

The parliamentary agreement between the Labour Party and the Liberal Party 1977- 1978 'The Lib-Lab Pact'

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July 2012

A thesis submitted for the degree of PhD.
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Summary of Thesis

This thesis is a chronological case study into the origins, operation and consequences of the Lib-Lab Pact 1977-1978.

Cross-party co-operation in British politics since 1945 is assessed. David Steel's election as Liberal Party leader, his political philosophy and strategy are examined. Concepts of realignment, 'co-operation strategy' are explored.

The parliamentary and political events together with a detailed assessment of the inter-party negotiations which led the Pact are examined. New perspectives include: the significance of the leader-led nature of the negotiation process; the Labour-Ulster Unionist understanding which ran concurrent with the Pact; the importance of Lib-Lab discussions on devolution which pre-dated the Pact in influencing Steel's subsequent decision-making. Analysis focuses on the Lib-Lab negotiations into if the Direct Elections to the European Parliament Bill should include a proportional voting system and whether the parliamentary Labour party should be compelled to vote for PR. A key finding of the thesis is that rather than allowing a free vote, as was agreed, the Prime Minister, James Callaghan, was prepared to offer the Liberals a 'pay roll' vote; the significance of Michael Foot in this process is also noted.

The structure of the Lib-Lab consultative mechanism is reviewed. Case studies include a review of on Liberal policy influence on the Budget 1977 and 1978. The nature of intra-party dissent is reviewed with the difference between Labour and the Liberal parties noted. An examination of the serious internecine conflict is complemented by a reassessment of the role of Christopher Mayhew in this process. The Lib-Lab Pact is reviewed, assessing its affect in influencing Callaghan's decision not to call a General Election in 1978; its influence on Liberal/Liberal Democrat party strategy, and its importance in the subsequent formation of the triple-lock, as such the thesis highlighting the Pacts relevance to subsequent cross-party understandings.

Declaration

This work has not been submitted in substance for any other degree or award at this or any other university or place of learning, nor is being submitted concurrently in candidature for any degree or other award.

Signed (candidate) Date ...20 JULY 2012

STATEMENT 1

This thesis is being submitted in partial fulfillment of the requirements for the degree of ...PhD.....

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STATEMENT 2

This thesis is the result of my own independent work/investigation, except where otherwise stated.

Other sources are acknowledged by explicit references. The views expressed are my own.

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Acknowledgments

I have enjoyed every minute of studying for this PhD. However, undertaking such a large project over such a long period has of course impinged on the lives of a number of others - not all of whom were aware that my decision to study for a PhD would result in them becoming minor experts on the inner workings of the Liberal National Executive in the late 1970s, or the arcane processes involved an adjournment debate in the House of Commons. As such, thanks are most certainly due.

First and foremost, Professor Pete Dorey, whose support and advice was invaluable as this thesis took shape, I will always marvel at his patience to review and amend my often unintelligible drafts. Almost equal status should be afforded to Peter Donaldson, who over a period of 18 months proofread the entire document innumerable times, and gave both sustenance and shelter when visits to Belfast were required. Meanwhile, on a personal level, he has shown fortitude, as a long-suffering father-in-law, observing without rancour as his son-in-law gave up a life in business to become a student again. It is no exaggeration to say that without the assistance of these two men this PhD would not have been completed. It is nonetheless important to stress that any mistakes or omissions are solely the responsibility of the author.

In researching this thesis visits have been made to numerous institutions, I am not the first academic to extol the virtues of the professional archivist, but it is only right to acknowledge the assistance of those at the National Archives, the London School of Economics, Belfast Library, The Palace of Westminster and at Oxford University and Cambridge Universities. Equally, this PhD would be all the poorer had a number of individuals not given their time willingly to discuss their thoughts. Special thanks are due to David Steel and Tom McNally, who agreed to meet me in the House of Lords, and John Pardoe and Michael Steed to entertain me in their own homes, while Kenneth Stowe was good enough to converse with me at length. Sadly, posthumous thanks are also due to Cyril Smith and Russell Johnston.

I should also mention the help and support offered by the staff of Cardiff University, to my second supervisor, Dr. Mark Donovan, thank you for the lunchtime chats, and thanks also to other members of the Department, most notably, Dr. Stephen Thornton, but also, Dr. Peri Roberts, Dr. Peter Such and Professor Alastair Cole. The help of Karen Owen, Gemma Broadhurst and Jenny Hulin was also much appreciated.

Finally, very special thanks are due to my family, to my Mum and Dad, for their enswathing support, both emotional and financial, and in provided a place of study when my 'office' in the garden was too cold or hot, and on the numerous occasions when it rained 'too hard'. Thanks also to my sister and her husband, cheers Pippa and Martyn, for giving me a bed so close to the National Archives.

It is only right to end with thanks to Kathy, my wife, who above all others has had to endure listening to seemingly endless monologues on realignment and co-operation strategy, nodding appropriately when a conclusion has been arrived at – and nodding again when that conclusion was later revised. Finally, to Richard and Hannah, who have grown with this PhD, and whose garden shed can now return to its true function storing bikes and a paddling pool.

About this thesis

This thesis is a chronological analysis of the origins, operation and consequences of the parliamentary agreement between the Labour Party and the Liberal Party 1977-1978 known as the Lib-Lab Pact.

After a review of the literature, Chapter 1 will begin with a brief review of the British political system between 1945-1977. Drawing on the observations of Sartori (1976) the position of the Liberal party, as a third party in a two-party system, will be assessed. Chapter 1 will then examine how this apparent period of duopoly also contained examples of potential cross-party co-operation. Two cases will be examined from the standpoint of how Labour-Liberal and Conservative-Liberal discussions in 1965 and 1974 respectively influenced the decision-making of David Steel in forming and administering the subsequent Lib-Lab Pact.

Chapter 1 will conclude with a review of the political philosophy and strategy of David Steel and the significance of his election as leader of the Liberal Party in July 1976. Steel's 'co-operation strategy' and the contested concept of realignment will be examined; together with an assessment of how Steel and the Liberal party responded to the government's loss of its overall majority.

Chapter 2 will review the period 1974-1977, examining parliamentary and political reasons why Prime Minister James Callaghan was compelled to initiate cross-party talks which would lead to the Lib-Lab Pact. Emphasis will be placed on examining the significance of the cross-party discussions, initiated by Callaghan to enable the government to re-introduction of the Devolution Bill. Specifically, this process will be reviewed from the perspective of how and in what ways they influenced subsequent Lib-Lab negotiations and the decision making of David Steel in these latter negotiations.

Chapter 3 looks at the period from the tabling of the vote of confidence by Margaret Thatcher on 17 March 1977 through to the first Lib-Lab negotiations on 21 March 1977. This Chapter will review the

strategic objectives of Callaghan. This will encompass an assessment of the the hitherto largely ignored aspect of the cross-party discussions between Labour and the Ulster Unionist Council. New perspectives will be drawn and the reasons why following their conclusion Callaghan felt compelled to commence formal discussions with the Liberal party.

Chapter 4 will begin the process of reviewing the cross-party discussions between the Labour party and the Liberal party, which were conducted between the 21-23 March 1977. Using archive material and interviews with the key protagonists, new perspectives and insights will be given to how and why the negotiation process progressed in the way that it did. Specifically, this thesis will show how the demands and aspirations of the Liberal party changed through this process. Drawing on conclusions arrived at in Chapter 2, the decision of Steel to allow the parliamentary Labour party a 'free vote' on the electoral system to be used in the Direct Elections to the European parliament will be critically reviewed.

Chapter 5 reviews the Labour Cabinet discussions which endorsed the Pact. The relative positions of cabinet Ministers will be reviewed with particular emphasis on those opposed to the Pact. The parliamentary debate of the motion of confidence on the result of this vote will be examined. The chapter concludes with an examination of the deal agreed, through the use of archive material, new and revealing perspectives will be gained on whether Steel may have secured a more significant concession than the one achieved.

Chapter 6 focuses on an in-depth analysis of the origins, structure and implementation of the consultative mechanism which administered the Pact. The extent of Liberal party policy influence on the content of the 1977 Budget will be assessed in the first of three case studies incorporated into this thesis. Emphasis will be placed on the affect the discussion over the Budget had on subsequent interactions between the Labour party and the Liberal party.

Chapter 7 will examine the response to the Pact, first from the Labour party and then from the Liberal Party. Emphasis will be placed on the origins, extent and longevity of dissent in each case. Again archive material brings new perspective on the response and motives of Tony Benn and his cohorts. From the Liberal party perspective archive material will be utilised to examine the response of the federal party to the Pact. New perspectives are drawn on the parliamentary Liberal party's reaction to the decision to enter the Pact and specifically their desire to avoid a General Election. The final section of this chapter will act as a precursor to the analysis in Chapter 8-10 which focus primarily on the Liberal party and the reasons for the Liberal intra-party conflict which were to characterise the later stages of the Pact.

Chapter 8 begins with a review of first phase of the Pact. Three policy areas are analysed: the re-introduction of the Devolution Bill; economic policy, with emphasis on pay policy; and finally the progression and inter-party negotiations on the introduction of the Direct Elections to the European parliament Bill. The second half of Chapter 8 will focus on the implementation of the Direct Elections Bill with emphasis on the objectives and motives of David Steel. This process continues in Chapter 9, when these discussions ran concurrent with the negotiations on whether to renew the Pact. In this regard Chapter 8 continues to outline how intra-party conflict within the Liberal party became focused on a divergence over strategy between the consultation focus of David Steel and the desire for policy concessions within the rank and file.

Chapter 9 will review the process whereby the Pact was renewed, examining the inter and intra-party negotiations and the impact of the leader-led nature of these discussions. The importance of the Local Elections in May 1977 will be assessed and the extent to poor showing of the Liberal party was a watershed in changing the perception of the Pact among the party rank and file. In this context there will also be a reappraisal of the view that 'an unpopular' Labour party impacted on the electoral fortunes of the Liberal party during the lifetime of the Pact. Chapter 9 will conclude with a

review of the renewal document and the extent to which it met the expectations of the Labour party, David Steel and the parliamentary Liberal party.

Chapters 10 will trace the increasing Liberal intra-party conflict which took place between the renewal and the end of the Lib-Lab Pact. Again utilising archive material and interviews with key protagonists, the attempts by Liberal activists such as Christopher Mayhew to achieve greater policy concessions will be reviewed. The articulation of discontent within the Liberal Party with Steel's strategy will be reviewed. The case study examination of Liberal policy influence began in Chapter 6 will continue with a review of the Queen's Speech 1977.

Chapter 11 is split into three sections; the period of intra-party Liberal discontent over the Direct Elections legislation between September-January 1977; a review of policy influence on the Budget 1978; and finally a review of the period from February-August 1978 which saw the Pact draw to a close.

The first section addressing discontent begins with a review of the intra-party conflict within the Liberal party, exemplified in the meeting of the Liberal Council in Derby in November 1977. This is followed by a review of the House of Commons decision not to adopt a proportional voting system for the European parliament elections. The consequential Special Assembly convened in January 1978 is then assessed. Emphasis is placed on the Liberal Special Assembly as a conduit for a review of Liberal party policy and strategy. This leads on to an assessment of the Pact and its legacy in the thinking and structures of the Liberal party and later the Liberal Democrats. A review of the Budget 1978 constitutes the last case study in to policy influence. In this example contrasts are drawn between different negotiating strategies adopted by Liberal protagonists and how policy concessions were achieved. Chapter 11 ends with a review of the final stages of the Pact before its termination in August 1978. Finally, the various concepts and perspectives examined in this thesis will be brought together in a conclusion.

A review of the literature

In spite of the almost unique status of the 'Lib-Lab Pact' as the only formal cross-party parliamentary agreement between 1945-2010 there is an absence of academic literature on the subject – thankfully that absence has made this thesis possible. It is, however, necessary to establish why this topic has not been the subject of more rigorous academic study and what developments have occurred to make this in depth academic analysis possible.

This absence of an in-depth study of the Lib-Lab Pact in the academic literature may be explained by four key factors: difficulty over classification; lack of significant political legacy; the existence of contemporary publications on the Pact; and finally, the absence of primary source material.

Classification issues

The Lib-Lab Pact, by definition was not a formal coalition, nor indeed was it a 'confidence and supply' agreement. As such, the Pact has been regarded as a 'grey area' in terms of analysis of coalition forming, party systems or political parties. For students of coalition theory it does not fit easily into the standard models and so has been largely overlooked (Hazell and Paun, 2008:20).

For those examining the British political system, the Pact is often viewed as little more than a rather annoying caveat or footnote, intersecting the broader narrative on the typology of the British party system. Sartori (1976) viewed Britain between 1945-1970 as the perfect two-party system. Meanwhile, the British party system between 1979-2010 has been characterised by long periods of single-party dominance, by the Conservative Party between 1979-1997 and the Labour party between 1997-2010 (Gallagher, Laver and Mair, 2011). This later historical narrative subsumed the intense speculation within the academic literature, concurrent with the Lib-Lab Pact, that speculated if the British party system was in fact diverting to a multi-party system. A series of publications reassessed the British political system, often with an emphasis on minor parties, hung parliaments

and minority Government, notably, Drucker, H.M. (ed.) (1979) *Multi Party Britain*; Butler, D. (ed) (1978) *Coalitions in British Politics*; Kirchner, E.J. (ed.) (1988) *Liberal Parties in Western Europe*; Butler, D. (1983) *Governing without a majority, dilemmas for a hung parliament in Britain*. Many of these sources have been utilised in the production of this thesis, but are notable in their own right, in so much that they are emblematic of a wider political dynamic present at the time of the Lib-Lab Pact.

Political legacy

The fact that the 1980s and 1990s, in contrast to the speculation noted above, were not characterised by periods of minority governments or hung parliaments meant that the Lib-Lab Pact, as an example of cross-party co-operation, had no substantive legacy. It did not achieve one of its primary aims, a realignment in British politics. Equally, it is important to note the Pact had no discernible impact on the formation of the SDP or the subsequent SDP-Liberal Alliance (Crewe and King, 1995:7).

Consequently, the dominant narrative on the Pact, within the academic literature, has been that it was little more than a pragmatic response by a prostrate Labour Party governing without a parliamentary majority, facing an impending vote of confidence and a subsequent General Election, which a beleaguered Liberal Party equally wished to avoid (Butler and Kavanagh, 1980:34-35).

Contemporary publications on the Pact

Clearly, just because an event or issue does not fit within a model typology or a standard political narrative does not automatically preclude it from further academic study. Why then has the Lib-lab Pact been overlooked? Perhaps the most important reason for the absence of any in-depth academic analysis undertaken in the last 30 years has been the existence of two books, published almost contemporaneous with the Lib-Lab Pact and written by two leading protagonists: Michie and Hoggart, (1978) *The Pact: The Inside Story of the Lib-Lab Government, 1977-78* and Steel, (1980) *A*

House Divided: The Lib-Lab Pact and the Future of British Politics – large sections of which were transposed in Steel (1989). In the absence of primary source material, these publications have largely acted as the ‘core texts’ for authors whose broader work has necessitated reference to the Pact (such as: Dutton, 2004; Marsh, 1990; Crewe and King, 1995).

There are a number of methodological problems with relying on these works as the definitive retelling of the Lib-Lab Pact. To address Michie and Hoggart (1978) first this book was published before the conclusion of the Pact. The problems here are self-evident: it precludes retrospective analysis and the placing of the Lib-Lab Pact in a wider political context. Second, the book was published not as an academic study but as a commercial endeavour. Simon Hoggart, the co-author, was and remains a journalist for *The Guardian* newspaper. As such, as Michael Steed observes, the style and prose are not academic in tone and are at times sensationalist. While Alistair Michie, political aide to David Steel during much of the Lib-Lab Pact, did have access to most of the Liberal party material related to the Pact, Labour party and official government documents were not at his disposal. The employment of Michie by the Liberal party, and his subsequent resignation in September 1977, also suggests problems with political bias (Lippiatt, 2008: 23-27; NA, PREM 16/1794: note from Kenneth Stow to James Callaghan, 16 May 1977)

Many of these same issues can be levelled at Steel, (1980 and 1989) problems with perspective, political bias; motivation for publication; and the absence of academic rigour might be noted. This is particularly significant in the context of the date of publication of both of Steel’s books. The first Steel (1980) was published just prior to the formation of the SDP, when ‘realignment’ of the British political system seemed likely. Moreover, the subtitle ‘*the future of British Politics*’ alludes to a final chapter in which Steel outlines his assessment of the contemporary political scene. The second book published by Steel in which this period makes up a part (Steel, 1989) is broadly an edited version of Steel (1980) but is published after Steel had relinquished the leadership of the Liberal Party and so

notions of personal political legacy need to be considered. Issues related to political biography will be discussed in more detail shortly.

Nevertheless, it is important to acknowledge, as Michael Steed notes, both books are fundamentally historically accurate and as such have been utilised in producing this thesis (Steed, 2010. Personal communication). However, where possible primary sources have been prioritised, and on a number of occasions additional research has led to important contradicting or anomalies being observed in the narrative supplied by Michie and Hoggart and by Steel. Where this has occurred, it has been noted in this thesis.

Access to primary sources

As noted above, the reliance by academics on Michie and Hoggart (1978) and Steel (1980 and 1989) can in part be explained by the fact that until relatively recently primary source material was inaccessible. However, documents related to the Pact held at the Public Record Office (PRO) were made available in 2008 under the '30 year rule'. Crucially, this gave access to material such as Prime Ministerial papers, Cabinet Conclusions, inter-departmental meetings and civil servants' briefings to Ministers for the first time. Most notable in this regard, this thesis (in Chapter 5) re-evaluates James Callaghan's position on proportional representation and the extent to which he may have accepted PR for the Direct Elections to the European Parliament, in exchange for a deal with the Liberal Party in March 1977.

Adding important detail to the broader narrative, and complementing the PRO documents is material in the Liberal Party Archive (LLP) and Labour Party Archive (LPA), held at the London School of Economics (LSE) and Manchester respectively. Again, this was released in 2008 under their own, self-imposed, '30 year rule'. These sources also have given new perspectives on intra-party attitudes to the Pact and are utilised in this thesis. Other sources employed include: the Callaghan Papers, held at the Bodleian Library, Oxford; the David Steel Archive, again held at the LSE; the Hooson

Papers, held at the National Library of Wales (NLW); the Thatcher Papers, and those of Sir Kenneth Stowe, (the latter two sources held at Churchill College, Cambridge). I have also been fortunate to be able to utilise the private papers of both Michael Steed and Andrew Phillips. Newspapers and periodicals have also been consulted where appropriate to give a contemporary political commentary, taking due account of issues such as political bias.

Party political literature

The Lib-Lab Pact is not discussed in any length in any of the works on Labour party history; furthermore, when it is referenced, (such as: in Seldon and Hickson (ed.) (2004); Holmes (1985); and Coates (1980)) it is viewed as a simply a pragmatic necessity, largely disregarded on the grounds, as noted above, that it generated little political legacy.

Analysis of the Lib-Lab Pact undertaken by academics reviewing Liberal party history might at best be described as perfunctory. Almost all defer to Michie and Hoggart (1978) and Steel (1980), confining comment to a brief overview of the origins, structure and demise of the Pact. For example, Dutton's *Short History of the Liberal Party* (2005) addresses the Pact in three paragraphs, concluding that it had little long term strategic impact (Dutton, 2004:230). Duncan Brack's observations on other sources which discuss the Pact as part of a wider study are valid and worth reiterating John Stevenson's (1993) *Third Party Politics since 1945*, according to Brack, suffers from too many inaccuracies. Chris Cook's (1997) *A Short History of the Liberal Party* concentrates too heavily on psephology at the expense of policy, while Brack considers Arthur Cyr's *Liberal Party in Britain* to be of very poor academic merit (Brack, 1997:19). Similarly, Mark Oaten's (2008) *Coalition: The Politics and Personalities of Coalition Government from 1850*, which does devote a whole chapter to discussing the Lib-Lab Pact, suffers from several serious factual inaccuracies which undermine its credibility; Brack considering it to be superficial, incoherent and poorly written (Brack, 2009:40-41). Although, it might be added, Oaten conducted a number of interviews, with key participants, which

have been utilised in this thesis. David Dutton is similarly dismissive of Peter Bartram's biography of David Steel, which discusses the period of the Pact, concluding 'it adds little' (Dutton, 2004;328). Matt Cole's chapter in Ingham and Brack (2011) has, to some extent, brought new perspectives on the period of the Pact. However, while Cole does utilise the Liberal Party Archives, and his own extensive research, undertaken in producing his biography of Richard Wainwright, the records held in the National Archives are not utilised, thus the Labour party and Whitehall perspectives on events are largely overlooked, preventing a more holistic analysis of the period.

The most significant publication related to the Liberal party through the period of the Pact is *Liberal Party Politics* (ed. Bogdanor 1983), a collection of essays reviewing the traditions, ideology, structure and organisation of the Liberal party. This work has been utilised in the production of this thesis, particularly the chapter by Dennis Kavanagh, the only example of a review of the organisational structure of the Liberal party before its merger with the SDP in 1987. Michael Steed's chapter on 'co-operation strategy' is also instructive. Similarly, Steed's chapter on the Liberal party in Drucker (ed.) (1978) is instructive.

Only two academic journal articles have been written specifically on the Lib-Lab Pact, Dorey (2011) and Marsh (1990). Dorey's work is primarily a review of the period of inter-party negotiations, 18-23 March 1977; this article does draw on the primary sources held in the National Archives also utilised in the production of this thesis. Somewhat inevitably there is consequently a degree of cross-over between Dorey's article and Chapter 5 of this thesis. However, with the luxury of space, and given the fact it has a broader narrative, this thesis is able both to build on Dorey's work and place the Lib-Lab negotiations in a wider political context.

Marsh (1990), '*Liberal priorities, the Lib-Lab Pact and the requirements for policy influence*' is a critical assessment of the consultative framework which administered the Lib-Lab Pact. Marsh assesses the extent to which this mechanism enabled the Liberal Party to influence government

policy. Marsh's analysis was undertaken prior to the release of primary material on this topic from the National Archives. As such, it relies exclusively on secondary sources, supplemented with interviews with elite protagonists, although specifically who Marsh interviewed is not referenced. These facts in themselves should not discredit Marsh's argument; however, as discussed in Chapter 6 of this thesis, there are significant problems with both the factual accuracy and analytic merit of his work. Unlike Marsh (1990), this thesis, with the benefit of primary sources is able to refute many of Marsh's assumptions and rectify the factual inaccuracies in his work.

