of inflation; but it has to be credible and electorally significant. The Lib Dem leadership started this process with their 'business card' of achievements circulated at their Spring 2011 conference in Sheffield, but voters will need more.
- There has to be the possibility of departure by the Liberal Democrats, or else the deal loses its underpinning parliamentary logic. Not only does that possibility strengthen one leader's hand against the other's, but it strengthens each leader's hand against his own dissidents, as both Benn and Steel acknowledged Callaghan did in muting

his left wing[20] and Cameron's bold move to push the 1922 committee to accept a referendum on AV.[21] An exit strategy is therefore essential to staying in successfully.

- Liberal Democrat MPs will come under unfamiliar intense pressure at the next election and will therefore need to rely upon personal and constituency appeal more than ever. MacAllister, Fieldhouse and Russell[22] have observed that this remains part of their appeal, although it is less universal than Butler remarked was previously the case,[23] and the results bore this out in 1979. The local election losses of 2011 were less brutal than those of 1977, but they are a reminder that each MP's own strengths will determine both their individual fates and the size of the Lib Dem group after 2015.

The Lib–Lab pact was electorally damaging and brought few policy victories, and commentators such as Michie and Hoggart[24] and Whitehead[25] scoffed at its significance. Even some of the senior Liberal MPs who remained loyal to Steel at the time of the pact voiced scepticism afterwards.[26] Many of the same doubts could be expressed about the impact of the coalition upon the Liberal Democrats. Nonetheless, the pact avoided the worse immediate fate of a renewed electoral contest, and changed public perceptions of the Liberal Party and its role in such a way that when the election came it was less damaging than most had feared it would be. The party was, however, able to do this because of the features of the situation – distance from government, a clean break before the election and the independent political bases of its MPs – which are no longer so clearly in evidence. It is changing the 'differences' above to 'similarities' which will make the difference.

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1 *The Times*, 21 April 2010.
2 D. Steel, 'Why we must make this coalition work', *The Guardian*, 15 May 2010.
3 David Steel papers, LSE, file A/3/1.
4 P. Whitehead, *The Writing on the Wall: Britain in the Seventies* (Michael Joseph, 1985), pp. 259–60.
5 A. Penhaligon, *Penhaligon* (Bloomsbury, 1990), pp. 161–62.
6 Liberal Party Organisation press release, 27 June 1977, Steel papers, file A/3/1.
7 Undated note in Liberal Party Papers, file 19/3
8 Lords Byers, Gladwyn, Wigoder and Baroness Seear to David Steel, 21 July 1977.
9 Sir George Schuster to David Steel, 16 June 1977. Schuster had been a Liberal candidate before World War One, Liberal National MP for Walsall from 1938 to 1945, and a close friend of Asquith and Violet Bonham Carter.
10 D. Steel, *Against Goliath: David Steel's Story* (Weidenfeld and Nicolson, 1989), p. 134.
11 *Liberator*, December 1977–January 1978.
12 *Liberator*, February–March 1978.
13 *The Times*, 23 Jan. 1978.
14 Johnston to David Steel, 16 March 1978, Steel papers File A/3/1. PR in the Scottish Parliament was defeated in the Lords in April, when Labour peers voted against.
15 David Steel, press release, 25 May 1978, Steel papers File A/3/1. Party Chairman Geoff Tordoff's own statement read: 'we now look forward to being able to present to the country a clear and independent Liberal programme.'
16 P. Norris, *British By-elections: the Volatile Electorate* (Clarendon 1990), Appendix. In fairness it should be pointed out that in no by-election of the October 1974 parliament did any Liberal candidate match the party's performance at the preceding general election, but the decline became much more marked after April 1977. Only in one of the previous contests had the drop in the vote edged past 10 per cent. See also A. King (ed.), *British Political Opinion 1937–2000* (Politico's, 2001), pp. 11–13 on Gallup's monthly poll ratings.
17 Cited in M. Oaten, *Coalitions* (Harriman House, 2007), p. 193.
18 This is the view of the talks emphasised in D. Laws, *22 Days in May: the birth of the Lib Dem–Conservative coalition* (Biteback, 2010).
19 *Sunday Express*, 19 Sept. 2010.
20 T. Benn, *Tony Benn's Diaries* (Hutchinson, 1995), pp. 407–9; Whitehead, *The Writing on the Wall*, p. 261.
21 R. Wilson, *Five Days to Power: the Journey to Coalition Britain* (Biteback, 2010), pp. 217–22.
22 I. MacAllister, E. A. Fieldhouse, A. Russell, 'Yellow Fever? The Political Geography of Liberal Voting in Great Britain', *Political Geography*, 21/4 (2002), pp. 421–47.
23 D. Butler (ed.), *Coalitions in British Politics* (Macmillan, 1978), p. 110.
24 A. Michie and S. Hoggart, *The Pact: the inside story of the Lib–Lab government, 1977–78* (Quartet Books, 1978).
25 Whitehead, *The Writing on the Wall*, pp. 258–75.
26 J. Grimond, *Memoirs* (Heinemann, 1979), pp. 249–55; Penhaligon, *Penhaligon*, pp. 160–77.