

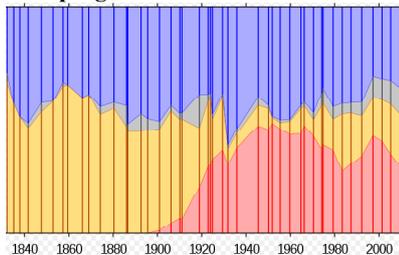
A Peelite Coalition?

Tuesday 12th May 2010

The first hung parliament in 36 yrs is the first ever to be resolved by coalition: historic and in more ways than one. Events moved fast in a fortnight from Mon 26th April when veteran observer Geoffrey Smith at the Gladstone Club shrewdly predicted the hung outcome on 6th May and that the aftermath would be more telling than the vote. Labour lost 91 seats to 258 but not to the Libdems who fell from 62 to 57 and the Tories gained 97 to 306, 20 seats short of a majority.

Having serially advocated election by proportional representation in which coalitions would be the norm Libdems were really honour bound to try for full coalition and to make it work. But with whom? Labour has always seemed the natural ally for a 'progressive alliance' but by darwinian logic also their nemesis competing for the same votes. Before the Labour Party formed in 1900 'progressive' MPs might be supported by both a Labour Representation Committee and the Liberals and in 1903 a Lib-Lab pact agreed not to contest constituencies. But once overtaken in 1922¹ Liberals have never recovered from third place. So far.

The 'progressive' vote divided



Whether it was Lloyd George's 1918 'coupon' coalition with the Tories splitting the party or Asquith's 1923 free trade Lib-Lab pact giving Labour their first term in office (even though it would last only 9 months) the party was finished. It lost 118 seats in the Oct 1924 election and by 1977 David Steel could bring only 13 MPs to prop up Callaghan's minority Labour government. February 1974 was the last hung parliament and Thorpe's 14 Liberals were too few to make a majority coalition with Wilson (L) 301 set against Heath (C) 297 and others 23. The October re-run returned Labour with a majority of 3.

Vote Clegg get Brown

The first British TV face-off had given us Cleggmania kicking off Thur 15th; then came the Tory jibe 'vote Clegg, get Brown' from Mon 19th but within 6 days Mr Clegg had ruled out propping up an ailing (in the Sunday Times he used the

word 'irrelevant') Gordon Brown. It seemed to leave open Labour alliance under other leadership but as Geoffrey Smith foresaw, Labour would be unable to field a consensus candidate by acclaim.

What no one predicted was the LibDems' poor showing. In consequence a Labour alliance even including Welsh and Scots nationalists could barely gain a majority and who wanted to hand a casting vote to Alex Salmond? So despite weeks of courtship from Peter Mandelson, Brown's unctuous TV mantra 'I agree with Nick' and deathbed conversion to electoral reform, Labour were out of the running.

Mr Clegg immediately opened talks with the Conservatives officially out of constitutional propriety as the party with the largest share of the vote. It would be the first agreement of any kind between LibDems and Conservatives. Had the LibDem strategists seen that on 25th April? And if so how far back did it go this new preparedness to talk to Conservatives? Certainly all the prominent figures including Mr Clegg are listed in the credits of the 2004 Orange Book. The re-emergence of free market economic liberalism seems to begin there and with the 2005 party conference that spelt the end of Charles Kennedy and the policy to outflank Labour leftward. Since Thatcher free trade was Conservative.

Peelite coalition

Ironically the ill-fated 1923 coalition was built on a shared commitment to free trade in the face of Tory-proposed tariffs - a battleground more familiar to electorates of 1812 than 2012. Free trade today is associated with the Tories but an alliance of Liberals and free trade Tories in the face of an unprecedented budget deficit and international banking crisis is not new. Sir Robert Peel's famous 2nd term 1841 government relied on Whig support to put through its most important fiscal reform - the repeal of the Corn Laws - and was also responsible for repealing complicated tariffs on over 1200 items. His legacy was carried forward chiefly by Gladstone so that Peel the founder of Conservatism has also been called the father of Gladstonian Liberalism.

Raising the tax threshold to £10k is a significant fiscal reform not only for what it does but for the direction in which it points, that is ultimately toward a living wage free from the destructive impact of income tax. It can be no accident that it was the first concession announced by the Tories in the coalition talks. They and business leaders were right to call



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Labour's proposed uplift on National Insurance a 'tax on employment' and in saying so were already aligned to the (more coherent) analysis behind the £10k threshold policy. An NI increase would directly increase the cost to firms of hiring (as does the rest of NI, ENIC and IT) in a particularly regressive way discouraging lower paid employment most. This may be the Coalition's only policy for growth but at least it is a good one. It genuinely increases the prospects for lower skilled workers to get off the unemployment lists. And as Will Hutton has pointed out, channelling wages to the poorest is the best antidote for recession because they will always spend straight away on consumption while at such times HNWIs (high net worth individuals) retreat from uncertain enterprise to assets like old paintings, old wine and land.

Coalition has not been the tradition here. Minority governments have usually hobbled along with some agreement from a third party not to obstruct, falling short of coalition and always short lived. Like Callaghan's 1978 Winter of Discontent or like John Major in 1996. Does coalition give a more consensus form of government, the best of two manifestos and better represent the will of the people? Or does it just hand power to a minority to pursue pet policies nobody voted for (AV, Lords Reform) in a horse-trade behind closed doors? Can a coalition have the strength to do what really needs to be done: addressing the deficit which will mean reform of welfare and pensions and taxing wealth? And if they do will the price be paid by the junior partner?

3rd party opportunity

With 60 Libdem MPs it is easy to forget Liberals were down to 6 in the 1950's, did not exceed 14 for near half a century from 1935 to 1983, had no serving ministers in living memory and that the last Liberal PM was Lloyd George. LibDems have now opportunity to gain experience and credibility as Labour did in Churchill's wartime coalition, to get the electorate reaccustomed to the idea of Liberal ministers and to get away from the idea of the party as a wasted or a protest vote. And hopefully a durable move toward a more Gladstonian sort of Liberalism.

¹ http://en.wikipedia.org/wiki/File:UK_popular_vote.svg