Only one unpublished work has been referenced, Peter Joyce's *The electoral strategy and tactics of the Liberal Party 1945-70*, submitted as a PhD thesis in 1989 and largely reprised in Joyce (1995) *A History of the Relationship between the Liberal Democrats and the Labour Parties: Realignment of the Left*. It should be noted it has not been possible to access Ruth Fox's PhD thesis *The strategy of the Liberal Party 1970-1983* because of copyright release issues. As a consequence Ruth Fox was contacted and her subsequent input was instructive in understanding David Steel's political strategy before and during the Lib-Lab Pact.

Political biography: Methodological issues

The absence of extensive academic literature on this topic has inevitably resulted in some reliance on biographical and autobiographical studies, most notably, as already cited, Steel (1980 and 1989) but also (among others) Callaghan (1987); Barnett, (1982); and the two biographies of James Callaghan and Michael Foot by Kenneth Morgan (1997 and 2007 respectively). In assessing the methodological issues related to political biography the observations of Gamble (1994), Harrison (2001) and Honeyman, (2007:1-14) have been noted; specifically issues related to bias, selection of material to be included or omitted, timing of publication, and underlying motives of publication. Two autobiographical works employing a diary format have also been utilised: Donoughue (2008) and Benn (1990). It should be noted, a diary format was also employed by Steel (1980) for certain

sections. Again the observations of Harrison (2001) have been noted, and where possible events discussed in a diary have been corroborated or at times repudiated by primary sources. Special consideration of bias, false memory or 're-writing' the historical narrative have all been taken into account when reviewing the autobiographies of those politicians who were members of the Callaghan government during the Lib-Lab Pact but subsequently joined the SDP-Liberal Alliance; Owen (1981 and 1992); Rodgers (2000); Jenkins (1991); and Williams (2010).

Interviews with some of the leading protagonists have also been employed, either conducted directly by the author; by Adrian Slade, as part of the audio archive of the *Journal of Liberal History*; or as invoked in secondary sources, notably Moar (1998) and Oaten (2007). Most significantly, all surviving participants of the Lib-Lab negotiations (20-23 March 1977) were interviewed: David Steel, John Pardoe, Tom McNally, William Rodgers and most intriguingly, Principal Private Secretary to the Prime Minister, Kenneth Stowe. All of these offered new perspectives on the Lib-Lab negotiations. Other interviews with Liberal MPs and party officials added a further nuance to the study of Liberal Party opinion and Liberal intra-party disagreements. As with written biography, oral history is subject to the same methodological caveats as noted by Harrison and Deicke in Harrison (2001).

This literature review has noted the key reasons why the Lib-Lab Pact has been broadly overlooked in the historical narrative. This thesis draws on the information available within the secondary sources outlined above but largely focuses on recently released archive documents to give a broader and more in-depth analysis of this period of cross-party co-operation.

Chapter One

Cross-party co-operation in British Politics 1945-1977

The formation of the Lib-Lab Agreement in 1977 followed over thirty years of unambiguous single-party government, the longest such period since the Whig supremacy (Butler, 1978:95). As observed in the literature review of this thesis, this was a consequence of the bi-polar nature of the two-party system inherent in British politics between 1945-70 (Sartori, 1976). The eight General Elections in this period saw executive power shared (albeit unequally) between the Labour and Conservative parties, each achieving office with working majorities; as such there was no requirement for formal cross-party arrangements through this period. Between 1945 and 1964, the Labour and Conservative parties consistently gained over 85% of the popular vote and over 95% of the seats in the House of Commons. Apart from the parliamentary representation from Northern Ireland, which until 1966 was wholly comprised of Unionist party MPs, officially allied to the Conservative party, the only other representation in the House of Commons was the Liberal party. Greatly diminished from its erstwhile prominent position in British politics, it enjoyed neither the parliamentary representation, nor the political mandate to form a functioning coalition with either of the larger political parties, even if it had been so required.

As well as there being no necessity for coalition, there was also an institutional distrust of coalition politics, this was in part an historical legacy, encapsulated in the (often misquoted) maxim of Benjamin Disraeli that 'England does not love coalition' (McLean, 2012:3), as well as an assumption derived from the perception of continental politics that coalitions lead to unstable government undermining decision-making. While this perception was prevalent in British politics, it was especially apparent in the Labour party in the post war era, this in turn derived from two principle factors, first: a belief that coalition forming would undermine the pursuit of socialism: and second, the effect of its own political legacy - specifically the decision of Ramsey MacDonald, in 1931, to join

the National Government. McDonald's decision resulted in a schism within the Labour movement, thereby keeping the Labour Party from office for over 15 years, and fostering an inherent dislike of cross-party co-operation.

This perception was manifest in the actions and attitudes of Clement Atlee in his decision to break the wartime consensus on 23 May 1945, when he rejected the prospect of a peacetime transitional coalition and instead insisted that a General Election be held. Atlee was a vehement opponent of coalition politics, describing McDonald's action as 'the greatest betrayal in the political history of this country' (Atlee, 1954:234). The subsequent Labour landslide ended any notion that a coalition government might be formed. The General Election 1950 reduced the Labour party's erstwhile majority of 146 seats to a mere five. Faced with the almost certain prospect of losing this majority over the ensuing months (there had been 52 by-elections in the previous parliament), Atlee called a second General Election in 1951, in which an exhausted Labour party was defeated, heralding 13 years of Conservative government. It should be noted that a Lib-Lab coalition in 1950 would have secured a comfortable working majority for the Labour party of 23 seats. However, while Clement Davies, the Liberal party leader, had warmly welcomed the reforming policies of the incoming Labour government in 1945, (not least because Labour's economic and social reforms were framed around the ideas of two leading Liberal thinkers, Keynes and Beveridge), by 1950, he had positioned the Liberal party in opposition to Labour's policies of centralisation, symbolised in the drive for nationalisation, on the basis the premise that they were not consistent with Liberal values.

The only significant moves towards cross-party co-operation in the decade after the Second World War were advances made by the Conservative party, and more specifically by Winston Churchill. In 1946 and again in 1950, Churchill held talks with Clement Davies, in an attempt to construct an anti-socialist alliance. He offered the Liberals a clear run in 60 parliamentary seats in the next General Election, but the offer came to nothing. The Conservatives were not prepared to concede the Liberal demand that any deal must include the introduction of proportional representation, while Liberal

activists were concerned that they would be consumed by the Conservative party (Baines, 1997:13-16). Subsequently Lord Woolton, Chairman of the Conservative party, reached an agreement with Lord Teviot of the National Liberals, (those Liberals who had split from the official Liberal party after 1931), which fused the National Liberals permanently with the Conservative party at constituency level. The Woolton-Teviot agreement had the unintended consequence of galvanising the official Liberal party into issuing their 'declaration of independence' and reasserting their desire, in the face of 'Conservative overtures...to maintain an independent Liberal Party'. Thus for the remainder of Davies' leadership the Liberal Party set its face against coalition as a strategy (Dutton, 2004:160-161).

Churchill's administration maintained popular support, sufficient to retain the overall majority of 17 achieved in the General Election in 1951 for the remainder of the 1951-1955 parliament. He nevertheless continued his strategy of attempting to form an anti-socialist alliance with the Liberal party, going so far as to offer Clement Davies a Cabinet position. Davies, in an act which has been acknowledged as critical to the maintenance of an independent Liberal party, rejected Churchill's advances (Joyce, 1999:116). Churchill's retirement in 1955, and the return of a Conservative government with a significantly increased majority at the subsequent General Election in the same year, eradicated the necessity for any Con-Lib alliance 'against socialism'.

There were, through this period, examples of local agreements between Liberal and Conservative constituencies. Informal 'electoral pacts' were established in Huddersfield and Bolton in 1950 and 1951 respectively. Whilst never formally endorsed by either the Conservative or Liberal parties nationally, they were nonetheless pivotal in maintaining the representation of the Liberal party at Westminster. Meanwhile, again at local level, a large proportion of the Liberal municipal representation, particularly in the North of England, was achieved through alliance with another Party (Steed, 1979:98). The Liberal party faced its nadir at the 1951 General Election, when only six Liberal MPs were elected, five of whom were in seats uncontested by the Conservatives. Only Jo Grimond's Shetland and Orkney seat was won against a Conservative challenge. Roy Douglas argues

that had the Conservatives stood against Liberals in every seat, only three Liberals would have been elected (Douglas, 1971:267).

Following the failure to achieve any significant political advancement in 1955, Clement Davies resigned the leadership of the Liberal party to be replaced by Jo Grimond. Under Grimond's leadership a more self-confident Liberal party terminated the local agreements in Bolton and Huddersfield for the 1959 General Election. Proposed agreements in Scotland with the emerging Scottish National Party were also rebuffed. Grimond's charismatic leadership also resulted in an influx of young, educated, politically active individuals into the Party, many of whom, such as David Steel, John Pardoe, Michael Steed, Tony Greaves and Richard Holme, each of whom would be important figures in the political strategy of the Liberal party in the 1970s and 1980s. Equally, as will be discussed in greater detail shortly Grimond decision to shift the Liberal party decisively to the left of the political spectrum had clear implication for the prospect of cross-party co-operation in the future.

Grimond's early period in office saw a 'Liberal revival', exemplified in the by-election success at Torrington in 1958 and Orpington in 1962, which led to a growing belief among those Liberal activists who had experienced the so called 'wildness years' 1945-55, that the Liberal party could exist independently of pacts or cross-party agreements (Cook,1997). Paradoxically, this self-confidence was juxtaposed with Grimond's primary political strategy: the realignment of British politics, a process which, it was broadly acknowledged, could only be achievable through cross-party co-operation (Steed, 1977:99).

Grimond's political strategy was predicated on the belief that the real division in British politics was not simply between the Labour and the Conservatives, but rather between 'progressives', of which he saw the Liberals as an integral part, and 'conservatives', which he believed existed both on the right and left of the political spectrum. Grimond envisaged the creation of a new centrist party made up of the Liberal party, the moderate Social Democrat wing of the Labour party, and perhaps a

smaller number of moderate Conservatives, thereby leaving the rump of a Socialist party on the Left and marginalising the Conservative party on the Right. As will be discussed later in this thesis, the exact process whereby realignment would occur, in what form, and how the Liberal party would emerge from this transition was not clearly defined by Grimond (or his successors), and would lead to significant intra-party dispute for the remainder of the twentieth century (Pardoe, 2010. Personal communication) Nevertheless, Grimond had positioned his party 'towards the sound of gunfire' in the hope that it would be prepared to embrace political opportunities if and when they arose (McManus, 2001).

Grimond's advocacy of realignment in the late 1950s was largely predicated on the belief that an unreconstructed Labour party was unlikely to win an overall majority. Therefore the return to power in 1964 of a Labour government, albeit with a wafer thin majority, undermined Grimond's thesis and suggested little prospect of an immediate change to the duopoly of the political system. However, paradoxically, two issues emerged at this time resulting in speculation that cross-party co-operation might soon develop in British politics. First, the mid 1960s saw the emergence of a dealignment in British politics. Both the votes and political representation of minor parties at Westminster increased. The Liberals' success at Orpington was an example of this, it was also witnessed in the by-election successes for Plaid Cymru in Carmarthen in 1966 and the SNP in Hamilton in 1967. Second, the Labour party had been returned with a majority of just four seats, and as in 1950 there was every prospect that, through attrition of by-election defeats, Harold Wilson's administration would not be able to survive for a full parliamentary term.

These events seemingly increased the prospect of Britain becoming a multi-party political system, and therefore made a coalition government seem more feasible. The following section will examine two such occasions when parliamentary arithmetic resulted in speculation that a cross-party understanding might be reached, in 1964-5 and 1974 (Drucker, 1979; Butler, 1978). Parallels between 1964-5, 1974 and the subsequent Lib-Lab Pact will be highlighted, with an assessment of

the extent to which the decision-making and actions of Jo Grimond (in 1965-6) and Jeremy Thorpe (in 1974) affected the perspectives and strategy of David Steel in 1977.

Cross-party discussions 1964-74 and their influence on the Lib-Lab Agreement 1977-78

Wilson-Grimond discussions 1964-1965

As noted above, following the 1964 General Election, the Labour party, after 13 years in opposition, returned to government but with a slender majority of just four seats. The new Prime Minister, Harold Wilson, although he had done no contingency planning for governing with such a small majority, confirmed he would govern as though he has a larger majority and attempt to enact the government's legislative programme accordingly (Butler and King, 1966:2). Nevertheless, parliamentary arithmetic was such that the most likely medium-term outcome, given the likelihood that the government's majority would be eroded through subsequent by-election defeats, was either a second General Election, or the creation of a cross-party parliamentary agreement. The only possible 'coalition' partner was the Liberal party, as the Ulster Unionists, the only other party represented in the House of Commons, were already affiliated with the Conservative party.

The events of 1964-5 have largely been disregarded as unrelated to the Lib-Lab Pact, primarily because David Steel both as Liberal leader in 1977-78 and in his subsequent writings (Steel, 1980 and 1989) broadly dismissed the significance of this period in affecting his own decision-making. Steel only notes the decision of Liberal MP Roderick Bowen, without consulting Grimond, to take the position of Deputy Speaker, as of significance in shaping his attitude and even then only inasmuch as stressing the need for collective responsibility and loyalty within the Liberal parliamentary party (Steel, 2010. Personal communication). However, it is the contention of this thesis that there were many parallels between the events of 1964-65 and 1977, and more pertinently, lessons from this earlier period which, had they been noted, may have been beneficial to Liberal party preparation, negotiation strategy and intra-party consultation during the Lib-Lab Pact.

The first significant suggestion that a Lib-Lab understanding might be established in 1964-65 was by two fringe-Labour MPs, Woodrow Wyatt and Desmond Donnelly, although it should be noted they were motivated not by a desire for realignment but in reaction to internal discontent within the Labour Party, specifically related to Steel nationalisation. Jo Grimond nonetheless felt compelled to respond to their overtures, and he stressed to the Liberal Council that 'he did not see why he should repudiate suggestions made by backbench Labour MPs, although he doubted if anyone was more opposed to pacts than he was' (Liberal Party Archive, LLP 16/2: Minutes of Liberal Council, 31 October 1964).

Grimond's rejection of the Wyatt/Donnelly proposal was primarily based on the political reality that at that stage Wilson did not need Liberal support to remain in office and Grimond did not want to 'show his hand' until required to do so. Grimond wanted to reassure his grassroots, he was aware that a large number of the Liberal party activists were fiercely independent-minded and fearful that the parliamentary party might be more amenable to a cross-party understanding. Party President Nancy Seear encapsulated this mood in the 1960s and subsequently when in 1965, at the Scarborough Assembly, she stated: 'We have not spent these years isolated but undefiled in the wilderness to choose this moment to go, in the biblical phrase, a-whoring after foreign women' (Liberal Party Archive, LLP 16/2: Liberal Assembly, 22 September 1965).

Despite Grimond's assertion that the Liberal Party would not enter into an understanding with Labour, by early 1965 he nonetheless felt compelled to outline how any subsequent agreement might be structured,

either we must have some reasonably long-ranging agreement with the Government or a General Election. We must have an agreement of a few months on some purpose we both want. I should be very much opposed to going back to the 1929

system, in which the Labour Government and Liberal Party made practically daily ad-hoc decisions (*The Times*, 8 March 1965).

Grimond's demand a long-ranging, formal agreement, was in some ways replicated by Steel in 1977, but as will be noted later, while in a similar situation to the one Steel found himself in 1976-7, with a Labour government potentially requiring Liberal party support in the near future, some aspects of Grimond's strategy, his attitudes and responses, were markedly different to Steel's prior to the Lib-Lab Pact. Specifically, Grimond reasoned that 'common aims should be worked out' prior to formal discussions; that a draft understanding should be established in advance of an occasion when they were actually required; and that the Liberal party should have structural and institutional arrangements in place should any cross-party negotiations take place.

Very much in keeping with Grimond's philosophy of consultation which characterised his leadership, Grimond established a system of 'shadow' spokesmen in preparation for any cross-party understanding. The seventeen strong panel, made up of some of Grimond's closest advisors, was drawn from outside the Parliamentary Liberal Party, and included Mark Bonham Carter, Christopher Layton, ADC Peterson and Michael Fogarty (McManus, 2001:226). As will be seen later under Steel's leadership the Liberal party in 1977 did not enact such provisions.

Grimond and Wilson did meet for informal talks at the behest of the editor of *The Guardian*, Alastair Hetherington in mid-1965, to establish their respective positions *vis-à-vis* 'co-operation'. Hetherington, through his newspaper, had been a staunch advocate of 'Lib-Labbery', and unlike the newspaper editors of the late 1970s, also gave the Liberal leader numerous opportunities to press the case for political reform. In these discussions Grimond reasoned that 'the formulation [of an agreement] will take time. The parliamentary situation will not give us the time....throwing a lifebelt to a sinking government is not a job I would welcome' (*The Guardian*, 20 September 1965). While these meetings could not be described as 'consultation in any meaningful sense'; they do show the

extent to which Grimond was preparing the ground on which a more formal understanding could develop should it be required (McManus, 2001:231).

Liberal influence on government policy in 1965 only extended to 'a gesture'. Wilson adjusted his rhetoric to take account of the Liberal presence, commenting 'A wide field of our legislative programme ought to – and will, I think – fit with the doctrine, enunciated by the *'The Guardian,'* of 'parallel courses' (Butler & King, 1966:37-38). Butler and King attribute the omission of the controversial Steel Nationalisation Bill from the 1965 Queen's Speech in part to political reality that for the legislation to be enacted the Government would have required, and would not have received, Liberal support.

Informal discussions did take place between the Chief Whips of the Liberal and Labour parties, approximately on a monthly basis, although their focus was mainly on the parliamentary timetable. Nonetheless, these meetings provided an interesting forerunner to the 'consultative committee' which Grimond had reasoned would be necessary for any Agreement to function. As will be seen later, a consultative mechanism was established by Steel to administer the Lib-Lab Pact. However, it should be noted this was constructed without reference to Grimond's earlier analysis or experience (Joyce, 1989:262).

One feature which links the 1965 Lib-Lab consultation with both David Steel's later discussions with James Callaghan in 1977 and Jeremy Thorpe's with Edward Heath in 1974, was that of discussions on electoral reform. The subject had already been referred to a Speaker's Conference in 1964, and during the summer of 1965 there was some indication that Wilson had looked seriously at the possibility of offering the Liberals a change to the voting system at Westminster in exchange for parliamentary support, albeit 'without in any way committing himself'. The Labour government undertook research into the possible consequences of reform, specifically the alternative vote system, and concluded that (according to a Gallup Poll conducted in September 1964) it would have cost Labour the 1964 election. The issue was kept alive by the government into the autumn but

‘probably would only have been considered as a last resort’ and as a means of retaining Liberal support in parliament (Butler and King, 1966:37). This episode resulted in a perception within the Liberal party that they had been ‘strung along by a process that yielded no result’. This consequently, in part, explains Thorpe’s hostility to Heath’s offer of a Speaker’s Conference in their discussion in 1974, and Steel’s later view that ‘We would have been laughed at if that was what we gained from the Pact’ (Oaten, 2007:192).

Significantly when comparing the actions of Grimond and Steel it should be noted Grimond’s preparations for co-operation were not synthesised into a working document which the Liberal party might have utilised in any subsequent cross-party discussions. Equally, it is instructive to note, as will be discussed later in this thesis, when the prospect of the Labour party approaching the Liberals’ to instigate a cross-party understanding was first mooted by the press in July 1976, Steel did not consult directly with Grimond or review the events of 1965-66. As noted above, he only viewed the actions of Roderick Bowen as of significance to his subsequent actions.

In the final analysis, the Liberal Party was never in a position to enter into a formal cross-party agreement with the Labour Government in 1965. Grimond lamented on the period in his memoirs,

I do not see that much could have been done between 1964 and 1966. Certainly we had to make a showing in the political fray. We had to pretend that we could influence events. But our influence on immediate events was very limited; if indeed it existed at all (Grimond, 1979:217).

Nonetheless, as this thesis has shown, there were parallels between Grimond’s position in 1964-65 and Steel’s in 1976-77, and it was the decision of Steel and the Liberal Party leadership not to re-examine this period which led to some of the structural weakness in the Pact that this thesis will later explore. The Labour government in 1965 was never reduced to a minority in the House of Commons, and Wilson never seriously countenanced the notion of formal co-operation with the

Liberals, focusing instead (as Callahan did in 1978) in seeking to call a General Election and secure an overall majority. Thus, in March 1966 he called a General Election, securing an overall majority of 97. The following January, Grimond resigned as leader of the Liberal party. Although still enjoying the support of colleagues, Grimond felt that his political philosophy of realignment had not borne the fruits he had hoped, and he was unwilling to lead the Liberals into (what appeared likely to be) an extended period in the political wilderness.

Heath-Thorpe discussions 1974

The second occasion when a formal understanding might have been reached between the Liberals and one of the other main political parties was in early March 1974. The inconclusive General Election result on 28 February 1974 came as a surprise to all three political parties. Edward Heath was in-situ as Prime Minister and the Conservative party having secured the largest number of votes but with only 297 seats (four fewer than the Labour Party), 21 short of an overall majority. Heath thus attempted to ascertain if a working majority might be achievable through an agreement with one or more of the smaller political parties. Having initially courted Ulster Unionist MPs (UUUC) but to no avail, Heath then approached the Liberal party. The February 1974 election had seen the Liberals' achieve their most significant electoral success in 50 years, gaining 19.3% of the vote, although, because of the anomalies of the plurality voting system, this only equated to 14 seats. Nonetheless, they could justifiably claim to be the moral victors of the election. One consequence of this was that many grassroots Liberals concluded that Heath did not hold the mandate to govern. This conclusion was in part reached because the increase in Liberal support was in part as a result of erstwhile Conservative voters rejecting Heath's policies (Steed in Cyr, 1977:13).

More importantly, there was a structural weakness in Heath's approach to the Liberals - a Con-Lib coalition would not secure an overall majority in the House of Commons. Heath argued that in terms

of actual votes won, when combined they represented the majority of opinion, and thus would form a clear anti-socialist coalition (Dorey, 2008:30).

In the aftermath of the inconclusive General Election result the Liberal party was in ferment. No Liberal strategy paper had been produced to address such a situation. John Pardoe, MP for North Cornwall, addressing the Liberal Assembly in 1973, had urged the party to formulate a coherent policy should a Hung Parliament result from a General Election. He had called upon the Executive to plan for the prospect of holding the balance of power, and whilst the Liberal party's Standing Committee did produce a strategy report, its recommendations were never formally adopted, and so no formal policy position was enacted (Steed Papers, William Wallace report, January 1974). Moreover, candidate literature, issued prior to the February 1974 election, was noncommittal, concluding that 'what happens in this situation is surely a matter for the other two parties' (Cyr, 1977:35n). The parliamentary Liberal party's ability to establish a coherent policy position in response to the election result was also hampered by the geographical spread of its MPs (Steed, 2010. Personal communication).

After consulting his Cabinet on the morning of 1 March 1974, Heath invited Thorpe to a meeting at Downing Street to discuss whether, and on what basis, the two parties might be able to form a coalition (NA, PREM 15/2066: Diary of events 'March 1974 political crisis', no date). Thorpe's initial response was to insist that 'I shan't be going to London on present form until Monday, when I'm meeting my parliamentary party' (BBC Parliament, 2010 [broadcast, 19 February 2010]).

Thus, the Liberal party were under the impression that any talks with Heath would only take place after a meeting of the parliamentary party; Cyril Smith observed that 'we will be meeting over the weekend, certainly before Monday, Monday at the latest, and I feel sure if Mr Thorpe were contacted by either of the leaders of the other parties he would be summoning us to come back before Monday – but it is not in our hands' (BBC Parliament, 2010 [broadcast 19 February 2010]).

John Pardoe, telephoned the Liberal leader and advised him to stay in his constituency over the weekend; he recalls his advise was to: 'use any excuse you can find, not to see him (Heath) until Monday, if you do go all hell will break loose'. Pardoe was conscious that no discussions had yet taken place within the party on what to demand from the Conservative party if approached (Journal of Liberal History, Slade, 2002: Interview with John Pardoe).

Despite his earlier statement to the contrary, when he was approached by Heath, Thorpe, without consulting his colleagues, decided to accept the Prime Minister's invitation for talks. David Steel, the Party's then Chief Whip, was 'confused and irritated' by Thorpe's actions (Steel, 1989:96). Meanwhile John Pardoe recalls his 'amazement' at Thorpe's decision and assumed there would be 'no deal' (Journal of Liberal History, Slade, 2002: Interview with John Pardoe).

As Pardoe envisaged, the Liberal party activists were overwhelmingly hostile to the news that Thorpe had agreed to meet with Heath without prior consultation, and most were certainly unreceptive to the possibility of a Lib-Con Agreement (Stevenson, 1993:53; Steel, 1989:95). Liberal Central Office was inundated with messages from Liberal activists condemning the prospect of a Liberal-Conservative deal. As Michael Steed observed,

The brief but stormy furore in the Liberal ranks when the proposal was made, had only served to emphasise that the party could easily indulge in fratricidal warfare if talk of coalition was not handled very carefully (Steed in Cyr, 1977:157).

Steel, as Chief Whip, together with Liberal elder-statesmen Jo Grimond and Frank Byers, discussed the situation with Thorpe on Sunday 3 March 1974. In an atmosphere of extreme suspicion among the extra-parliamentary party, and in the knowledge that a Lib-Con coalition would not enjoy an overall majority in the House of Commons, Steel spoke out against a deal. He was convinced that the whole episode had exposed the extent to which the Liberal party had 'not prepared for such an eventuality, and in a response which was to be central to his strategy as Liberal leader: 'it was wrong

to pretend...that we could leap straight from a handful of MPs into forming a government, [but at the same time] wrong to reject coalition in any circumstances at any time' (Steel, 1989:99).

The Heath-Thorpe discussions foundered, principally because, first, it could not command an overall majority, and second, because of an absence of policy proximity, especially as Heath could only commit to the formation of a Speaker's Conference on electoral reform, rather than legislating on a change to the voting system.

In contrast to Steel's opinion that the political events in 1964-5 had a minimum impact on his subsequent actions, he is clear that 1974 did have a direct effect on how he approached his own discussions, this time with a Labour Prime Minister, in 1977. Steel was careful in 1977 to seek (and to be seen to seek) the opinions of both the parliamentary Liberal party and the Liberal grassroots over the weekend of 19-20 March 1977, before meeting with Callaghan. He also ensured that his meetings with the Prime Minister were held within the confines of Whitehall - Steel was never pictured entering or leaving Downing Street during his discussions with Callaghan, as Thorpe had so memorably been in 1974, much to the chagrin of many Liberals (Steel, 2010. Personal communication). As such Steel was careful to ensure that his actions in March 1977 should be contrasted directly with those of Thorpe in 1974. Most significant of all, however, this episode confirmed in Steel what he had long suspected, for all the fact the February 1974 election had seen a increase in the Liberal vote, it was only through 'co-operation' and the formation of a cross-party understanding that the Liberal Party could achieve political office.

Critically, this view became prevalent within the wider Liberal party. In contrast to the response to the events in 1964-5 noted above, by 1974 the necessity of cross-party co-operation would have to be at least acknowledged, if not necessarily embraced. By the summer of 1974, 92% of Liberal voters wanted some form of coalition if the party held the balance of power again and only 4% wanted to refuse coalition (Steed in Cyr, 1977: 223). This more pragmatic approach would subsequently influence the response of the Liberal grassroots to Steel's decision to enter an agreement with James

Callaghan in March 1977.

While Steel highlights 1974 as of greater significance than 1964-5, it is important to note other members of the parliamentary Liberal party, MPs such as Emlyn Hooson, Jeremy Thorpe and Jo Grimond, as well as the Lords Banks, Byers, Avebury, Widoder, Winstanley and Lady Nancy Seear, and several members of the National Executive were influenced by the events of both 1964-5 *and* 1974, and each was subsequently involved in the implementation of the 1977 Agreement.

In conclusion, while two instances of possible cross-party co-operation have been noted, it is important to reiterate that the only reason why any notion of cross-party co-operation was even mooted in 1964-5 or 1974 was the parliamentary arithmetic, necessitating the larger party to countenance the prospect of working with a smaller party (in each case the Liberals) in order to maintain a parliamentary majority. Neither instance increased the likelihood of realignment in British politics, or the prospect of cross-party co-operation. Indeed, in both cases realignment seemed less likely as following a period of uncertainty there was a General Election in which a majority government was installed.

Secondly, neither event had lead to strategic planning from the Liberal party to respond to a fluid political environment which resulted from the absence of a working majority. By 1977, many in the Liberal party acknowledged that cross-party co-operation and thus cross-party negotiations would be necessary for achieving any degree of power, but issues remained with regard to how the Liberal leader should liaise with the parliamentary party, the party Executive and the extra-parliamentary party in such a scenario. All of these factors were to become pertinent during the build up to the Lib-Lab Pact, its formation and implementation as will be discussed in Chapter 2.

The Liberal leadership election of 1976

National politics in 1976 was defined by three events: the loss of the Labour government's overall majority; the retirement of Harold Wilson as Prime Minister (to be replaced by James Callaghan); and in the autumn, the IMF crisis. For the Liberal Party, it was a period of internal strife triggered by the political scandal involving Jeremy Thorpe, and led to his resignation as Party leader in February 1976. Following an interregnum in which Jo Grimond briefly re-assumed the leadership of the Party, the ensuing leadership contest, in July 1976, saw David Steel elected as Liberal leader. The following section will review this period with particular reference to how it influenced the political strategy of the Liberal party within the wider political context, and acted as a precursor to the Lib-Lab Pact.

Following Thorpe's resignation as leader, a list of possible candidates emerged, initially extending to almost the entire parliamentary party. According to Michael Steed, while there was undoubtedly a degree of disillusionment with Thorpe's leadership, there was no standout replacement and little desire within the Party for a radical change in broad policy (Steed, 2010. Personal communication). Indeed, John Pardoe and David Steel both asked Grimond directly to remain as leader, at least until the next General Election; Pardoe stated, 'I don't think either of us wanted a leadership election at all, we wanted Jo to stay on. Let's face it, neither of us had wanted Jo to leave' (Pardoe, 2010. Personal communication).

However, Grimond had made two resolutions on returning to the leadership. First, he would not return as leader on a permanent basis, and second, he would not comment on the current political situation for fear of undermining his successor. Grimond's actions effectively ensured that the party did not establish a position or formulate a strategy in response to either the loss of Labour's majority in April 1976 or the political repercussions which might ensue from this event. Equally, they did not take account of the different political priorities of James Callaghan as opposed to Harold Wilson. As noted earlier in this chapter Wilson had been opposed to cross-party cooperation on principle,

Callaghan's position was largely unknown, but he did not have the same political baggage on this issue as his predecessor when he assumed both the leadership of the Labour party and the role of Prime Minister on 6 April 1976.

Grimond as leader had been dismissive of the Labour administration as being 'very illiberal'. Indeed it seems likely that had Grimond remained as leader, and Callaghan approached him in March 1977 in the hope of forming a parliamentary agreement, it is extremely unlikely that any understanding could have been reached, and certainly not on the terms subsequently agreed by Steel. Grimond's later opposition to the accord signed by David Steel, as will be discussed later in this thesis bears witness to this.

The Liberal leadership contest was a straight competition between David Steel and John Pardoe, following the swift withdrawal of initial candidates Russell Johnston and Emlyn Hooson. Steel and Pardoe were almost direct contemporaries in terms of age and parliamentary experience; they had worked well together on a number of projects, both within the Liberal party and in external endeavours such as Radical Action Movement (RAM); both had been inspired to join the Liberal party by the charismatic leadership of Jo Grimond; as such both sought 'realignment', and both envisaged that co-operation would be required to achieve this aim. Equally, neither envisaged that these policy objectives could be achieved before the next General Election, at the earliest. The leadership election campaign therefore was not viewed at the time as a definitive choice between two competing political philosophies. Instead the choice was characterised as one between style and personality, resulting in a contest which at times descended into personal attacks.

However, behind the apparent unanimity in support of Grimond's 'realignment of the left' strategy, Pardoe has subsequently questioned whether there was either an agreed strategy or a coherent understanding as to how realignment could be enacted in practice. Realignment was, even under Grimond, a rather nebulous concept. As Michael Meadowcroft observes, there was a critical

difference between Pardoe and Steel as to how they envisaged the Liberal party should act or how it might emerge out of a political 'realignment'.

Pardoe and Steel both envisaged that realignment would marginalise the extremes of the political spectrum, on the right and the left, and act as a mechanism to end the political dominance of the Conservative Party. However, Pardoe envisaged that the Liberal Party should act as the *fulcrum* of any realignment in which the old political system would be 'smashed'. Steel meanwhile saw the Liberal Party as part of a *wider movement* based around 'Liberal principles' in which the Liberal Party would be a 'participant'. Such a strategy might therefore require political merger. These differences would be critical, not only in their respective attitudes to the Pact, but also in the Liberal Party's later interaction with the SDP in the early 1980s. However, they were not considered defining differences in 1976. In this context, there was no discussion during the leadership election of how the party should react to the fact the Labour party had lost its majority, it being widely assumed the government would be sustained until an election, perhaps not taking place until as late as 1978. (Meadowcroft, (2008) www.bramley.demon.co.uk [Accessed: 22 January 2008]; Pardoe, 2010. Personal communication; Steel, 2010. Personal communication).

Both candidates nonetheless did put forward their manifestos, Steel made clear his position, in a speech delivered in Hampstead, where he rather provocatively announced his candidature, given this was the home borough of John Pardoe;

The role of the Liberal Party should not be that of a shadow Government with a detailed policy on every issue of the day, ready and waiting in the wings for a shift in the electoral opinion to sweep us into power...we should combine our long term programme with a readiness to work with others wherever we see what Jo Grimond has called 'the break in the cloud' – the chance to implement any Liberal policies (*The Economist*, 10 June 1976).

Pardoe's campaign emphasised his image as an anti-system political maverick who 'was a bit of bastard' and 'if elected would change the establishment of the Party overnight' (*The Times*, 18 June 1976). Pardoe claimed that power for the Liberal party was 'all important and an achievable goal; without a realistic hope of power the Liberal party will become a political eunuch', Pardoe maintained that the road to power 'is nothing like as difficult...as some Liberals appear to imagine' (*The Economist*, 10 June 1976; Steed, 1979:103).

Both leadership candidates had significant support within the party, Steel's more reserved style drew support from the majority of the parliamentary party and the rank and file, while Pardoe's more radical programme brought support from the party activists. *The Guardian* newspaper, on the eve of the Liberal Assembly in Scarborough in June 1976, placed Pardoe as a slight favourite, but when the result was announced at Bethnal Green Town Hall; on 7 July 1976, Steel was a convincing winner by 12,541 votes to 7,032 (*The Guardian*, 12 June 1976). The weighted 'national vote' system, employed for the first time, had worked in Steel's favour, but had not been pivotal in the result. The election of Steel, however, might be viewed as a vote for stability, as the party addressed a number of issues: the Thorpe scandal; poor opinion poll ratings; financial insecurity; and the need for internal restructuring.

The election of David Steel as leader of the Liberal Party was also, virtually more than any other event, the key contributory factor in the Liberal party's decision to form the Lib-Lab Pact, or at the very least, in influencing the terms under which it was agreed. Steel's democratic mandate was also of critical importance in diminishing the nature and extent of internal dissent which developed to his leadership style and decision-making in 1977-1978. The election result also had significant implications for the political ambition of John Pardoe and his subsequent role during the Lib-Lab Pact. Crucially, Pardoe is firmly of the opinion that:

Frankly, if I had been leader, the Pact would never have happened. We would never have gone into the Callaghan do. Because simply, it was my view that you cannot put

the Liberal party's head in a noose unless you are absolutely sure that there is PR (proportional representation) under your feet (Journal of Liberal History, Slade, 2002: Interview with John Pardoe).

The magnitude of his defeat strongly influenced how Pardoe saw his future role in the Liberal party. Following Steel's election Pardoe retained his position as Economic Spokesman and became *de facto* Deputy Liberal leader, working closely and effectively with Steel. However, importantly he concluded that, 'once I had been beaten by Steel, I had made the decision....I would support David, and David was absolutely determined to go down this route of "cooperation"' (Pardoe, 2010. Personal communication).

The Liberal leadership campaign, and Steel's victory did not therefore produce a schism within the Party. Pardoe supporters, such as Gruff Evans and Geoff Tordoff, worked closely and effectively with Steel, liaising on his behalf with the grassroots throughout the period of the Lib-Lab Pact. Only the impulsive Cyril Smith stated that he would not campaign in constituencies which had rejected the Pardoe strategy, but by 1977 he too had accepted Steel's authority as leader.

Liberal party policy and strategy 1974-77

The previous sections have noted that the Liberal Party did not craft a framework for coalition forming or inter-party co-operation as a consequence of the events of 1964-5, those of 1974 or the loss of the Labour majority in April 1976. The next section will examine in more detail Liberal party strategy and policy in the 1976-7, with particular emphasis on its preparedness for devising a strategy for a cross-party agreement with either the Labour or Conservative Parties. Particular emphasis will be placed on the political philosophy of David Steel and how, under his leadership, the party approached the 1977 Lib-Lab negotiations.

David Steel's political philosophy was based on non-partisan co-operation wherever possible,

embracing cross-party co-operation, coupled with a long-term desire for realignment in British politics. Steel had embraced a number of cross-party initiatives both inside and outside the Liberal party. He was a key participant in the Anti-apartheid Movement, and was active in opposing the 1968 Commonwealth Immigrants Act, which prevented British passport holders entering the United Kingdom after their expulsion from Kenya. Meanwhile, with fellow Liberal Richard Holme, he was instrumental in creating the 'Radical Action Movement' (RAM) intended as a mass movement promoting a 'debate and forging an alliance, between the progressive forces in British politics'.

Central to fostering Steel's conviction in cross-party co-operation as a viable political strategy, was his stewardship through the House of Commons of the 1968 Private Members' Bill to legalise abortion. For Steel, the passage of this legislation, when he worked closely with Labour and Conservative supporters was emblematic of what could be achieved through co-operation (Steel, 1980:11). In some ways this was a fortuitous circumstance, not only was Steel luck to be drawn so high in the ballot, he had originally intended to propose a Bill calling for changes to the obscure and arcane practices of Scottish tithe law. Steel was only dissuaded from this plan, somewhat ironically by John Pardoe, on the grounds 'the Abortion Bill would 'make his name'. The media exposure the Abortion Bill generated proved an important factor in Steel's successful leadership campaign. However, the extent to which the cross-party interaction over abortion could act as a template for formal cross-party co-operation might be questioned. In 1968 the Labour Government, most notably through Home Secretary, Roy Jenkins and Leader of the House, Richard Crossman, were extremely supportive of the legislating, without their support it would not have been enacted. In contrast, during a parliamentary Pact, as seen in 1977-78 a more obstructive Labour Government, not inclined or compelled to enact Liberal proposals, was a more difficult partner.

Throughout his period in Parliament, Steel articulated his personal view on the merits of a broad cross-party co-operation, even proposing these extend to electoral agreements. While Chief Whip he wrote in the *Liberal News* that 'through our constituency associations we should seek to promote Liberal policies and principles wherever they are found' (Steel, 1989:86). Accordingly, he suggested

that there should be some strategic withdrawal of Liberal candidates in seats where the Party was weak, and an alternative Party candidate was 'liberal inclined'. Not surprisingly, this proposal resulted in a robust exchange within the Party, particularly in the Liberal Executive, The latter chastising Steel and resolving that 'no support, under any circumstances whether locally or nationally, should be afforded candidates of the Labour or Conservative Parties' (Steed, 1979:99).

Undeterred, Steel commented at the 1970 Liberal Assembly, when discussing the need for the Liberal Party to embrace cross-party co-operation, 'Those unwilling to risk the discomfort of the journey would do better to get off the train now rather than pulling the communication cord once it is under way' (Steel, 1989:87)

The period 1966-76 was important in the development of Steel's political strategy in three respects. First, through his actions Steel shows the significance he placed on cross-party co-operation as a means to effect a long term transformation of British politics, even at the expense of short-term Liberal party advantage (he would apply a similar philosophy to the Lib-Lab Pact negotiations). Second, it shows the extent to which Steel's own political instincts were at variance with large sections of the Liberal Party. The significance of these factors will be examined later, third development was his appointment as Chief Whip (a position he held between 1970-76). From this position Steel gained an understanding of the structures of the Liberal Party and liaised closely with many of the key figures within the Party's rank and file. This experience also made him more attune to the wider party than either Thorpe or Grimond. Conversely, frustration he experienced at this time, with the party's often arcane constitutional procedures, compelled him to form a private office, containing strategic thinkers such as Richard Holme, William Wallace, and later Archie Kirkwood. Together they constituted a distinct element within the Party. According to Crewe and King (1995:63) there was an air of separateness, even remoteness, about them, this would develop further upon Steel assuming the leadership of the Party.

The first few months of Steel's leadership were relatively uneventful, and both Liberal MPs and the grassroots seemed relieved that, in electing Steel, the party had neither returned to the policy-heavy leadership of the Grimond period nor the self-promotional style of Jeremy Thorpe (Butler and Kavanagh, 1979:93). There was widespread agreement that, in the medium term, the first priority for the leader would be to 'steady the ship' in the face of both poor local election results in May 1976, and the ongoing Thorpe scandal. There was no anticipation that the new leader would be required to do anything more than prepare and position the party to contest the next General Election, which was not expected to take place until 1978 at the earliest.

The most important event in Steel's leadership prior to the Pact was the speech he delivered as leader to the Liberal Assembly at Llandudno in September 1976. In a speech Steel personally considered one of his best, he outlined for the first time his vision of a 'co-operation strategy' (BBC Desert Island Discs, David Steel [accessed 23 May 2012]). In many respects this 'strategy' was simply a formalisation of his long held belief in realignment in British politics and an obvious corollary to the Liberal desire for the adoption of proportional representation, and the multi-party politics which would be consequent on such an electoral change. In this context, the 'co-operation strategy' (unlike 'community politics', which had emerged in the late 1960s and almost by definition developed from the grassroots), was clearly and explicitly a 'top down' policy, promoted by Steel through his 'mandate' as leader (Steed, 1983:77).

In the run-up to the Liberal Assembly, Steel conceded to the attendant press that he was 'coalition minded' (*The Economist*, 18 September 1976), comments which prompted a deputation of Liberal officials attempting to dissuade him from adopting such an explicit stance on co-operation when he came to address the Assembly. Steel listened to their concerns, but concluded that 'it stays in' (Steel, 1980:24). Emlyn Hooson, in his welcome address as leader of the Welsh Liberal Party, articulated what appeared to be the prevailing mood of the grassroots, and which would become a significant point of intra-party discontent during the Lib-Lab Pact, namely that 'the party should not shy away

from coalition, but electoral reform must be part of any deal' (NLW, Hooson Archive: Box 56. Liberal Conference Address, 15 September 1976).

While Steel had canvassed in *'Strategy 2000'* (a policy pamphlet published the year before) specific policy objectives, such as industrial democracy and profit-sharing, his leadership speech was comparatively light on policy detail. Instead he set out a political strategy emphasising that:

We must be clear in our own minds that if the political conditions are right and if our own values are retained, we shall probably have to - at least temporarily – to share power with somebody else to bring about the change we seek (quoted in Bartram, 1981:138).

He continued,

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...the road I intend to travel may be a bumpy one, and I recognize therefore the risk that in the course of it we may lose some of the passengers (Steel, 1980:24-25).

The response in the hall was 'pandemonium'. The Young Liberals, aware that 'co-operation' would be the focal point of the speech, mounted an orchestrated 'silent' demonstration, brandishing placards demanding 'No Coalition'. However, largely as a reaction to the Young Liberal demonstration, the majority of the delegates cheered and clapped, and at the conclusion of his speech, Steel received an unusually long four-minute standing ovation. Bartram suggests that Steel misinterpreted the warm reception from the majority in the hall as an endorsement of 'co-operation', a misunderstanding of rank and file sentiment which would prove to be an enduring feature during the Pact (Bartram, 1981:139).

Despite the reference to co-operation and the Young Liberals' opposition, Steel's speech was not intended or seen by most Liberals to be taking the party in a significantly new direction. It was, like previous speeches, most notably those by Jo Grimond, designed to set the foundations for an as yet undefined future political environment. Michael Steed emphasises that for many Liberal councillors, working with counterparts from other parties was part-and-parcel of local politics, and he therefore saw no problem in doing the same at a national level. 'realignment' had been discussed 'in every meeting since the 1950s' (Hugh Jones, 2007:116).

The *Liberal News* concluded that 'delegates will have been surprised that according to the media the main subject of the Assembly was coalition' (*Liberal News*, 5 October 1976). There was one caveat to all this, however: concern that 'co-operation' might mean working with the Conservative party, for according to Steed, a discernible anti-Thatcher sentiment had developed in the Party by 1976 (Cyr, 1977:102-3).

Importantly, most Liberals assumed that David Steel's co-operation strategy would eventually lead to a Lib-Con political agreement rather than a deal with Labour. This was even in spite of the fact that Steel himself was more politically aligned to the social democratic wing of the Labour party. This assumption can in part be explained by historic precedent, Lib-Con pacts had existed in the 1950s, the Liberal party had been in discussion with the Conservatives following the February 1974 election and the Labour party had historically been antipathetic to coalition (Steed, 2010, Personal communication).

The co-operation strategy, after what was considered by many the rudderless leadership of Thorpe followed by the interregnum of Grimond, provided the Liberal party with a coherent policy. Both as a long term strategy and a short term tactic it was considered a reasoned position, notably, it ensured the development of a party manifesto on which the Liberals could fight the next General Election. Critically, there was never any suggestion in the Llandudno speech, or after, that the strategy was a mechanism through which a parliamentary arrangement might be formed in the current parliament,

and as such, little work was done after Llandudno to define what a 'co-operation strategy' actually meant in practice. (Steel, 1980:25; Steel, 2010. Personal communication).

Through late 1976, while the national political debate focused on the economic crisis and the forced intervention of the IMF, the Liberal's NEC and the Party Council (exemplifying the inclination of many of its membership to be 'oppositionist' rather than a potential party of government) discussed largely abstract introspective or fringe interests, such as equality issues, war on waste, and the rights of single mothers. Likewise, a paper entitled '*Liberal Political Strategy 1977-78*' and presented to the NEC at the end of January 1977 (just six weeks before the creation of the Pact), focused not on co-operation but on devolution (including English regions); and the perennial demand for electoral reform. The author Peter Knowlson envisaged that one of the target audiences for the Liberal party would be 'anti-Thatcher Conservatives'. Clearly, with the formation of the Lib-Lab Pact, this section of the electorate all but evaporated as a source of Liberal votes (Michael Steed Papers, 'Liberal Political Strategy', 29 January 1977; Liberal Party Archive, LLP 19/2: NEC meeting minutes, 15 January 1977).

The absence of a formal analysis of possible coalition scenarios in 1976-77 by the Liberal party has been viewed by Michael Steed as a serious strategic error. He comments, 'in retrospect the period between Llandudno and the Pact was a missed opportunity when we should have been making the case for co-operation' (Steed, 2010. Personal communication). However, this oversight can in part be explained by the fact the NEC considered this to be a matter for the party leader.

Gordon Lishman had requested that NEC sponsor a one-day seminar on coalition-forming, in order to 'clarify views', pointing out that this process had only taken place in a limited way in 1974 (*Liberal News*, 5 October 1976). No such seminars were conducted before the Lib-Lab Pact was formed. Similarly, in January 1977, the NEC asked the parliamentary party to 'consider its strategy in the event of the government losing its majority in the House of Commons' (Liberal Party Archive, LLP 19/2: Minutes from meeting of NEC, 15 January 1977).

At the next NEC meeting, on 18 February 1977, and in the context of the government's impending defeat on the guillotine motion to the Devolution Bill, the Executive again requested clarification on the party's strategy *vis-à-vis* the Labour government, suggesting that discussions should be conducted on what policy demands ought to be made if Liberal support was requested. Crucially, it was envisaged by those present that Liberal support would only be available on an 'issue by issue basis', not as a formal parliamentary agreement. Steel, present at this meeting, maintained the stance he had taken when becoming leader,

the party should adopt a broad flexible approach, based on the presentation of key issues. It could thereby meet the demands of a changing situation, which might not be possible if the party was ensnared by a precise commitment to support a rigid 'shopping list' of measures (Liberal Party Archive, LLP 1/9: Minutes for meeting of NEC, 18 February 1977).

This approach had been outlined in an interview on *BBC Radio 4* on 18 November 1976, when Steel explained that he was:

rather reluctant to go into detail on what we would call a 'shopping list' because in the present condition of the country, I think what is required is some form of minimal agreement on what is required for the national good rather than what is required for the Labour party the Liberal party or the Tories...I am demanding if you like a degree of policy self-sacrifice on the part of all parties, and I certainly don't intend that the Liberal party should lean to one or the other (quoted in *The Times*, 28 March 1977).

Interestingly, for a party which broadly acknowledged that cross-party co-operation or formal coalition would be the most likely route to power, there were few attempts through this period to understanding the science of coalition-forming, or to obtain a broad appreciation of how coalitions in other European countries had either been formed or functioned. Michael Steed notes there had

been little appetite for a review of how case studies from other countries might be employed in the United Kingdom. The essence of this scepticism seems to have been primarily the idea that the UK had a different political culture, and a different voting system than countries in which coalitions were the norm. Consequently, it was envisaged the UK experience of cross-party co-operation would not follow these models and an understanding of coalition formation would only become necessary if and when electoral reform was enacted (Steed, 2010. Personal communication).

Moreover, while as previously noted, David Steel had been heavily involved in cross-party initiatives at Westminster, he had less interest in the academic analysis of coalition forming. He was also less interested in pan-European forums than either Grimond or Thorpe, only becoming involved in the Liberal International movement in 1975. There is no evidence that he sought discussions with European Liberals or academics on the process of coalition-forming prior to entering discussions with Callaghan in March 1977, although he did hold discussions with Scandinavian counterparts during the Pact (Steel, 2010. Personal communication; Steed, 2010. Personal communication). Steel himself concedes 'there was no working paper' on 'co-operation', but he concludes that it was broadly assumed that the Labour government would maintain its position as a minority administration. Steel undertook no strategic thinking about the merits of the various forms of 'co-operation', namely, full coalition, 'confidence and supply', just 'confidence' or support on an issue by issue basis.

The contemporary commentary, retrospective political memoirs, and academic historical analysis of the origins of Lib-Lab Pact 1977-78 have unanimously concluded that it came like a 'bolt out of the blue'. Nevertheless, John Pardoe and David Steel agree with Michael Steed's, retrospective analysis that more could have been done to prepare the party and the country for a period of co-operation. Pardoe concludes 'we *should* have seen it coming' [emphasis added] (Hugh Jones, 2007:112; see also: Steel, 1980; and Personal communication: McNally, 2008; Pardoe, 2010; Stowe, 2010; Foote-Wood, 2012; Steed, 2010). As will be discussed in the next chapter of this thesis, this lack of preparation

and planning within the Liberal party for a parliamentary agreement was to have significant consequences when Callaghan actually did approach them to establish if they would give formal support for the government in March 1977.

Chapter Two

Build up to the Lib-Lab Pact: Parliament 1974-1977

This chapter will examine why the scenario of a parliamentary agreement between the Labour and Liberal Parties was not anticipated, or planned for, by any of Britain's political elite. We will focus on the period from the Labour victory in the General Election in October 1974 through to the vote of confidence in March 1977, which necessitated Prime Minister James Callaghan entering into the cross-party discussions directly leading to the formation of the Lib-Lab Pact. Analysis will centre on the parliamentary arithmetic of the period 1974-79, and the legislative programme of the Labour government, which together created the necessity for cross-party discussions.

The origins of the Lib-Lab Pact can be traced back to the two General Elections of 1974, as has already been observed in this thesis, the talks between Edward Heath and Jeremy Thorpe after the inconclusive result of the February 1974 were instrumental in influencing David Steel's approach to cross-party co-operation. The period from 1974-76, exposed the attitude to coalitions of Harold Wilson, Edward Heath, Margaret Thatcher, and more pertinently James Callaghan. Following the breakdown of talks between Edward Heath and the Liberal leader Jeremy Thorpe on 4 March 1974, the Labour leader Harold Wilson filled the political vacuum and formed a minority Labour government. On becoming Prime Minister, Wilson re-affirmed his denunciation of cross-party co-operation as a possible means of securing his position, a year earlier he had stated:

Let this be clear: as long as I am leader of the party, Labour will not enter into any coalition with any other party, Liberal or Conservative or anyone else...there will be no electoral treaty, no political alliance, no understanding, no deal, no arrangement, no fix, neither will there be any secret deal or secret discussions (The Labour Party Conference Report, 1973, quoted in Seldon and Hickson, 2004:9).

The Labour party's October 1974 Manifesto was equally dismissive of cross-party co-operation, stating that:

A coalition Government, by its very nature, tends to trim its policies and fudge its decisions...and it would be cruel farce to suggest that the future of the country would be helped by a shuffling, compromising administration (Quoted in Searle, 1995:246).

Wilson's position therefore could not be clearer, and to some extent it was these statements, rather than those of James Callaghan, who remained largely silent on this issue, which influenced the perceptions of the Liberal Party that there was little prospect of a parliamentary agreement with the Labour Party. Following an interregnum of six months, in which the Labour party governed as a minority administration and the Liberal party voted on legislation on an issue by issue basis, Wilson called a second General Election. His position on coalition remained resolute in the build up to this second election; in response to Heath's call for a Government of National Unity, if no party achieved an overall majority, Wilson described it as, 'Con politics, Con leadership, by a Con Party, for a Con Trick' (Pimlott, 1992:646).

The October 1974 General Election saw the Labour party re-elected with a wafer-thin parliamentary majority of three seats, but a simple majority over the Conservatives of 42 seats. Wilson's decision to avoid cross-party co-operation had been vindicated, Heath resigned as Conservative leader and his successor Margaret Thatcher subsequently rejected co-operation as a political strategy, describing coalitionists as 'Quislings' (Searle, 1995:249n). Under such circumstances there seemed little prospect of a parliamentary agreement being established in the foreseeable future.

Labour party optimism that they could govern for an extended period without formal cross-party support was based on a number of factors: the parliamentary arithmetic; the financial constraints all parties felt, having fought two General Elections within a year; the level of policy proximity between the Labour Party and number of the minor parties in key policy areas; and a widely held belief, both

in and outside Parliament that, following the failure of the political brinkmanship employed by the Heath in calling an election. Set against a backdrop of a widely held perception both in the media and in academic literature that Britain that was 'ungovernable', the Labour Party had both the mandate and the moral authority to implement its economic and industrial relations policies (McNally, 2008. Personal communication). In October 1974, Wilson was resigned to the prospect of Labour's parliamentary majority only enduring for 'less than two years' (Butler and King, 1966:26). However, he could be more sanguine than was the case in either 1950 or 1964 that his administration might be able to remain in office, albeit perhaps as a minority Government, which indeed was the case. These same factors explain why, as has been observed earlier in this thesis, both the Liberal party and media observers assumed the Labour government would endure in 1977.

The most important long-term factors that initially mitigated against the prospect of the Labour government of October 1974 being either forced from office or compelled to call a General Election was the political composition of the House of Commons. The 1964 Labour government had an overall majority of four, but had a simple majority over the Conservatives of only 13 seats, by October 1974, Labour's overall majority may have been only three, its plurality over the Conservatives was 42, with a spectrum of minor parties comprising the remainder of the chamber. Indeed, October 1974 saw the most disparate collection of political parties ever elected to the House of Commons; the eight minor political parties who enjoyed parliamentary representation, collectively receiving 26 percent of the popular vote.

It was not solely the number of minor parties in the 1974 House of Commons which was advantageous to the Labour government; of equal importance was their policy proximity to the Labour party or more significantly the lack of convergence between a critical number of them and the main opposition Conservative party which might result in the Labour government being defeated on a vote of confidence. This was especially significant after the loss of the government's overall majority in April 1976 (discussed later). As David Wood's editorial in *The Times* commented: 'To

adapt the old trade union maxim that ‘unity was strength’, for Labour, disunity of opposition parties was strength’ (*The Times*, 17 July 1976).

In this regard, institutional factors also advantaged the Labour government of October 1974. The ‘Westminster model’ dictates that the government must enjoy the confidence of the House of Commons. However, this does not require that the government actually commands the positive support of the majority in the Commons, rather it merely needs to ensure that there is no majority against it (Bogdanor, 2008:19).

The ostensible weakness of the Labour government was further countered by the policy positions it had adopted relative to the Conservative Opposition, and the other minor parties, on a number of key issues. The single most important of these was the Devolution (Scotland and Wales) Bill. By Callaghan’s own admission, the introduction of the Bill in 1976 and its subsequent laborious progress through parliament were, in part, politically motivated (Callaghan, 1989:509). The significance of this legislation, within the context of subsequent events, was such that had it not been for internal discontent within the Labour party on this issue there is every likelihood even after the government lost its overall majority that opposition MPs would never have achieved the voting strength to defeat the government on a motion of confidence. Labour’s devolution policy ensured what might be termed the ‘benevolent neutrality’ of a critical number of minority parties, namely, the Welsh and Scottish Nationalists and the pro-devolution Liberal Party.

Labour also benefited from a highly astute party management team. Led between 1974-76 by the experienced Chief Whip Robert Mellish, and then, after James Callaghan succeeded Wilson as Prime Minister in 1976, by the equally skilled Michael Cocks. Complemented by Deputy Chief Whip Walter Harrison and Jack Dormand, (Pairing Whip), all were crucial in maintaining the government’s programme (Quoting Joe Ashton, BBC Parliament, ‘A parliamentary coup’ [broadcast 29 March 2009]). Their intimate understanding of the Parliamentary Labour Party (PLP), together with dialogue with minor parties through the ‘usual channels’ facilitated by Private Secretary to the Chief

Whip, Freddie Warren, was crucial factors when it came to advise Michael Foot, Leader of the House, on how to approach an impending vote. Meanwhile the Labour Cabinet in October 1974 was the most experienced in the party's history - almost all had served in 1964-66, and so had direct experience of governing with a small majority. The Cabinet took a pragmatic approach to legislation and this was coupled with Wilson's decision to front-load the legislative programme so that the more controversial measures were enacted when Labour enjoyed an overall majority.

The pragmatism became more evident after the loss of an overall majority in April 1976, henceforth the government either accepted amendments in committee, or if the policy was not considered central to the government's programme, it was simply and unceremoniously abandoned. Consequently, as Norton observes, it during the 1970s that 'the myth was finally exposed' that a government defeated in the division lobby must either be reversed, or else the government was bound by convention to request dissolution (Norton, 1980:343-46). The Labour government's decision to avoid parliamentary confrontation increased the perception among Opposition parliamentarians and the media that the Labour government would remain in Office, albeit with a greatly truncated programme, but crucially, without the need for formal cross-party support for the foreseeable future.

A notable example of the government's pragmatism was its position on Europe. Labour's 1974 manifesto had pledged to renegotiate the terms under which Edward Heath had taken the UK into the EEC on 1 January 1973. A national referendum would be held in which Cabinet Ministers would be given the freedom to campaign according to their conscience. By adopting such a policy, Wilson was able simultaneously to criticise the terms negotiated by Heath, while avoiding the exposure of the deep divisions which were present within his own party on this issue.

The EEC referendum campaign was the first example since the Second World War of national politicians working together in a common cause. Occurring just 18 months before the Lib-Lab Pact, it might be assumed that it acted in some way as an important precursor to formal cross-party co-

operation. Certainly the collegiate nature of the 'Britain in Europe' campaign did lead George Brown, former deputy leader of the Labour party to conclude, "if ever there was a time for something different from 'party government' the country was in that position now". Furthermore, politicians who worked together in the SDP-Liberal Alliance cited this period as giving an example of cross-party co-operation in action. However, at the time there was very little evidence of a long term effect (Butler and Kitinger, 1976:169).

To assume the EEC referendum campaign was a corollary for subsequent cross-party co-operation would be to misinterpret the significance placed on the issue at the time. Cabinet Ministers, who were central to the 'Yes' campaign and who later were to co-operate with the Liberals' during the Lib-Lab Pact, such as Shirley Williams and William Rodgers, did not view the referendum campaign as significant in their long-term thinking. Meanwhile James Callaghan, as the then Foreign Secretary, abstained from any involvement, thus this period did nothing to foster his subsequent relations with Steel. David Butler concludes that the referendum was simply a pragmatic device to address an internal dispute within the Parliamentary Labour Party, the impact on the wider British political system was fleeting and soon dissipated; 'neither in styles of campaigning, nor in new alliances had the referendum left its mark on British Politics' (Butler, 1980: 22). For the Liberals' it did give Steel an insight into the resources and professionalism of the two larger parties and it gave figures such as Steel and Cyril Smith added media exposure (Butler and Kitinger, 1976:169; Rodgers, 2000:154).

The loss of the Labour government's overall majority

As has been explained in the previous section of this thesis, the Labour government of 1974-79 had entered office with an overall majority of just three seats, whereupon it was largely sustained because of the benevolent neutrality of an assortment of minor parties in the House of Commons. Nevertheless, clearly the loss of its majority in April 1976 was of crucial importance in the process that led to the formation of the Lib-Lab Pact. The next section will examine briefly the events that

led to the Labour government losing its overall parliamentary majority and the subsequent events which led to the tabling of the vote of confidence by Margaret Thatcher on 17 March 1977, which in turn necessitated the formation of the Lib-Lab Pact.

It was inevitable that through its period in office the 1974-79 Labour government would be compelled to fight by-elections, likewise it was also all but inevitable that it would lose a proportion of those elections (Holmes, 1985:18). For a time, after October 1974, the Labour Party had some success in defending by-elections, in only one of the first six by-election contested during the first 18 months of the parliament in which Labour was the incumbent was the party candidate defeated, this being on 20 March 1975 in the Woolwich West by-election.

Technically the government's overall majority finally disappeared, following the sudden death of Labour MP Brian O'Malley - coincidentally, the same day that James Callaghan became leader of the Labour Party, and Prime Minister, after the widely anticipated, though nonetheless sudden, resignation of Harold Wilson. However, through the support of the two Irish Nationalist MPs its position remained relatively secure. Over subsequent months, the government's majority was eroded further because of three factors, defections, poor intra and inter-party relations and by-election defeat. In April 1976, the disgraced former Paymaster General, John Stonehouse, changed his designation from Labour to Labour/English National and later resigned his parliamentary seat, whereupon the ensuing by-election was won by the Conservatives. The parliamentary arithmetic was further complicated by the defection of two Scottish Labour MPs, Jim Sillars and John Robertson who, unhappy with the slow progress of the devolution legislation, left the Labour party to form the Scottish Labour party.

As the government's position became more precarious, antagonism between Labour and Conservative members intensified, most notably during the Aircraft and Shipbuilding Bill, when 'the usual channels' were suspended. In July 1976 *The Times* newspaper speculated on the possibility that a formal understanding between the government and one (or more) of the minor opposition

parties might take place as a consequence; the government might look for some 'patched up, temporary coalition' (*The Times*, 7 July 1976). However, following the retention of two parliamentary seats by the government in by-elections, talk of coalition abated.

However, on 4 November 1976, a further three by-elections were held. As well as defeat in Walsall North, (John Stonehouse's former seat) the Labour party also lost the former safe seat of Workington. At Callaghan's request the sitting MP, Fred Peart, a long time political ally of the Prime Minister, was ennobled to take up the post as Leader of the House of Lords. Defeat, in what had been a Labour citadel for over fifty years, was a serious blow to the standing of the government, and raised questions about the wisdom of both Callaghan and his party managers in forcing the by-election in the first place. Parliamentary arithmetic was further complicated in December 1976, when former Cabinet Minister Reg Prentice, facing de-selection by his increasingly 'left orientated' constituency party, and with his pleas for support at the Labour Conference falling on deaf ears, resigned the Labour whip to sit as an Independent, later crossing the floor to join the Conservative party.

Meanwhile, Callaghan proposed Roy Jenkins as President of the European Commission, to be accompanied by fellow Labour MP David Marquand as a European Commissioner. In order to fulfil these roles both men would be obliged to resign their seats in the House of Commons. While Marquand's Ashfield constituency was considered a safe seat, Jenkins' Birmingham Stechford seat was a marginal. In November 1976 *The Economist* speculated that should Labour lose either seat, it might be inclined towards forming an understanding with the Liberal Party (*The Economist*, 27 November 1976).

The sudden death of Foreign Secretary Anthony Crosland on 19 February 1977, as well as being a serious personal blow to Callaghan, also meant that the Labour government now faced the prospect of fighting a by-election in Crosland's Grimsby constituency, like Birmingham Stechford a Labour/Conservative marginal. As Kenneth Morgan observes, Crosland's death 'manifestly

weakened a floundering government' (Morgan, 1997:564). By March 1977, the number of MPs who took the Labour Whip had declined from 319 to 310, crucially, this meant that should the Labour government failed to defend any of the three previously Labour-held seats in which by-elections were now pending, even taking into account of the support of the Scottish Labour Party MPs and that of Gerry Fitt (SDLP) and the mercurial Frank Maguire, all of whom notionally supported the Labour government, they would be vulnerable to defeat on a motion of confidence. If the need for financial support from the IMF was the economic nadir of the 1974-79 Labour government, then spring 1977 was the political equivalent, prior to the unrest seen during the 'winter of discontent'.

Clearly, the loss of the government's overall majority, and then a further erosion of its parliamentary contingent, was of fundamental importance in the process which led to the formation of the Lib-Lab Pact, however, a second and concurrent process, which was in some ways of greater significance was the effect of poor parliamentary discipline within the Parliamentary Labour Party *vis-à-vis* the legislative process in February and March 1977, as we will now note.

Loss of the Guillotine Motion on Devolution (Scotland and Wales) Bill, 22

February 1977

As has already been highlighted in this thesis, the progress of the Devolution (Scotland and Wales) Bill occupied a pre-eminent place on the parliamentary agenda in the middle half of the 1974-79 parliament, primarily because of its critical importance in maintaining the tacit support of Scottish and Welsh Nationalist MPs together with the Liberal party for the increasingly beleaguered Labour government. In keeping with parliamentary procedure related to a constitutional Bill its committee stage was undertaken on the Floor of the House of Commons. In the face of significant filibustering from the Conservative party and dissenting Labour MPs, (over 300 amendments were tabled) the legislation had ground to a halt. Under pressure from the Scottish Labour Party, and his own pro-devolution backbenchers, Michael Foot as Leader of the House proposed that a guillotine motion be

imposed, in order to force through the legislation. The debate and subsequent vote on the guillotine motion was timetabled to take place on 22 February 1977.

As noted above, by February 1977 the government was in a minority of 10, aware that a significant number of Labour MPs would vote against the motion, Foot was aware substantial support would be required from the minor opposition parties. Although the government could be confident of support from the pro-devolution SNP and Plaid Cymru, the Liberal Party had divided over how it would respond to the imposition of the guillotine. On this basis Foot was aware that the guillotine might be lost, and consequently a constitutional and political crisis might ensue.

David Steel, advised his party colleagues to vote against the motion, on the basis it was 'a bad Bill badly drafted'. However, he conceded that the two Liberal MPs representing Welsh constituencies, Geraint Howells and Emlyn Hooson, could vote for the motion on the grounds that to vote against would result in discontent in their constituencies. In his memoirs, Steel argued that the Liberal party's actions 'demonstrated usefully to the government that the Liberals meant what they said', and thus acted as a useful precursor to the Lib-Lab Pact discussions (Steel, 1980:29). However, it is important to place the Liberal party's actions at this time in context. It was not Steel's intention, in voting against the guillotine, to precipitate either cross-party talks or the immediate resignation of the Labour government. His prime motivation was to show dissent on the sole basis the guillotine motion prevented discussion of Liberal amendments, specifically, that the vote on whether the devolved assemblies be allowed tax-raising powers. Indeed, Steel later acknowledged that he had not anticipated the consequences of his actions (Steel, 1980:28; *The Times*, 1 February 1977; Oaten, 2007:175).

The guillotine motion was, as Foot suspected, lost by 312 votes to 283 with 22 Labour MPs voting against and a further 23 abstaining. The ramifications of the loss of the Devolution legislation engendered an extremely hostile response from the SNP and Plaid Cymru who, in response, announced they would subsequently vote against all aspects of the government's legislative

programme. It was this decision which ultimately led to the necessitated cross-party discussions, as will be discussed shortly. David Steel was less forthright in his response to the guillotine defeat, stating that the Liberals would vote against the government on any subsequent motion of confidence, but added the crucial caveat, 'unless there were concessions' when the Devolution legislation was reintroduced (NA, PREM 16/1297: transcript of interview, 25 February 1977). This was, in fact an empty threat because Michael Foot had confirmed to parliament the previous day that the government was undertaking a multi-Party consultation process, and that he was prepared to compromise with other parties in his attempts to re-introduce the Devolution Bill.

Realising that without minor party support the government's legislative programme was in jeopardy Callaghan called a Cabinet meeting to discuss how best to proceed. In a wholly pragmatic response, it was quickly agreed that the Direct Labour Bill should be postponed, the Occupational Pension Bill should be amended, and that the ship-repairing aspect of the Aircraft and Shipbuilding Bill should be abandoned. On the two constitutional Bills before the House, the Devolution Bill was obviously in hiatus, but would be reintroduced at the earliest opportunity. Meanwhile, with regard to the Direct Elections to the European parliament, on which action had been repeatedly deferred due to internal Labour party dissent, it was agreed that an all-day Cabinet Meeting should be convened to plan the discuss how to proceed (NA, CAB 128/61, CM (77): Cabinet Conclusions, 3 March 1977).

The Cabinet also discussed how, in the changed political environment, cross-party support might be sought in order to facilitate the progress of the government's legislative programme. Callaghan emphasised the need to;

carry through a positive programme of desirable legislation, and Ministers would have to construct the necessary parliamentary majorities...by putting proposals to the Parliamentary Labour Party (PLP) and therein obtaining support, and by seeking support from the minority parties at the planning stage (NA, CAB 128/61 CM (77): Cabinet Conclusions, 3 March 1977).

In this context, Gerald Kaufman and Stan Orme in particular appear to have undertaken some discussions with the Liberals MPs, although Merlyn Rees later confirmed to the Prime Minister that these discussions did not extend to formal cross-party co-operation (Bodl., MS, Callaghan, Box 113, file 2741: Letter from Cledwyn Hughes to James Callaghan, 17 March 1977).

It is important to stress the loss of the guillotine vote did not make the Lib-Lab Pact in any way inevitable. Just one week before the commencement of cross-party discussions which led to the Pact, the media were predicting the government would continue in its current form long into 1978 (ITN News Archive 22 March 1977[accessed 20 May 2012]). It did, however, have an important contributory impact on the terms under which it was agreed, why this was the case will be the focus of the next section.

In an attempt to show the sincerity of the Cabinet's intention to persevere with the devolution legislation, Michael Foot (as Leader of the House) informed the House of Commons on 24 February 1977 that the government would open cross-party and intra-party discussions in an attempt to determine the conditions whereby the Devolution Bill could be amended and passed into law. As such, these discussions were explicitly a mechanism whereby the Labour government attempted to re-establish the tacit support of the minor parties, rather than any active move towards a more consultative form of government.

Cross-party discussion on devolution, February-March 1977

It was envisaged the talks would extend over a six-week period, Callaghan speculated that this might lead to an all-party convention being established at their conclusion, although Foot preferred the establishment of a Select Committee. Mindful of the necessity for a successful resolution of this process, Callaghan and Foot combined in conducting the negotiations with the minor parties (NA,

PREM 16/1297: letter from Clive Saville to Kenneth Stowe, 14 March 1977; NA, CAB 128/61 CM (77): Cabinet Conclusions, 24 February 1977).

In *A House Divided*, David Steel notes that with regard to this process of cross-party consultation;

the Tories refused to participate on the grounds they were against devolution anyway...the SNP refused to participate because they thought the guillotine should have been a vote of confidence. That left the Liberals talking constructively with the government about changes to legislation...It was a significant foretaste of the Lib-Lab Pact itself (Steel, 1980:29).

However, this is not in fact the case, documents in the National Archives show that concurrent with their discussions with the Liberal party, Callaghan and Foot variously entered into formal discussions, on a number of occasions, with the Conservatives, the SNP, the Ulster Unionists, Plaid Cymru, and the Scottish Labour Party. They also acceded to pressure from the Cabinet and consulted backbench Labour MPs who represented constituencies in the North of England.

The first discussions, after the loss of the guillotine motion, took place with the SNP leader Donald Stewart. Stewart blamed the government's defeat on the Liberals decision to vote against the vote, asserting that 'they are finished in Scotland as a devolution party'. The SNP delegation then asked if a future guillotine motion might have been treated a vote of confidence in the government in order to compel Labour rebels to support it, to which Callaghan replied that he had considered it but concluded that, there were people [in the Labour party] who were prepared to sacrifice their political careers on this, and defeat might have meant the loss of the government's economic policy (NA, PREM 16/1296: note of a meeting, 24 February 1977).

With the SNP not appeased, Callaghan then focused his energies on the Liberal party. Devolution was one of the few policies in which the Liberal party had a 'completely worked-through' policy position (Pardoe, 2010. Personal communication). Indeed, they would later supply the government

with a dossier of the Liberal's proposals. Discussions between Callaghan and David Steel commenced on 3 March 1977. The Liberal leader outlined the broad constitutional reforms enshrined in his party's Manifesto, to the extent of canvassing the professed virtues of devolving power to the English regions. Callaghan responded rather abruptly by asking 'at some point the issue of what the Liberals would require to vote for a guillotine motion would need to be discussed' (NA, PREM16/1297: note of a meeting, 3 March 1977). Steel subsequently outlined the key issues required for Liberal party support which are worth reviewing as they would also be an important subsidiary issue in the Lib-Lab negotiations which lead to the formation of the Lib-Lab Pact:

- The voting system employed should be proportional representation (PR), or at least offer this as an option in a referendum. (no mention is made on specific form of PR to be employed although the Liberal Party Manifesto specified Single Transferable Vote).
- Clearly define the powers of the [Scottish and Welsh] assemblies to avoid overlap with Westminster.
- Reduce the powers of the Secretaries of State, or abolish their offices altogether.
- Revenue raising powers for the Assemblies.
- Reduce the numbers of Scottish MPs in Westminster or reduce their voting rights (A reflection of what would become known as the West Lothian Question).

Steel, however, was somewhat passive in his negotiating position, stating that these were 'simply recommendations', and that government would only 'need to show flexibility' in order to secure Liberal support in a future Guillotine Motion (NA, PREM 16/1297: letter from David Steel to James Callaghan, 3 March 1977). Nonetheless, Callaghan was dismissive of a number of the Liberal demands. Specifically with reference to the Liberal's preferred option of proportional representation to be employed for elections to the devolved Assemblies, he argued that: 'there was no use the government getting 10 Liberals if they lost 80 supporters from their own party'. Steel questioned

this number, to which Callaghan asserted 'in the light of discussions on Direct Elections, he felt confident of this assessment' (NA, PREM16/1297: notes of a meeting, 3 March 1977).

It is the contention of this thesis that Callaghan's strong assertion in this meeting that the Labour party would not countenance proportional representation greatly influenced David Steel, when less than a month later, during the Lib-Lab Pact negotiations, the Liberal leader attempting to secure a government endorsement of PR for the Direct Elections Bill, as will be outlined later in this thesis. In this way, the Lib-Lab devolution discussion had a greater significance on the structure of the Lib-Lab Pact than has hitherto been highlighted.

For David Steel, discussions with the government on devolution were exactly the type of cross-party co-operation he had long advocated and hoped for. Indeed, he openly expressed his desire that the discussions might precipitate wider consultations on economic and social policy. However, he was equally mindful of the more cautious view of cross-party discussions held by many in the Liberal Party, as expressed at Llandudno and subsequently. Accordingly, Steel felt compelled to stress to Liberal activists the limited nature of the discussions he had entered into with the government, 'for your own information reports of talks between Callaghan and myself on political co-operation are groundless, the only meeting we have had is on devolution' (Liberal Party Archives, LLP 5/14: letter to candidates, 11 March 1977). Letters to Prospective Party Candidates was one of the few ways Steel was able to communicate directly, if only in one direction, with Liberal party activists and he was to utilize this mechanism throughout his leadership, including during the Pact.

While stressing that the discussions were confined to devolution, he nonetheless asserted his authority as leader and avowed a desire for co-operation, he also used this letter as an opportunity to outline the areas of policy that any broader cross-party discussions might focus on: devolution; Direct Elections to Europe with a proportional voting system; tax reform; and industrial partnership

were all highlighted. Some of these issues would subsequently be central to the Lib-Lab discussions in March 1977. Similarly, many were invoked by some Liberal activists as prerequisites for any deal with the government (Liberal Party Archives, LLP 5/14: letter to candidates, 11 March 1977).

Consultations on devolution were extended by the government to include James Kilfedder, the UUUC MP for North Down. While the nature of these discussions will be passed over at this stage they would prove to be relevant to subsequent inter-party discussions between the Labour Party and the UUUC in later March 1977, and as such will be discussed in the next chapter of this thesis. Cross-party discussions, on how to proceed with the Devolution Bill, continued into the summer of 1977, concurrent with the Lib-Lab Pact, which had been formed in March, and were only suspended when the Liberal-Labour discussions advanced to such a stage whereby the government's need for wider consultation became redundant. This demonstrated both the significance of the successful passage of the Devolution Bill to the government, and the fact that a pragmatic Labour party did not necessarily assume the agreement with the Liberals (which initially was only scheduled to run until the end of the parliamentary session) would alleviate all the legislative dilemmas facing the government in 1977.

Expenditure White Paper Debate, 17 March 1977

Government and parliamentary business continued concurrently with the inter-party discussions on devolution, but with no contentious legislation imminently passing through the House of Commons, there was little to indicate that the government was in any immediate danger of collapse. Indeed, Callaghan was confident enough to travel to North America between 9- 13 March 1977 for meetings with President Carter and Canadian Prime Minister Trudeau. The next parliamentary test for the government was the Expenditure White Paper debate on 17 March 1977. It was the loss of Nationalist support and compounded by the events which transpired out of the Expenditure White paper which necessitated the government formation of an inter-party understanding and thus the

creation of the Lib-Lab Pact. Despite being critical to subsequent events, the precise circumstances of the Expenditure White paper debate and vote have been variously ignored or misrepresented in previous analyses of the formation of the Lib-Lab Pact (Michie and Hoggart, March, 1990; Maor, 1997). However, its significance necessitates that it be examined in detail.

Both by convention and necessity the government is compelled to pass an Expenditure White Paper each year on the basis that it outlines the government proposed spending. On 10 March 1976 the Labour government had lost a vote on the Expenditure White Paper. At that time, 37 Labour MPs, 33 of them *Tribune* members, abstained in the vote. On the basis that any government must implement its fiscal programme Harold Wilson was compelled to table a motion of confidence. Faced with the prospect of a General Election if defeated, the Parliamentary Labour Party voted unanimously with the government, and when combined with minority party support from the SDLP and Irish Nationalist, a government majority was secured by 297-280 votes.

In March 1977, Chief Whip, Michael Cocks, had been informed by Left-wing Labour MP Eric Heffer that in the face of Treasury proposals for further fiscal constraint a substantial number of Labour backbenchers were prepared to repeat their actions of a year earlier and rebel on the Expenditure White Paper vote (Heffer, 1991:163). By 1977, as has been discussed earlier in this thesis, the Labour government was in a materially weaker position than 1976, defeat on the Expenditure White Paper would as before compelled the Prime Minister to call for a vote of confidence. However, without a majority and the avowed opposition of the Nationalist parties, it seemed certain to lose. In response to this predicament, Cocks presented a scenario to the Prime Minister whereby the government would not technically lose the Expenditure White Paper vote and therefore it would not be compelled to call for a vote of confidence - but would face a degree of ignominy in the House of Commons and in the media.

Callaghan accepted Cocks' proposal, the rationale of which ran as follows: rather than calling a vote expressly on the Expenditure White Paper, the government could use a procedural device whereby

the Expenditure White Paper would be debated, and voted on, not as a substantive motion as was customary, but as part of an adjournment debate. This particular parliamentary procedure would have a number of key advantages for the government: while the government would certainly lose the vote, because MPs were technically voting on whether to adjourn the House of Commons and not on the Expenditure White Paper directly, this would not constitute a direct defeat on the government's fiscal policy, thus its programme of spending cuts contained within the Expenditure White Paper would be retained for the time being. The procedure would also avoid directly exposing the extent of Labour backbench dissent on the Expenditure White Paper, as they would not technically be voting on it. Moreover, because it is not possible to submit an amendment to an adjournment debate, the House would not be able to express a view on the White Paper. Finally, as noted above, were the government to be defeated in a vote on the Expenditure White Paper, a key plank of the government economic policy, it would be compelled, by convention, to table a vote of confidence. A loss on an adjournment debate would not necessitate such a requirement, and it would be incumbent on the Opposition to seek a vote (the significance of this difference will be explained shortly). Callaghan assented to Cocks' suggestion.

The conventions of the House of Commons decree that whilst the House must adjourn at the end of a day's sitting, a vote through the division lobbies does not have to take place unless dissent is expressed. Following the conclusion of the adjournment debate on the Expenditure White Paper, presented for the Government by Chief Secretary to the Treasury, Joel Barnett, SNP members, stimulated by their discontent with the fall of the devolution legislation rather than direct opposition to either the Expenditure White Paper *per se*, did express dissent, and thereby necessitated a full vote be called. The Labour Party did not put forward a teller, and so the SNP supplied the tellers for both the 'Aye' and 'No' lobby.

To show their combined disdain for the government's tactics, Opposition MPs voted unanimously for the adjournment. Meanwhile, Labour party managers instructed their MPs to abstain from the

adjournment vote, thereby ensuring that the government would not be seen to actually lose the vote by a quantifiable margin. In this action, they hoped to reduce the credibility of the result. As a consequence, Labour MPs were left in the ignominious position of remaining seated on the government benches while the Opposition voted unanimously for the adjournment. The result consequently was 293 votes to 0 for the adjournment of the House.

As Cocks had predicted, the government was visibly humbled by this ostensibly technical and procedural defeat, but as he argued the procedure meant it was not technically defeated on the Expenditure White Paper. The actions also had very important consequences for subsequent events.

As stated above, because the government was not compelled to table its own motion of confidence, the decision as to whether or not to call for a motion of confidence was left with the Opposition, and there remained the possibility this might not occur. If the Conservatives were compelled to call for a vote of confidence, a small number of minor party MPs, such as the breakaway SLP MPs, Gerry Fitt (SDLP) or Irish Nationalist Rank Maguire, who had no policy proximity with the Conservatives, might be reluctant to vote in active support of a Conservative motion. Moreover, there are procedural anomalies of the House of Commons which the Labour Government hoped would help it win the vote. Parliamentary convention dictates that if a vote is tied the Speaker of the House of Commons must vote with the Government - a Conservative amendment had been defeated in this manner on 26 May 1976 during the highly contentious Aircraft and Shipbuilding Industries Bill (Burton and Drewry, 1978:152). Labour Party managers also held out the hope that the Conservative leadership might choose *not* to move a confidence motion at this time, the Conservatives had called two previous confidence motions during the lifetime of the parliament, on both occasions their defeat had boosted the Government's morale while deflating that of their own Party.

Margaret Thatcher, in the face of condemnation of the government's actions from her own backbenchers and the Shadow Cabinet, and with evidence that the SNP were likely to call for a vote

if she reneged, concluded, despite her 'natural caution', that she had to call for a vote of confidence. She thus formally tabled this motion on 18 March 1977 (Thatcher, 1977:326).

As stated above, by utilising the adjournment device, the Prime Minister was not compelled to call a vote of confidence. As such, a further parliamentary convention was enacted which further benefited the government. Had Callaghan he been forced to call for a vote the debate and vote would have had to have taken place on the next full day of parliamentary business – Monday 21 March 1977. By contrast, Opposition motions only have to take place within 'a few days', at the discretion of the Leader of the House, albeit in discussion with the Opposition Chief Whip and the clerks of the House of Commons. In the event, Michael Foot in responding to Thatcher's demands informed MPs that time would be made available for the no confidence motion to take place on the afternoon of Wednesday 23 March 1977. In this way, the government was afforded time, which otherwise would not have been available, in which to negotiate with minor parties in its attempt to secure the support needed to win the confidence motion. Therefore a number of factors combined for us to conclude that without the procedural device it is unlikely that the subsequent cross-party co-operation would have been achieved.

The adjournment debate episode was emblematic of the difficulties faced by the Labour party in the period from 1974-1979. It also highlighted the possible consequences of internal discontent within the Labour party and the pragmatism and ingenuity of the Labour party managers and their single-minded determination to maintain the government in Office – if not necessarily in power.

This chapter has traced the political events which lead to James Callaghan being compelled to initiate cross-party discussions on 18 March 1977. It has been observed that while some diminution in the government's parliamentary ranks, between October 1974 and March 1977, was unavoidable, defections and poor party management of its supporters were critical in leading to the government requiring formal cross-party support in March 1977. This chapter has also highlighted the hitherto ignored significance of the cross-party discussions on devolution on the subsequent Lib-Lab Pact

negotiations - the significance of which will be exemplified further in the next chapter. It has been observed that dissident sections in the Parliamentary Labour Party were ultimately complicit in the government's need to seek parliamentary support, voting against the guillotine on the Devolution Bill, which led to the end of the benevolent support of the Nationalist Parties, and threatening to vote against the Expenditure White Paper, which directly led to its requirement to seek cross-party co-operation in order to stay in Office the process of how this co-operation was negotiated will be the focus of the next chapter.

Chapter Three

Cross-party discussions, 17-20 March 1977

This chapter will examine the period of inter-party consultation, focusing on the direct negotiations which took place during 17-23 March 1977 between the Labour party and the Ulster Unionist and Liberal parties respectively.

Immediately following the government's defeat in the adjournment debate, and cognisant that Margaret Thatcher would almost certainly call for a vote of confidence the following day, Callaghan organised a meeting of key Ministers and government Whips, in the Prime Minister's Office behind the Speaker's chair in the House of Commons. The latest opinion polls had put the Conservative party 16% ahead of the Labour party, and so it was widely assumed that a defeat in the vote of confidence, which would necessitate a General Election, would inevitably lead to a comfortable Conservative victory. As such, Callaghan reasoned that the only option available to him was to construct a parliamentary majority, utilising the minor parties, which would help the government win the confidence motion and thus averting a General Election (Butler and Butler, 1986:254-255).

Redolent of a military operation, each participant was ascribed the objective of making contact with an allotted minority party, to establish if there was any prospect that they might be persuaded either to vote with the government, or at least abstain in the confidence vote. Former Northern Ireland Secretary, Merlyn Rees, was to make contact with Gerry Fitt of the SDLP, and Roy Mason the current Northern Ireland Secretary was to initiate dialogue with the Ulster Unionists. Meanwhile Cledwyn Hughes was to contact the Liberals, aided by William Rodgers the Transport Secretary. The day before, Hughes had opened a line of communication with Steel to establish how the Liberal party intended to vote in the adjournment vote. Meanwhile it was observed that Rodgers had enjoyed a good working relationship with David Steel during the 1975 EEC Referendum debates

although, as noted above, the relationship had not developed significantly in the intervening months (Steel, Personal communication, 2010). Finally, The Whips' Office was to make contact with the dissident Scottish Labour Party (SLP) members, Jim Sillars and John Robertson (Callaghan, 1987:453).

It was quickly established that all Labour MPs would support the government. The *Tribune* Group, meeting on the evening of 22 March 1977, made it known that whatever the outcome of the cross-party discussions it would advise its members to vote with the government in the vote of confidence. John Ryman the maverick Labour MP for Blyth, speaking on the 18 March 1977, caused some consternation when he had called on 'every Labour MP to ask themselves; does the government deserve to survive?' In the event, under pressure from The Whips' Office, he too voted with the government (ITN News Archive, <http://www.nfo.ac.uk/> 18 March 1977 [accessed 20 May 2012]).

Media speculation on how the various minority parties might vote in the no confidence motion suggested that the combined Opposition would amount to 317 MPs. It was assumed that both Irish Nationalist MPs would vote with the government, whereupon the government would be in a minority of five (ITN News Archive, <http://www.nfo.ac.uk/>, 18 March 1977 [accessed 20 May 2012]). Consequently, Callaghan's primary focus, in the forthcoming cross-party discussions, was to secure the support of one or more of three distinct groups: first the guarantee of the retention all its parliamentary complement, perhaps with the addition of the two SLP MPs and the former Labour Minister Reg Prentice; second, the 11 United Ulster Unionist Council MPs, but ideally without the consequential loss of Gerry Fitt and Frank Maguire; and finally, the 13 Liberal MPs. If either of these two latter blocs of MPs could be persuaded to vote with the government (or to abstain), the government would survive the vote of confidence.

Callaghan further reasoned that if the government could survive the immediate threat of the vote of confidence, two scenarios were possible which would ensure the longevity of the government. Firstly, the Opposition would not, for political reasons, be able to employ a confidence motion again for a number of months, thereby allowing the government's economic programme time to show

material benefits, assisted by a 'give away budget' due to take place just one week after the vote of confidence. He hoped that under such circumstances, the government's opinion poll ratings might improve sufficiently to allow it to call a General Election, with the prospect of achieving a working majority. Alternatively, having survived the vote of confidence the government would, through the cross-party discussions, re-introduce the Devolution Bill, and so placate the SNP and Plaid Cymru.

The Labour government's position can be characterised as a continuation of their pragmatic approach, re-establishing the informal coalition of benevolent neutrality of the minor parties, rather than an explicit shift towards cross-party co-operation. Either way, when considering Callaghan's motivation with regard to the cross-party co-operation and the Lib-Lab Pact, it must be borne in mind this was his preferred option, with an ultimate objective – namely, being given the opportunity to call a General Election with a reasonable chance of securing a Labour majority.

Callaghan instructed his Principal Private Secretary, Kenneth Stowe, to produce a consultative paper outlining how parliamentary business might be concluded, parliament prorogued, and a possible date for a General Election set (Bodl., MS. Callaghan, Box 113 file 2741: report by Kenneth Stowe, 18 March 1977). Although, as stated above, this was not the first confidence motion tabled against the 1974-1979 Labour government, it was the first time contingency planning had been undertaken for a General Election (Stowe, 2010. Personal communication; NA, PREM 16/1400: 'Diary of events', April 1977).

Labour-Ulster Unionist discussions, 16-22 March 1977

The following section will review the government's negotiations with the various MPs representing Northern Ireland constituencies. In his attempts to secure the parliamentary votes needed to win the vote of confidence, Callaghan initially and instinctively chose to look first to enter discussions with the Ulster Unionists. He felt 'he could 'talk' with them', they were 'serious men...straight, tough old fashioned conservative people' (Donoghue, 2008:167-8) There were also clear political

advantages in pursuing an agreement with the Ulster Unionists above that of any other grouping. If he could persuade the Ulster Unionists to abstain *en bloc* in the confidence vote, the government would probably survive. Crucially, this support might be achieved by giving specific concessions on issues related to Northern Ireland, but without the need for either a formal agreement or impacting on the Labour government's key areas of concern, namely economic policy and industrial strategy.

The composition of Northern Irish political representation at Westminster in October 1974 had been transformed as a consequence of the formation, and subsequent collapse, of the Sunningdale Executive in May 1974. Disagreements within the Unionist community over the merits of the Sunningdale Agreement had resulted in a serious schism within Unionism, culminating in two separate wings being created - pro and anti Sunningdale. In January 1974, the anti-Sunningdale Unionist contingent formed a loose coalition called the United Ulster Unionist Council (UUUC) under this banner they fought both of the General Elections of 1974. All pro-Sunningdale candidates were defeated in February 1974, and in October 1974 ten UUUC MPs were elected to Westminster. Their contingent was made up of six Official Unionists led in parliament by James Molyneaux; three Vanguard Unionists led by William Craig; and a single Democratic Unionist, the Rev. Ian Paisley. Significantly, while the UUUC MPs shared a strong contempt for the Sunningdale Agreement, they remained, even within their own party groupings, a disparate collection of individuals, often with divergent and contradictory views on economic and social policy, and more specifically the merits of maintaining the Labour government.

Callaghan had in fact instigated a meeting with members of the UUUC on 16 March 1977, the day before the Expenditure White Paper debate, 'to see if there was a basis for future Commons co-operation' (Donoghue, 2008:165). This pre-emptive act was indicative of the Prime Minister's preference for an informal understanding with the UUUC. Callaghan sought to arrange a bi-lateral meeting with Molyneaux on Friday 18 March 1977, following the tabling of the confidence motion, but the MP for South Antrim chose to take his pre-arranged flight back to his Northern Ireland

constituency. As such, it was Michael Foot who made the first formal contact with the UUUC when he spoke with James Molyneaux, on the afternoon of the 18 March 1977. Foot also spoke with Enoch Powell (UUUC MP for South Down), later the same day. When Foot reported back to the Prime Minister with his findings, he concluded that he was 'not hopeful' of an agreement (Bodl., MS. Callaghan, Box 113, file 2741, letter from Michael Foot to James Callaghan, 21 March 1977). By 19 March 1977, the UUUC began to divide on the issue of how it would approach the vote of confidence. The three Vanguard MPs, together with Ian Paisley, confirmed that they would be voting with the Conservatives. They cited their primary motive as being the government's failure to tackle increased violence in the Province (*Belfast Telegraph*, 19 March 1977). Meanwhile, the stance of the six Official Ulster Unionist MPs remained uncertain.

Roy Mason, Secretary of State for Northern Ireland, who had been instructed by Callaghan to take sounding from the Unionist MPs, reporting back on Monday 21 March 1977, concluded that, he 'did not think there was room to offer the Unionists anything which would change their mind, and at the same time be acceptable to the government' (NA, PREM16/1399: letter from Roy Mason to Kenneth Stowe, 21 March 1977).

In contrast, Michael Foot, pessimistic of securing an agreement a few days earlier, had since conducted telephone discussions with the Unionist parliamentary leadership and become more optimistic. He explained, to Tony Benn over dinner, on Sunday 20 March 1977, that he felt a deal could be done with the Unionist Party, contingent on an increase in Northern Ireland representation at Westminster, and combined with reform of local government in the Province (Benn, 1990:79, diary entry for 20 March 1977). However, no formal understanding had been achieved before face-to-face discussions between the Labour party delegation and the Ulster Unionists commenced on 21 March 1977.

The first official discussions, which constituted the cross-party negotiations, were conducted in the Prime Minister's rooms in the House of Commons, at 14.30 on Monday 21 March between, on the

government side, the Prime Minister and Michael Foot, and on the Ulster Unionist side, James Molyneaux and Enoch Powell. Powell's involvement was important for two reasons: first, his extensive knowledge of the mechanics of Westminster was of great assistance to the largely inexperienced Ulster Unionist contingent (Flackes & Elliott, 1989:223); and second, his political stature was such that he exerted 'significant influence within the parliamentary Ulster Unionist party' (*Belfast Telegraph*, 18 March 1977).

Callaghan began these discussions by confirming the government's commitment to a Speaker's Conference to review the allocation of Northern Ireland seats at Westminster. Michael Foot had previously conveyed the government's inclination to recommend an increase in representation to James Kilfedder during the multi-party discussions on Devolution, (the meeting alluded to in Chapter Two of this thesis) (NA, PREM 16/1297: note of a meeting between Michael Foot and James Kilfedder, 11 March 1977). This concession was in fact in direct contradiction of the declared policy of the government, as outlined by Northern Ireland Secretary Roy Mason in 1976. The archive notes suggest that the concession made to Kilfedder on 11 March 1977 had not been conveyed to Molyneaux, therefore taking him by surprise, but was nonetheless met with approval. Molyneaux raised a second demand, an increased level of devolved power to local councils to take account of the changing political structure since the imposition of direct rule. Callaghan gave the assurance that the Cabinet would seriously consider the Unionist proposal, although he confessed that, he had previously 'misunderstood what they had in mind until this afternoon's meeting' (NA, PREM 16/1399: note of a meeting, 14.30, 21 March 1977).

It was during these discussions that Callaghan first explained how he perceived cross-party co-operation would operate: 'He had in mind to say that [the government] would inform them about legislation in advance and consult them, and he wanted Mr. Molyneaux to know that that an offer was open to him as well as to Mr. Steel' (NA, PREM/16/1399: notes from meeting, 14.30, 21 March 1977).

The minutes from this meeting also highlights Callaghan's desire for the maintenance of the Labour administration, and that he accepted cross-party co-operation as a mechanism to achieve this, a position which might be contrasted with Harold Wilson's avowed dislike of coalition outlined in both 1964 and 1974. It may also be contrast with Callaghan's own more anti-co-operation mindset in March 1979 when he rejected suggestions from Cabinet colleagues to construct an understanding with either the Ulster Unionists or Plaid Cymru.

In March 1977, in discussion with Molyneux, Callaghan drew on his long parliamentary experience stating, 'In 1951, there had been a widespread feeling that it was time for change, for a new direction, [I do] not believe that this is the case now' (NA, PREM 16/1399: note of a meeting, 14.30, 21 March 1977).

The meeting concluded with a clarification from Powell that the most which the Unionists could offer was abstention in the vote, and that they could 'deliver no more than six persons' (the UUP contingent of the UUUC) (NA, PREM16/1399: notes from meeting, 14.30, 21 March 1977). Michael Foot subsequently represented the government in face-to-face discussions with the Ulster Unionists which continued in parallel with Lab-Lab negotiations, only drawing to a close on the evening of the 22 March 1977.

The significance that Callaghan placed on the Labour-Ulster Unionist discussions became apparent when, on the morning of the 22 March 1977, at a meeting held in 10 Downing Street between the Prime Minister and his closest aides, he happily declared that, 'he had a copy of the letter of exchange' from the Ulster Unionists. 'They would abstain...that would be enough' (McNally, 2009 Personal communication). The Prime Minister then candidly expressed his opinion that 'the deal would work' while he 'found it difficult to talk to the Liberals...Steel was very adolescent. He did not think he could deal with them' (Donoghue, 2008:168).

In response, Tom McNally questioned Callaghan's analysis and consequent optimism with regard to a successful long-term deal with the Ulster Unionists. McNally argued that to rely on the Ulster Unionist votes might not be politically expedient either tactically or strategically. First, if the Labour government was to lose both the Stechford, and Grimsby by-elections, due to take place on 21 April 1977, they would once again be without a majority (even with Ulster Unionist support) and thus in an even more difficult position in securing a parliamentary majority (Donoghue, 2008:169).

Second, to rely on the Unionists, based on the reform of local government in Northern Ireland, would almost certainly result in the loss of the support of the SDLP leader Gerry Fitt, and that of the Irish Nationalist Frank Maguire. Indeed, Fitt had made exactly this point in the press over the weekend (NA, PREM16/1399: letter from Roy Mason to Kenneth Stowe, 21 March 1977). Bernard Donoghue also contributed to this discussion, expressing concern that in agreeing terms with the Unionists, the Prime Minister would alienate a significant number within the Parliamentary Labour Party, including those in the Cabinet who were sympathetic to the grievances of Irish Nationalists, leading to the danger that when it came to passing the agreed Northern Ireland legislation it would 'split the party' (Donoghue, 2008:314). Both McNally and Donoghue argued that, despite the Prime Minister's reservations, there remained a pressing need for a deal with the Liberals. Callaghan reluctantly accepted this analysis and forthwith he focused discussions on the Liberal party (McNally, 2008. Personal communication).

Conjecture remained as to how the Ulster Unionists would vote in the confidence motion. Even in the hours before the vote, the late edition of the *Belfast Telegraph* stated that, while the majority of the 11 UUUC MPs would vote against the government, speculation remained over the intentions of Molyneaux, Powell, John Carson, James McCusker, and even William Craig, leader of the Vanguard party, who had previously been regarded a firm opponent of the government (*Belfast Telegraph*, 23 March 1977).

When the UUUC met to discuss their position at 11.30 on the morning of the vote of confidence, they were aware (like all the other MPs) that an agreement with the Liberals was all but agreement, and as a consequence, the Labour government's survival was assured, irrespective of Unionists' actions (Thatcher, 238:1995; Hoggart and Michie, 1978:59). The Unionists subsequent actions must be viewed within this context. The UUUC MPs agreed, despite a three-line whip being imposed by the Belfast based Ulster Unionist Council, that the group should vote in such a way as to show the government that they appreciated the concessions won while, at the same time, making it clear to the wider Ulster Unionist movement in Northern Ireland, that the concessions had been wrought from the government without entering into a formal agreement.

On this basis, three Ulster Unionists, Enoch Powell, John Carson and James McCusker abstained in the vote of confidence (*Belfast Telegraph*, 23 March 1977). The independence of Carson and McCusker was demonstrated later in the parliament when both, again acting against the Ulster Unionist whip, supported Labour against the confidence motion, which finally brought down the Labour government in March 1979.

The Unionist-Labour deal as been largely ignored in the narrative of the Lib-Lab Pact, or the maintenance of the Labour government after 1977, however, it is the contention of this thesis that the agreement, such as it was, was an important factor in giving stability and longevity to the Labour government. Its significance was not lost on the Labour Cabinet. The government, already grappling with a legislative programme heavy with constitutional Bills, would not otherwise have been inclined to implement the legislative changes related to Northern Ireland representation. However, a Speaker's conference was convened and as a direct result there was an increase in Northern Ireland parliamentary representation, against the government's official policy. As Donoughue had warned, there was significant discontent in some quarters. The Parliamentary Labour Party was divided on the issue; 36 Labour MPs voted against the second reading of the Redistribution of Seats Bill, several abstained, while two Parliamentary Private Secretaries were obliged to resign. Burton and Drewry

have pointed out that the problems encountered during the passage of this legislation were symbolic of the wider issues facing the Labour government, as 'attempts to secure the support of a minor party resulted in divisions amongst the rank and file Labour members' (Burton and Drewry, 1979:174).

Gerry Fitt, SDLP leader, while maintaining his support for the Labour government throughout 1977-78, did raise concerns over the degree of consultation and the extent of regional devolution envisaged in the 'Molyneaux Plan' and it was a factor in his decision in March 1979 to vote against the Labour government in the motion of confidence which brought down the Callaghan administration. Meanwhile, Irish Foreign Minister, Garret Fitzgerald, raised 'slight misgivings' at the developments (NA, PREM/16/1399: Foreign Office communiqué, 24 March 1977). Bernard Donoughue for his part condemned the Labour-UUUC agreement, deeming it to be:

one of the government's least attractive commitments, it was wrong tactically because it gave a long term pledge to the Unionists whereas they were locked in to support the government only until the legislation was safely passed...with few other Bills in the pipe line and Mason's pro-Unionist stance meant it passed quickly with only a few months parliamentary support (Donoughue, 2008:159).

David Owen in contrast was more supportive noting that 'It was commented on much less than the formal Lib-Lab Pact, both at the time and subsequently. Yet I believe that it was a more stable relationship, and was at least as important in the survival of the Labour government' (Owen, 1992:287).

Importantly within the context of the prominence of the subsequent agreement with the Liberals the Prime Minister later denied, in discussions with Cabinet colleagues on 23 March 1977, that an understanding existed between the Government and the UUUC (despite, as noted above, he had agreed a memorandum of understanding with Molyneaux on 21 March 1977). James Molyneaux

maintained that an informal understanding did exist between the parties, stating (on 7 July 1977) that if at some point later in the parliament, all or some of the Liberals did not vote with the government, the Ulster Unionists 'should require something in writing at that point' (*The Times*, 7 July 1977). The Unionist-Labour negotiations also signalled a change in the attitude of the Unionist group towards the government, with Molyneaux stating that: 'The general attitude [of the UUUC] had been [in 1976] 'let's get this lot out'...but in the three months [since March 1977] the government has given signs that it wanted to make real progress towards restoring regional government' (*The Times*, 7 July 1977). Ulster Unionist support for the government was confirmed when the party abstained *en-masse* in the censure motion on the procedural device of the 'Prime Minister's pay', tabled in July 1976 by the Scottish and Welsh Nationalists (*Belfast Telegraph*, 5 July 1977).

The Unionist-Labour informal agreement lasted longer than the formal Lib-Lab Pact, only ending in late 1978, and in some respects was more productive; for the Unionist party, there were tangible policy concessions, without undermining their political independence. Meanwhile for the government, the fact that for the most part Ulster Unionist MPs, and their supporters, focused on Northern Ireland issues meant the government was afforded more freedom to pursue the central aspects of their legislative programme. Therefore, while the significance of the Unionist-Labour agreement has been overlooked by previous academic studies on cross-party co-operation, in fact it had policy and political consequences in its own right, and was therefore an important subsidiary parliamentary agreement to the Lib-Lab Pact.

Negotiations with other parties

While the government's discussions with the Ulster Unionist party and the Liberal party have rightly taken precedence in the analysis of the cross-party negotiations of late March 1977, it is worth remarking briefly on Callaghan's interaction with other parties. To recap, the Prime Minister's

primary objective in March 1977 was simply to secure enough minor party votes to survive the confidence motion on the 23 March 1977. Pursuing this aim, all avenues were considered, and as such the two Scottish Labour Party MPs, Jim Sillars and John Robertson, were approached for their views. They wrote to, and later met with, Michael Foot on 21 March 1977, confirming their stance, as expressed during the devolution discussions, that their support for the government was conditional on a guillotine motion on the devolution legislation as a vote of confidence in the Government (Bodl., MS. Callaghan, Box 113, file 2741: Letter from Jim Sillar to James Callaghan, 22 March 1977).

As *ITN News at Ten* commented at the time 'Foot either could not or would not agree to these demands' (ITN News Archive, <http://www.nfo.ac.uk/>, 21 March 1977 [accessed 20 May 2012]). Consequently, Sillars and Robertson voted against the government in the vote of confidence. Elsewhere, interaction with the SNP and Plaid Cymru was minimal and both parties also voted against the government contingent with their avowed stance that following the loss of the Devolution Bill they sought a General Election.

There was some conjecture within the press, and also by Callaghan himself (writing in a private note), that during this period, the Liberal party and former Labour Cabinet Minister Reg Prentice were in clandestine discussions over what might be achieved from a deal with the government (Bodl., MS. Callaghan, Box 113, file 2741: personal note, no date). Prentice had previously spoken in favour of a Liberal initiative for electoral reform and *The Guardian* suggested that, 'So identical was Prentice's tone that it seemed clear he had been colluding with the Liberals' (*Liberal News*, 11 January 1977; McKie, Cook and Phillips, 1978:32). Prentice did not meet directly with the Prime Minister to discuss his position, and John Pardoe was unaware of any collusion between the Liberals and Prentice during the negotiating process (Pardoe, 2010. Personnel communication). When the confidence vote took place, Prentice voted with the government.

Therefore, with all other avenues explored Callaghan focused his energies on discussions with the Liberal party whose support he now deemed as essential for the long terms survival of his administration.

Chapter Four

Overview

This chapter will focus on the negotiations between the Labour party and the Liberal party which led to the formation of the Lib-Lab Agreement on 23 March 1977. The approach by Cyril Smith to the Labour party in early March 1977 will be reviewed, followed by an examination of the discussions between Labour representatives Cledwyn Hughes and William Rodgers with leader of the Liberal party, David Steel. The meetings which took place between Labour Ministers and Liberal party representatives during 21-23 March 1977, which led to the formation the Lib-Lab Agreement, will then be reviewed.

Negotiations between the Labour Party and Liberal Party, March 1977

Labour's negotiations with the Liberal party ran concurrently with the other cross-party discussions reviewed in the previous chapter. Unlike the UUUC, it was assumed that the more cohesive Liberal party would almost certainly vote as a bloc, and furthermore there was some optimism from the government that the Liberals would be favourably disposed to some form of agreement, primarily because of the positive discussions between Callaghan and Steel over the reintroduction of the Devolution Bill and Steel's earlier pronouncements on cross-party co-operation. However, it should be noted, within the context of the subsequent discussions, according to Tom McNally, there was no deep understanding within the Labour party of the structures or political philosophy of the Liberal party in the 1970s (McNally, 2008. Personal communication).

As was noted in the previous chapters Steel had talked extensively about his personal inclination for cross-party co-operation, furthermore, he had also outlined areas of policy on which he might demand concessions in exchange for Liberal party co-operation. To recap, these were: devolution;

legislation on Direct Elections to the European parliament with a proportional electoral system; tax reform; and industrial partnership (Liberal Party Archive, LLP 5/14: letter to candidates, 11 March 1977). Setting aside the significance of each of these issues for further analysis later in this thesis, it is important to note in a large number of policy areas substantive differences existed between the Liberal party and the government. The Liberals had voted against the government in each of the votes of confidence that had taken place between 1974-76, and they had also voted against aspects of the government's legislative programme, most notably: the Employment Protection Act 1975; the Industry Act 1975; the Dock Workers Regulation Act 1976; the Trade Union and Labour Relations Act Amendment 1976; the Aircraft and Ship Building Act 1976; the Health Service Act 1976. There was therefore no guarantee that they would agree to sustain the government despite the prominence Steel placed in his co-operation strategy.

Cyril Smith's approach to the Labour Party, March 1977

All academic analysis of the Lib-Lab Pact highlights the first contact between the Labour party and the Liberal party as being an approach made by Cyril Smith, Liberal MP for Rochdale, when he wrote to the Prime Minister on 7 March 1977 suggesting a meeting to discuss shared objectives (Michie and Hoggart, 1978; Smith, 1978; Bartram, 1981). It is correct to note, as Michie and Hoggart do, that this was an important conduit for future discussions; however, previous studies have placed too greater emphasis on their significance and misrepresented *why* Smith's approach was significant.

Smith had been making 'noises around Westminster' about the need for some form of agreement as early as July 1976 (*The Times*, 7 July 1976), but it was not until the spring of 1977 that he first approached David Steel with the suggestion that he [Smith] might open up a dialogue, on behalf of the Liberal party, with Callaghan over some form of co-operation. Smith maintained that he 'knew Callaghan quite well from his [Smith's] days in the Labour party' (NA, PREM 16/395: note from Stowe to Callaghan, 4 March 1977; Smith, 1978:215).

Significantly, this was not an orchestrated approach from the Liberal leader, but rather, Smith working 'off his own bat to sound him out' (Steel, 1980:29). However, whatever relationship Smith and Callaghan had enjoyed in the past, it was not sufficiently close for the Prime Minister to feel obliged to respond to the request personally. Instead, he instructed Cledwyn Hughes to contact Smith to explore the scope for further discussions, whereupon Smith was irked by what he considered a snub, seeing Hughes as no better than 'a backbencher, just like the rest of us' (Smith, 1978:215-6). Smith thus rebuffed Hughes' approach, subsequently leaked the episode to the press. Smith's decision to leak this information had an important unintended consequence – it impacted on how both Labour party and civil service dealt with the Liberals during the Pact, Kenneth Stowe cited this action as influencing the level of information conveyed to Liberal spokesmen (Smith, 1978:125; NA, PREM 16/1794: letter from Kenneth Stowe to James Callaghan, 23 April 1977).

Steel recalls, in *A House Divided*, that, following the public exposure of the story in the *Daily Mirror*, Callaghan was concerned lest the episode be seen as a snub to the Liberals. Consequently, 'Hughes undertook to talk to me' (on 17 March 1977) (Steel, 1980:29-30). It was the actions of Hughes which has subsequently been seen as significant in facilitating future discussions, however, there must be some suspicion over the timing of Hughes' conciliatory action, coming as it did some two weeks after the Smith approach, and the same day the government faced defeat on the Expenditure White Paper (Michie and Hoggart, 1978; Steel, 1980; Smith, 1978).

Both Steel and Smith are correct in highlighting that Smith's actions did act as a bridgehead towards the Liberal/Labour contact, but the Labour government by 17 March 1977, in a perilous state in parliament, would undoubtedly have ascertained David Steel's position, with or without Smith's peremptory intervention. As has been noted in the previous chapter, all minor parties were approached to establish their relative positions during this period. Similarly, Smith attests, discussions he undertook with Michael Heseltine, Conservative MP for Henley in March 1977

initiated the Conservative party's decision to call for a vote of confidence in the government on 17 March 1977 on the basis they might receive Liberal support (Smith, 1978:126).

However, there is no evidence to suggest that Smith's intervention had any effect on the decision-making processes of the Conservatives over the following weeks. When Thatcher eventually did call for a vote of confidence, she states in *Path to Power* (1995) this was done because 'we had to', pressed by the prospect of an SNP call for a vote, rather than any assumptions over how the Liberals might vote (Thatcher, 1995:326). Likewise, Michael Heseltine makes no reference to the conversation with Smith, or its significance in the subsequent vote of confidence in his autobiography (Heseltine, 2000).

Setting aside the Smith approach, the only other documented evidence of Lib-Lab discussions on co-operation in early 1977 appear to have been those between Cledwyn Hughes and Emlyn Hooson, Liberal MP for Montgomery. The two men knew each other well, both were Law graduates from Aberystwyth University (Morgan, 2007:349). While Hooson was a long-time opponent of cross-party co-operation, speaking against it in both 1965 and 1974, he would nonetheless have been able to shed some light on the thinking of David Steel. Whatever their merit, these discussions were soon supplanted by the formal negotiations between Steel and Callaghan.

The following section will review the actions of David Steel in the period between the tabling of the vote of confidence and his first meeting with the Prime minister on 21 March 1977. As has been noted above, given the fact that, following the government's defeat on the adjournment debate, the most likely consequence would be the tabling of a vote of confidence by Margaret Thatcher, Callaghan consulted with his colleagues and constructed a 'plan of action'. It is therefore instructive to note that Steel chose not to organise a comparable meeting of Liberal MPs to discuss party strategy on the evening of Thursday 17 March 1977, despite the fact that the full contingent of the Liberal MPs, with the exception of Alan Beith, had been present for the adjournment debate.

Steel defends his inaction on the grounds that, first, there were a number of permutations as to how the Labour Party might achieve a majority in the vote of confidence, a formal agreement with the Liberals being but one option open to the government (Steel, 2010. Personal communication). Second, Steel believed it imperative that any discussions between the Liberal and Labour parties, should be instigated with an approach by the Prime Minister to the Liberal party. For Steel it was important that the Labour party should be seen to be requesting Liberal support rather than the Liberal Party offering to 'save the government'.

In this context, Steel argued there was no point in undertaking intra-party discussion until the government officially approached the Liberals with a proposal. It seems Steel did not deem Smith's actions as an 'approach', nor did he view Hughes' approach sufficiently significant to convene a meeting of the parliamentary Liberal party. On the basis that 'no approach' had been forthcoming, Liberal MPs returned to their constituencies.

A consequence of deciding not to convene a meeting on 17 March 1977 meant Steel in the relative remoteness of his Ettrick Bridge constituency home, meant he was able to orchestrate the pace and structure of Liberal Party planning and strategy over the weekend 18-20 March 1977 with only minimal media intrusion or unsolicited input from Liberal activists. As such the subsequent inter-party discussions through this period, from the Liberal perspective, were largely leader-centric in nature, as opposed to being a collective process based around either the Liberal party's Central Office or the parliamentary Liberal party.

As noted above, following the tabling of the motion of (no) confidence, David Steel clarified with Hughes the Liberal party position *vis-à-vis* the current political situation, and hinted at the concessions he would require from Labour in order to secure Liberal support in the vote. In a statement to the press, he asserted,

either the government proceed on the basis of agreed measures in the national interest for the next two years, in which case we would be willing to consider supporting such a programme, or else we have a General Election....we cannot stagger on like last night with a lame duck Labour programme....after the devolution guillotine the government announced that they would proceed to seek 'the widest possible measure of agreement in parliament'. They must now say whether that principle is to apply to the whole of the government's programme (Steel, 1980:31).

Steel reaffirmed this desire to move beyond and expand on the already established devolution discussions throughout the weekend of 19-20 March 1977 both in television interviews and in the press. In an attempt to 'increase pressure on the Parliamentary Labour Party' Steel issued a further press statement early on Saturday 19 March 1977, asserting that,

If the Labour party does not respond and acknowledge the political reality that it cannot continue to push on with full-blooded socialist government because there is no mandate for it, then the thirteen Liberal votes will be bound to be cast against the government (Steel, 1980:32).

As other commentators have noted (for example, Hoggart and Michie, 1978:36) the Labour government was in no position to push through 'socialist' policies by March 1977. In reality Steel's pronouncement was little more than a holding statement, while he awaited an opening gambit from the Labour leadership (Steel, 2010. Personal communication).

Lib-Lab Negotiations, 19 March-20 March 1977

The first official contact between a government representative and the Liberal party took place on the afternoon of Saturday 19 March 1977. William Rodgers, the Transport Secretary, had been advised by Peter Jenkins of *The Guardian*, that it might be advantageous to the government if a

telephone call was made to David Steel. Jenkins had spoken with Steel over lunch a few days earlier, and he subsequently communicated to Rodgers that Steel had 'left him in no doubt' that, Liberal party support might be achieved in exchange for a 'definite formal agreement' with the government (Bartram, 1981:145). While Rodgers had been designated to act as one of the government's mediators with the Liberals during the meeting 'behind the Speaker's chair', he nonetheless sought approval from Callaghan before contacting Steel.

Rodgers had been briefed by Hughes as to the issues previously outlined by Liberal leader, as well as being conscious of Steel's numerous statements on cross-party consultation. As such, his initial motive for contacting Steel was to ascertain the Liberal party's current position. However, Rodgers recalls that his conversation with Steel quickly developed into a more detailed discussion in which Steel listed the aspects of policy and consultation processes he envisaged would form the foundation of a 'formal consultative agreement' between the two parties. Steel demanded: that a formal 'liaison committee' be established; the government legislate for Direct Elections to the European parliament, with a form of proportional representation using a regional list system, (significantly not Single Transferable Vote which was in fact Liberal Party policy); progress on devolution, again with a proportional voting system employed in the Assembly elections; any such agreement was to last for 18 months (Rodgers, 2000:169-70).

Rodgers made it clear he was not in a position to 'negotiate', but he assured Steel that he would convey the Liberal leader's demands to the Prime Minister, furthermore, he personally felt the terms were 'practical' (Slade, 2001: Interview with William Rodgers). He asserted that, in his view, 'the Cabinet would prefer a deal with the Liberals than the Ulster Unionists', but felt the need to emphasise that there was no prospect of a change in the voting system for Westminster elections, (a policy prioritised in the 1974 Liberal party manifesto). Steel assured him that he would not make this a prerequisite for any agreement (Rodgers, 2000:170). Rodgers then conveyed Steel's demands to Callaghan later that day.

The archive record of the Rodgers/Callaghan conversation provides an important perspective of the Prime Minister's attitude to Steel's demands, before actual face-to-face Lib-Lab negotiations took place. Callaghan was receptive to Steel's demand for both progress on the European Assembly Elections Bill (Direct Elections) and his insistence on the re-introduction of the devolution legislation. Both of these constitutional policies were central to the government's legislative programme for 1977-78, and Callaghan readily envisaged that an agreement with the Liberal party would be contingent on government progress in these areas. Indeed, Callaghan hoped a Lib-Lab agreement would to some extent counteract the significant internal opposition, both to Direct Elections and devolution, which existed within the Parliamentary Labour Party.

The Prime Minister was more reticent on Steel's demand for a 'liaison committee' to meet on a regular basis. Rodgers contributed that in his view 'a formal liaison committee would look too much like a coalition', a view with which Callaghan concurred, adding that, this form of consultation would be 'unacceptable' (NA, PREM16/1399: 'Note for the record', telephone conversation between William Rodgers and James Callaghan, 21 March 1977).

On the issue of proportional representation for the Direct Elections to the European parliament, Rodgers explained to Callaghan that he had made it clear to Steel that the Liberals' demand for proportional representation (PR) could not be a 'whipped through' the Parliamentary Labour Party, a stance which Callaghan again endorsed. Rodgers explained that Steel had been conciliatory on this point, but the Liberal leader had made it clear he expected the 'pay roll' (government Ministers) to vote for an as yet unspecified form of PR, and for a guillotine to be imposed if required. Neither Callaghan, nor Rodgers committed themselves to a position on this issue at this stage. However, on the inter-related Liberal demand for a proportional voting system for the Scottish and Welsh Assemblies elections, Callaghan thought this 'a very weak point' highlighting that PR had 'already been heavily voted down in the House' during the Devolution Bill debates. Despite the fact Callaghan did raise some concerns with Steel's demands; Rodgers recalls that Callaghan did not think the

Liberal demands were 'unreasonable' (NA, PREM16/1399: 'Note for the record', telephone conversation between William Rodgers and James Callaghan, 21 March 1977; Rodgers, 2000:170).

Consultation undertaken by Steel, 19-20 March 1977

Having been given Callaghan's endorsement to progress with negotiations with the Liberals, Cledwyn Hughes and William Rodgers both contacted David Steel on Sunday 20 March 1977, Rodgers this time issued a formal invitation from the Prime Minister for the Liberal leader to meet with him on the evening of Monday 21 March 1977 to explore any areas of agreement between their respective parties. According to his own account, Steel then spent the evening on the telephone discussing with 'colleagues and my staff, advising them how to handle the matter' (Steel, 1980:33).

David Steel's leadership style has been described as 'aloof' and his relationship with members of the Liberal Executive little more than cordial, he did nonetheless consult widely before entering into discussions with the Prime Minister (Bartram, 1981:109). Party Executive officers, MPs and others were consulted.

Liberal Central Office, at Steel's behest, consulted with the Liberal grassroots, constituency parties and activists in the period between the tabling of the vote of confidence and the commencement of inter-party discussions on 21 March 1977. These discussions were as extensive as was practicable within the time and financial constraints, and certainly contrast with the complete absence of intra-party soundings by the Labour leadership. In an unambiguous attempt to avoid a repeat of the vacuum of intra-party communication which existed during the Thorpe-Heath negotiations in March 1974, Steel instructed Geoff Tordoff, Liberal party Chairman and Hugh Jones, Chief Executive, to consult both with Liberal constituency parties and other Liberal affiliate groups over the weekend of 19-20 March 1977, to ascertain their views on the current political situation; what policy issues were prescient for the grassroots; should cross-party discussions take place; and establish what the grassroots response might be should the Liberal leader decide upon a parliamentary agreement with

the government. Indeed, the most important outcome of the Tordoff/Hugh Jones consultation was the sense of inclusion in the negotiation process it gave the Liberal grassroots, thereby mitigating potential opposition to the subsequent agreement.

In a report to the NEC on the consultation process Tordoff observed that;

the affair would not have gone so smoothly had the party not had a considerable amount of discussion...after consulting with party members I was able to maintain constant contact [with Steel] (Liberal Party Archives, LLP 5/14: Chairman's report to NEC, 2 April 1977).

Michael Steed, President of the Liberal party 1977-78, had been in Rome attending a conference during the intra-party discussions, and upon his return, he liaised with senior party officials and elements of the grassroots, all confirming to him that Steel had consulted widely (Steed, 2010. Personal communication).

While the Liberal leader had enjoyed cordial relations with a number of Labour party MPs during the referendum campaign in 1975, this did not extend to consulting them during the negotiation process with Callaghan (Steel, 2010. Personal communication). Steel's only contact within the Labour party was Labour MP and close family friend John Mackintosh. Mackintosh was not only a strong pro-devolutionist and supportive of Steel's ambition for political reform, he was also Professor of Politics at Strathclyde University and an expert on British political and constitutional affairs. Although not close to the inner workings of the Labour party, Mackintosh was able to give Steel his own perspective on the machinations of the Labour leadership. Steel remained in close contact with Mackintosh throughout the Lib-Lab period, and his premature death in July 1978 was a great personal and professional loss to Steel.

Steel also sought the advice of former [Conservative] Prime Minister Edward Heath (Clark, 2000:99). Although the nature of the discussions which took place in March 1977 is not known, Heath had

asked Steel, in a conversation in November 1976, whether ‘Callaghan had talked to you yet?’ Steel recalls that he confirmed that ‘he had not’, to which Heath retorted ‘he will’ (Steel, 1980:26-27). The episode clearly remained salient in Steel’s mind, and highlights the Liberal leader’s desire to consult as widely as possible, albeit within the confines of his own political contacts.

David Butler notes that Steel’s soundings bear favourable comparison with other cross-party discussions. In 1915 and 1916, as well as 1931 and 1940, only a handful of front benchers met together and settled the issue (though in May 1940, by chance, the Labour Conference was meeting and endorsed Atlee’s action in joining the coalition) (Butler, 1983:100).

While Steel’s consultation was both broad and deep, he nonetheless asserted his position as leader to control the Liberal party’s negotiation strategy. For example, he chose not to rearrange the parliamentary Liberal party meeting scheduled to take place late on the evening of Monday 21 March 1977. Steel had stated in the press on 18 March 1977 that a meeting of the parliamentary party was to take place in his office in the House of Commons, on the morning of Tuesday 22 March 1977. In fact, in a premeditated move, in order to allow his colleagues freedom to discuss its position without media speculation, Steel had scheduled the meeting for the evening of Monday 21 March 1977 (Steel, 1980:31). It is noteworthy that after he had agreed to a meeting with the Prime Minister for 6pm that day, he could have rearranged the meeting of Liberal MPs so that it preceded his meeting with Callaghan. Steel chose not to do so, and as a consequence, while he had telephoned all MPs on Sunday 20 March 1977, he entered negotiations with the government without having undertaken face-to-face discussions with any of his parliamentary colleagues, either individually or collectively.

Allied to this strategy, Steel decided to hold this first meeting with Callaghan alone - this might be contrasted with James Molyneaux of the Ulster Unionist party who was accompanied by Enoch Powell. Steel signalled his intent to act as sole negotiator throughout the Lib-Lab discussions when, on the Monday afternoon, the Prime Minister’s Office requested that Michael Foot might

accompany Callaghan in the discussions. Steel replied that, 'this would only be agreeable if John Pardoe could accompany him'. Steel made this statement in the knowledge this was not a feasible request in the limited time available, but defends his actions, commenting 'I thought I should really have a first go over the ground with the Prime Minister alone' (Steel, 1980:33).

Steel explicitly chose not to employ the services of other members of the parliamentary party in the direct negotiations with the Labour party, even though there were other negotiating strategies open to him. He might, for example, have employed Jo Grimond, or Jeremy Thorpe who both had experience of inter-party consultation from 1965 and 1974 respectively. Alternatively he could have employed Cyril Smith, one of the few in the Liberal parliamentary party who had been directly involved in power sharing while Mayor of Rochdale. He might have involved Alan Beith, Chief Whip of the Liberal Party on the basis that Steel himself as Chief Whip had been consulted by Jeremy Thorpe in 1974, and as will be outlined later in this thesis, the primary purpose of the Lib-Lab Pact was to facilitate the progress of the government's legislative programme on this basis involvement of the Chief Whip in its formation might have been expedient.

It is the contention of this thesis that a more robust negotiating team may have achieved more substantial policy concessions than Steel achieved alone. Furthermore, it may have dissipated the focus of attention on Steel, which was to become a feature of the later Liberal intra-party dispute which characterised the latter stages of the Lib-Lab Pact. Although Steel was concerned that to expand the negotiating team might have restricted his negotiating position, some in the Liberal party later have concluded that this would not have been a bad thing (Steed, 2010. Personal communication).

Consultation undertaken by Callahan, 19-20 March 1977

Having assessed the consultation undertaken by David Steel both prior to agreeing to Lib-Lab discussions, it is instructive to contrast it with that of the Prime Minister. Callaghan could feasibly

have convened a special Cabinet or a meeting of the Parliamentary Labour Party during the negotiation process, but for most within the Labour Party, there was an acknowledgement that Callaghan, as party leader, had the express prerogative to negotiate on their behalf, and then report back at a later stage. To some extent this position was tactically advantageous for Callaghan, who would almost certainly have been constrained in his subsequent negotiations had he been compelled to consult more widely.

As noted earlier in this chapter, Callaghan did liaise with close party colleagues over the weekend 19-20 March 1977, notably Michael Foot, Cledwyn Hughes, William Rodgers and to a lesser extent Roy Mason and Merlyn Rees. Beyond these individuals only his close aides, political advisors Tom McNally, press secretary, Tom McCaffrey, and Parliamentary Private Secretary, Roger Stott, were consulted during the negotiation process. As will be noted later in this thesis Callaghan's closest consultation through this process was with his Private Secretary Kenneth Stowe. This limited consultation was a conscious decision by the Prime Minister, he later apologised to those in the No.10 Policy Unit that he had felt the need to 'keep these things very close to his chest' (Donoughue, 2007:169).

With regard to discussions with the wider Labour movement, on the morning of 21 March 1977, Callaghan attended the monthly meeting of the TUC-Labour Party Liaison Committee. The usual agenda was suspended in order to focus discussions on the political situation (Benn, 1990:80, diary entry for 21 March 1977). There was unanimity among those present that a General Election should be avoided if possible, though the caveat of 'not at any cost' was added by Barbara Castle. Significantly, the TUC representatives asserted that 'any talks with other parties in the next two days were the proper responsibility of the Prime Minister' (Labour Party Archive, LPA: minutes of TUC-Labour liaison committee, 21 March 1977).

The Labour party's National Executive Committee (NEC), who according to David Butler, out of a membership of 29 the government could often only rely on 10' also endorsed Callaghan's right to

negotiate on the Party's behalf, and did not oppose Callaghan's initiative to approach other parties (Butler, 1980:52). Although it might be noted that some of those who were subsequently hostile to the Lib-Lab Pact, such as Ian Mikardo and Joan Lester, were not present at this meeting. It was only after the basis of an agreement reached with the Liberals' that Callaghan convened the Cabinet to discuss the terms of the Agreement, by which point there was little prospect that Cabinet members would reject the deal - to do so at this stage would almost certainly have initiated a government defeat in the impending confidence motion. The Parliamentary Labour Party, meanwhile, was forced to accept a *fait accompli*, never explicitly voting on the terms of the Pact, but being obliged to accept it as part of their vote of confidence in the government. Labour intra-party discussions on the terms of the Lib-Lab Pact will be discussed in more detail in chapter 7 of this thesis.

First meeting of the Lib-Lab negotiations, 21 March 1977

The first of four meetings between the Labour party and Liberal party leadership took place at 6pm on Monday 21 March 1977. As with his meetings with the Ulster Unionists, Callaghan chose to use his office in the House of Commons rather Downing Street, thereby enabling him to conduct wide-ranging discussions with various political parties, and Labour colleagues, away from the media spotlight. This location similarly enabled the Ulster Unionists and the Liberals to use the corridors and meeting rooms of the Houses of Parliament for their own discussions thus also avoiding direct media scrutiny. For David Steel, this choice of venue corresponded with his own desire not to re-enact Jeremy Thorpe's very public entry through the front door of No. 10 during his discussions with Edward Heath in February 1974. As highlighted earlier in this thesis, Thorpe's actions had not impressed Steel or Liberal party's rank and file (Steel, 2010 Personal communication).

Despite the preparatory work undertaken by both Hughes and Rodgers, this first meeting between Callaghan and Steel exposed significant areas of difference between the two party leaders, specifically on what each anticipated cross-party co-operation would mean in practice. Callaghan, as evidenced in his discussions with the Ulster Unionists party, envisaged a loose informal agreement

based around specific policies. He repeated this proposal to Steel, highlighting Industrial Democracy and the Local Authority Works Bill as examples of where 'discussions could be made public since no secrecy was necessary'. Under such terms, he reasoned the government could 'take account of Liberal thinking' (NA, PREM16/1399: note of a meeting, 18.00, 21 March 1977).

Callaghan elaborated by explaining that he envisaged constructing 'a different majority for different Bills', hoping to 'sometimes have the support of the Liberals and at other times the SNP or the Unionists'. Cledwyn Hughes had pointed out to Callaghan before the Lib-Lab negotiations commenced that there was precedent for this formula - Jeremy Thorpe had been consulted regularly by Harold Wilson in the period between the two General Elections of 1974 (Bodl., MS. Callaghan, Box 113, file 2741: letter from Cledwyn Hughes to James Callaghan, 17 March 1977).

Steel rejected this proposal out of hand, outlining his own initiative for a 'framework agreement', not based on voting 'issue by issue' as the Prime Minister envisaged nor conversely a 'shopping list' of Liberal demands, but centred around 'both parties forming a formal agreement about economic policy and consultation' (NA, PREM16/1399: notes from meeting, 18.00, 21 March 1977). Steel had emphasised in his prior discussions with both Cledwyn Hughes and William Rodgers, that any agreement with the Labour government must be based on the establishment of a formal mechanism of 'consultation' between the Liberal party and Labour party. In this first meeting with the Prime Minister, Steel reiterated that,

'there was no point discussing immediate policy issues at this meeting. He would like to discuss what basis there might be for a continuing relationship between the government and the Liberal party. They were not interested in a 'one night stand' (NA, PREM16/1399: note of a meeting, 18.00, 21 March 1977).

Callaghan undeterred by Steel rebuff pushed with his desire for a policy-orientated agreement, specifically asking Steel; 'What concessions the Liberals could highlight to their supporters in

exchange for supporting the government?’ Steel’s response is instructive, giving us an understanding of Steel’s strategic priorities in agreeing to form the Pact, he sought evidence that the Liberal party ‘have been *consulted*, not to humiliate the government but publicly to be seen to have been consulted’ (NA, PREM16/1399: notes from meeting, 18.00, 21 March 1977).

Steel went on to argue that for his premise to function effectively a forum would be required to enable government Ministers and Liberal spokesmen to discuss areas of conflict in a formal setting. Moreover, he envisaged that through this committee structure, the Liberals could be seen to be sharing in the business of government, and this would help to scotch the notion in the public mind that multi-party government could not provide stable government. In demanding the establishment of a formal consultation mechanism as a pre-requisite for a Lib-Lab Agreement, Steel was explicitly placing his own political philosophy at the centre of the Liberal party’s negotiation demands. As Bartram highlights, for Steel the key point of the agreement *was* the consultative committee (Bartram, 1981:149).

Callaghan was still unsure of the merits of Steel’s proposal, however, at this stage the single most significant problem with Steel’s demand for ‘consultation’ was the terminology the Liberal leader used. As with his discussions with Rodgers on 20 March 1977, Steel referred to consultation taking place through a ‘Liaison Committee’ akin to the Labour-TUC Liaison Committee. The Labour-TUC Liaison Committee was established in 1972 as part of the Social Contract, in an attempt to foster closer relations between the Labour party and the Trade Unions, especially in the aftermath of the bitterness caused by the 1969 White Paper *‘In Place of Strife’* (To curb trade union power). It was a tripartite body comprising of six members from the party’s National Executive Committee, the Labour Cabinet, and the TUC General Council respectively. The Committee was not popular with some members of Cabinet, Shirley Williams for example argued that it was a big mistake on constitutional grounds for the trade unions to ‘veto things the Government wanted’, (Beckett, 2009:290). However, by 1977 the Committee had increased in importance, both in symbolic and

policy terms, so much so that it was considered an integral part of the Labour party's decision-making processes (Taylor, 2004:73).

Paradoxically, while Steel had envisaged the use of the term 'Lib-Lab Liaison Committee' would be compared favourably with the current body, by using this analogy Steel had inadvertently prompted an extremely negative response from the Prime Minister. Callaghan, fearing the Left-wing of the Parliamentary Labour Party would immediately draw parallels with the TUC equivalent, and question the extent to which the PLP was being superseded by the new body and integrity of the Labour party was being compromised in exchange for Liberal support. Callaghan thus rejected Steel's proposal describing the idea as, 'very damaging to his position as leader of the Labour party; he was sure that his party would find it unacceptable' (NA, PREM16/1399: note of a meeting, 18.00, 21 March 1977).

Steel, seemingly concerned that the discussions would be terminated forthwith, quickly clarified, or seemingly amended, his position. He explaining that he only envisaged that a committee be established based around 'periodic meetings between the Leader of the House and the Liberal Chief Whip'. This much less structured concept seems to have pacified the Prime Minister. He nevertheless remained frustrated with the absence of a fully formulated proposal from Steel as to *how* consultation might function, commenting that 'we have now walked round the field'. Steel assured him that at this stage he only sought an understanding; that an agreement would be reached if it was centred on the concept of 'consultation'; the details of how this consultation would function could be worked through at a later date. The form these later discussion took and the significance of Steel's decision to suspend discussions on this topic will be discussed in chapter 5 of this thesis (NA, PREM16/1399: notes from meeting, 18.00, 21 March 1977).

Steel's emphasis on 'consultation' meant that other policy issues were only briefly discussed in this first meeting. On devolution, Steel maintained his position, as expressed during the cross-party discussions on the issue a few weeks earlier; he rejected the government's proposal for a select committee, insisting instead on the need for separate Bills for Scotland and Wales. This change was

already being considered by the government, and so was accepted in principle by Callaghan. This structure later formed part of the Lib-Lab Agreement.

Callaghan and Steel proceeded to declare their shared support on the principle of Direct Elections for the European parliament, but it was acknowledged there remained a significant divergence of opinion on the electoral method to be employed as such at this juncture the topic was deferred. At the conclusion of the meeting, both men agreed there was enough common ground to merit a second meeting, agreeing to reconvene the next day, in the interim both would discuss the matter with their colleagues. Following the meeting Kenneth Stowe was instructed by the Prime Minister to compose a 'draft accommodation' document on the basis of these discussions, the content and significance of this document which will be discussed later.

Although a second meeting had been arranged according to Bernard Donoughue, who met Steel in the corridor after the meeting, the Liberal leader was 'bewildered...he was obviously not satisfied with the talks. He wanted another go' (Donoughue, 2008:168). Callaghan meanwhile was 'frustrated...it was very unpromising. All too vague, he couldn't get hold of anything' (quoted in Donoughue, 2008:168).

Discussions between Michael Foot and John Pardoe, 21 March 1977

Before the two party leaders reconvened the next day, a meeting took place between John Pardoe and Michael Foot, arranged, at the suggestion of the left-winger Labour MP Eric Heffer, following a chance discussion with Pardoe in a television studio. (Paradoxically, Heffer was later to become one of the most outspoken critics of the Pact). Heffer's motivation for promoting this meeting was a desire to give the Labour negotiators a clearer understanding of the Liberal position (Heffer, 1991, 121; Pardoe, 2010. Personal communication). The Foot-Pardoe meeting, the only official Lib-Lab meeting at which David Steel was not present, commenced at 9.45pm on 20 March 1977. Foot opened the meeting, like Callaghan with Steel, by attempting to promote the concept of an informal

agreement between the two parties, arguing that such arrangements had worked well in the past. Pardoe responded by adhering to his leader's insistence that a formal consultative committee should be constituted.

Pardoe speculated that a consultative committee should include Liberal representatives drawn from outside parliament. Foot dismissed this as 'unlikely to be acceptable' on the basis that any agreement would be solely a parliamentary arrangement. Pardoe then suggested that alongside the consultative committee the Liberal's departmental spokesman might meet the corresponding Labour Ministers to discuss specific policies face-to-face - this model having only been developed in the conversation between Pardoe and Steel earlier that evening (Pardoe, 2010. Personal communication). This suggestion was agreeable to Foot, and this aspect of the consultation process was to form the basis for a consultative mechanism employed during the Pact. Pardoe went on to affirm that the Liberals wanted a formal agreement which would last for 18 months to 2 years (NA, PREM16/1399: Note of a meeting between Michael Foot and John Pardoe, 21.45, 21 March 1977). The nature of these discussions highlight the *ad hoc* nature of these discussions and the absence of formal planning by the Liberals' on what consultation meant in practice, even though, as has been noted, for the Liberal leader 'consultation' was intended to be the fulcrum of the Lib-Lab Pact.

The only policy issue discussed in the meeting between Foot and Pardoe was Labour's stance on the voting system to be employed in the proposed European elections. Foot asserted that; 'Just as the Liberals had a permanent interest in PR, so the Labour party had a permanent non-interest'. Foot's implacable opposition both to the principle of Direct Elections and the notion of proportional representation was to become an important factor in the subsequent Lib-Lab negotiations, as we will note in due course.

According to the official minutes of this meeting, Pardoe concluded the discussions with a comment 'he had no doubt that the government and the Liberals would reach an accommodation...it had got to be' (NA, PREM16/1399: Notes from meeting between Foot and Pardoe, 21.45, 21 March 1977). It

appears from other documentary evidence in the National Archives that this comment was later to prove significant in influencing Foot's negotiating strategy, again this point will be expanded on later in this thesis (NA, PREM16/1399: hand written note from C H Saville, expressing the views of Foot, to Kenneth Stowe, 22 March 1977).

Liberal Party communiqué, 22 March 1977

The first meeting of the parliamentary Liberal party to discuss the political situation was held on the evening of Monday 21 March 1977. As highlighted earlier in this chapter, the original purpose of this meeting was to decide how the Liberal Party should approach the impending (no) confidence vote. However, with events now making that agenda redundant (to some extent as a consequence of Steel's own actions, as argued above), Steel now took the opportunity to brief his colleagues on the issues discussed in his meeting with the Prime Minister. When questioned on why he had not demanded more specific policy concessions, Steel articulated the view that, rather than the Lib-Lab discussions being focused on policy issues, the party should take the opportunity to promote a more far-reaching change to British politics; 'we have tried realignment in opposition for twenty years. Now was a chance to try it in government...policy concessions would be achieved...through the *process of consultation*' (Steel, 1980:36).

The parliamentary Liberal party largely seems to have accepted Steel's analysis of the political situation, and his negotiation strategy thus far – or at least accepted it was Steel's prerogative as leader to negotiate as he saw fit. According to John Pardoe, the only explicit area of disagreement at this early stage was a rejection of Steel and Pardoe's shared concept of a formal agreement lasting for 12 months without review (Pardoe, 2010 Personal communication). The remaining Liberal MPs' came to the view that any agreement should be reviewed in the summer of 1977. This position was based on two factors: first, the belief that the agreement should not run beyond the Liberal Assembly in the autumn, at which point it could be debated and a vote could take place; second, a

concern that the parliamentary Liberal party should not be seen by the extra-parliamentary party to be selling itself for too long a deal too cheaply.

It was consequently decided that Steel would seek an agreement which would only run to 'the end of the parliamentary session'. In theory, this might mean through to 21 October 1977, when parliament reconvened after the summer recess, though in practical terms it meant ending when parliament was prorogue in July 1977. It seems that this decision was itself a compromise position, with some MPs calling on any agreement to state that, 'it could be terminated' at any time (NA, PREM 16/1399: Cabinet briefing note from Kenneth Stowe to James Callaghan, 23 March 1977). While it is unclear which specific Liberal MPs pressed for this change, it does nonetheless show that the parliamentary Liberal party was able to exert some peripheral influence on Steel. and the Lib-Lab negotiating process as it developed. Similarly, even at its inception, for some Liberals, the possible 'renewal' of the Pact was seen as an opportunity for 'renegotiation' achieving more concessions than Steel laid out in March 1977.

Following the meeting of the parliamentary Liberal party, a communiqué was drafted, to be sent to the Prime Minister before the second round of Lib-Lab negotiations commenced the following day. David Steel again controlled this phase of the process. While he took soundings from his colleagues, Steel alone drafted this document on the morning of 22 March 1977. This was the first document which outlined an official Liberal party position and while extensively redrafted in subsequent Liberal/Labour meetings, nonetheless formed the broad basis on which the Lib-Lab Agreement was established. More specifically, the majority of the areas of policy outlined in this document were present in the final document. It is therefore worth analysing these initial Liberal demands in greater detail in order to establish later how and why some were amended or removed from the final document (see Appendix 1).

In assessing the Liberal communiqué it might first be contrasted with the list of policy demands outlined by David Steel during a Liberal rally in November 1976 noted in chapter 1 which he

highlighted as important in any cross-party understanding. At this time he had delineated a 'programme for National Recovery' and outlined a nine-point plan. This included specific demands on economic policy: a shift in the balance of taxation from income to expenditure, continuation of pay restraint after July 1977, and immediate (non specific) assistance to small-scale businesses. In return, the Liberals offered support for the National Enterprise Boards and for 'industrial reorganization' (*Liberal News*, 5 November 1977). In contrast to these specific and largely economic centred demands in the communiqué published on 22 March 1977, the Liberals argued for the rather abstract notion of 'national recovery', based on a 'reduction in the burden of taxation on personal income'.

At the behest of John Pardoe, the party's Economic spokesman, the communiqué demanded that before any agreement was ratified, a meeting should take place between himself and Chancellor of the Exchequer, Denis Healey, to ensure 'sufficient identity of view on economic strategy'. A meeting did take place on the morning of 23 March 1977, although as Pardoe acknowledges, 'there was no chance that a divergence of views at such a late stage would have resulted in the Pact not going ahead' (NA, PREM 16/1399: Liberal Party communiqué, 22 March 1977; Pardoe, 2010. Personal communication).

Steel's earlier assertion that 'consultation' should be at the centre of any agreement was further developed, so that a consultative committee be established, operating 'possibly under the chairmanship of the Leader of the House, meeting at least fortnightly'. Explicit reference was made to the requirement that 'no measures of nationalisation...be introduced', which Steel was later to highlight as evidence of the significance of the Pact as a 'block on socialism' (Steel, 2010. Personal communication). The nationalisation clause was not included in the formal Lib-Lab Agreement and as previously highlighted, the extent to which 'no measures of nationalisation' on a government without an overall majority can be seen as a true concession might be questioned, Callaghan had

already confirmed in the Queen's Speech 1976 and in the policy review on 3 March 1977 that there would be no further nationalisation in the current parliamentary session.

On devolution, the Liberal document called for the reintroduction of the devolution legislation. Of course, it was the government's intention to do just this, and the document simply requested that 'the government take account of Liberal proposals' – the Liberal proposals for devolution were submitted concurrent with the communiqué, but in effect what the Liberals were demanding was merely a continuation of the consultation which had been undertaken as part of the cross-party discussion which commenced following the defeat of the guillotine motion on 22 February 1977.

It should be noted that although demanding legislation on devolution was clearly central to Liberal party policy objectives, it was not a uniquely Liberal objective; clearly both the SNP and Plaid Cymru shared the Liberal's desire for Devolution. Thus, paradoxically though unavoidably, in demanding the reintroduction of the legislation the Liberals' diminishing the necessity for the Labour party's reliance on the Lib-Lab Pact and undermined Liberal policy influence, on the basis that once devolution had been reintroduced the Nationalist parties might revert back to their erstwhile position of 'benevolent neutrality', and the government would thus be assured of winning any votes of confidence through Nationalist support.

To summarize the demands outlined in the communiqué, it might be observed that the document did not call on the government to enact any legislation which it had not itself already enshrined in the 1976 Queen's Speech, or which it might be assumed would either be enacted or conversely retracted (in the case of nationalisation) in order to retain the 'benevolent neutrality' the government had enjoyed prior to February 1977. While John Pardoe had argued during the parliamentary Liberal party discussion that 'the economy was the centre of the whole thing', the Liberal communiqué as constructed by David Steel avoided specific economic measures, as outlined in November 1976, prioritising instead Steel's desire for 'consultation' (Pardoe, 2010. Personal communication).

The singular exception to this was the emphasis which the Liberal document placed on the electoral system to be employed both in the proposed Scottish and Welsh devolved institutions, and the Direct Elections to the European parliament. In each case, the Liberals outlined specific, though distinct, criteria which they expected the government to enact. The Liberal party's attitude to these issues would become of critical importance in the subsequent Lib-Lab negotiations, and largely frame the historical legacy of Lib-Lab Agreement. As such, the following section will outline the rationale of the Liberal party on these issues, as stated in the communiqué.

With regard to the devolved Assemblies for Scotland and Wales, the Liberals demanded that when parliament voted on the electoral system to be so employed, Labour MPs should be allowed a free vote. (In the previous vote in the House of Commons, during the Devolution debates in January 1977, the government had imposed a three-line whip, demanding its MPs vote against proportional representation, a decision which had incensed the Liberal party (Steel, 1980:84).

Meanwhile, for the Direct Elections for the European parliament, the Liberals called for the government to 'introduce and *commend* to the House a Bill....based on a proportional system'. That is to say, the government would be required explicitly to promote PR as its preferred electoral system. Although the communiqué did not specify if a whip should be imposed. It is important to note that in requiring the government simply to 'commend' PR, the Liberals were demanding something far less onerous than the initial demand which Steel had expressed to Rodgers on 20 March 1977, then, he had demanded a 'pay roll vote', essentially a demand that all members of the government vote for PR.

The parliamentary Liberal party's decision to take two distinct approaches with regard to PR: a free vote for the Scotland and Wales Bill, while 'commend' PR with regard to the European Elections, was primarily based on a pragmatic assessment that this was all they could realistically achieve by way of concession from the Labour government. Implicit in the Liberal party's stance on this issue was David Steel's assessment of the inflexibility of the Labour party on this issue. In this regard, Steel's

discussions with Callaghan on devolution in early March 1977, as noted in Chapter Three, acquire increased significance. Secondly, they (or more specifically Steel) considered that these demands would be sufficient to secure their objectives.

To recap, during the discussions on devolution Callaghan had insisted, with regard to legislating for a PR system for the devolved Assemblies that, 'there was no use the government getting 10 [sic] Liberals if they lost 80 supporters from their own party'. When Steel queried this number, Callaghan confirmed that 'in the light of discussions on Direct Elections, he felt confident of this assessment'. At the same meeting, Callaghan had asserted that a vote for proportional representation would not be supported by a majority of the Parliamentary Labour Party (NA, PREM 16/1399: notes from meeting, 3 March 1977).

It was on this basis, Steel felt, in late March 1977, it was both futile and politically naive to make unachievable demands on the Prime Minister. Furthermore, and crucially, with regard to the devolved Assemblies specifically, Steel had concluded that in reality a free vote on this issue would garner enough support to secure a majority in the House of Commons when a section of the Labour party was combined with his own parliamentary contingent, the SNP, Plaid Cymru, MPs from Northern Ireland, together with a majority of the Conservative party. Steel worked on the principle that there would be a repeat of the large number of Conservatives who had voted for PR when offered a free vote by the Conservative front bench on an amendment tabled by John Mackintosh during the devolution debates on 25 January 1977 (Steel, 2010. Personal communication; Norton, 1980b:232). Steel therefore reasoned that while there was some difficulty with regard to Labour opposition to PR he required nothing more than to request a free vote from the Labour party as part of a Lib-Lab Agreement in order to achieve his strategic aims. He further hoped this pragmatic approach on the electoral system for the devolved Assemblies would give him political capital when discussion shifted to the Direct Elections to the European parliament.

To reiterate Steel's demand for the government to 'commend' proportional representation for the Direct Elections to the European parliament was largely based on his own perception of Labour party opinion on this issue garnered from his meetings with Callaghan. Steel accepted at face value Callaghan's assertion, made both during the cross-party devolution discussions and in the first meeting of the Lib-Lab negotiations on 21 March 1977, that a large proportion of both the Cabinet and the Parliamentary Labour Party were fundamentally opposed to both the 'principle of Direct Elections and to the concept of proportional representation'. Steel later concluded that many within the PLP saw 'the mixture of the two being positively poisonous' (Steel, 1980:38).

Legislating for Direct Elections had resulted in a serious and very public division within the Parliamentary Labour Party and the Cabinet. The Cabinet Conclusions from a specially convened meeting, on 25 February 1977, highlight the seriousness of the impasse. It is noted that there would be very considerable internal Labour party conflict during the passage of the Bill, which would leave the Labour party 'deeply divided' and demoralized, and in the worst case scenario result in the 'fragmentation of the Labour party' (NA, CAB 128/61 CM (77): Cabinet Conclusions, 25 February 1977). Joel Barnett observed these exchanges, commenting that the divisions on Direct Elections were 'some of the worst' he ever experienced (Barnett, 1982:128).

In addition to his discussions with Callaghan, Steel's perception of the Labour party position seems to have influenced by the input of William Rodgers. Steel telephoned Rodgers on 22 March 1977, stating that; 'We are in danger of coming unstuck on one point - Direct Elections. Everything else is negotiable but not this'. Rodgers responded that he did not think it was 'in the Prime Minister's power' to deliver the whole payroll vote for regional PR. According to Rodgers, Steel seemed 'mollified' by this, recognising the Prime Minister's limitations (Rodgers, 2000:170).

As such, Steel concluded that he could not demand of the Prime Minister what was 'not deliverable' - the pay roll vote (NA, PREM 16/1399: Notes from meeting, 12.30, 22 March 1977). Nonetheless, Steel was convinced that in order for the legislation to achieve a majority in the House of Commons,

more than a 'free vote', as demanded for the devolved assemblies, would be required. There was less cross-party support for the *principle* of Direct Elections and it seem consequently less chance of support for the additional demand for a proportional voting system for those elections. Faced with the dilemma of how to achieve PR under such circumstances Steel concluded that, taking account of the considerable cross-party support the Electoral Reform Society enjoyed since its establishment in 1976, PR was still deliverable if the government 'commended' this voting system.

An important subsidiary factor in Steel's thinking on this issue in explaining his strategic approach was the calculation, which he seems to have arrived at without consulting party colleagues, that if he could secure the significant personal influence of Callaghan speaking in favour of PR, a small majority of the Labour Party would support it. Furthermore, he felt confident he could secure the support of the Welsh and Scottish Nationalist parties; meanwhile the two Northern Ireland Nationalist MPs would be expected to abstain from a vote dealing with a constitutional issue related to the United Kingdom.

Even more crucial to Steel's analysis of how to achieve a parliamentary majority was Steel's also assumption that those Conservative MPs who supported the concept of PR in the Devolution Bill debate in February 1977 would also vote for PR for the European elections. Steel calculated that on this basis the pro-PR Conservative MPs numbered approximately 100. Conservative party support for PR had increased through the 1970s, but this change was primarily in the hope that it would act as a possible foil to socialism rather than a conversion to electoral reform *per se* (Steed, 2010. Personal communication). However, it was on this premise of substantial Conservative which Steel concluded that the combined pro-PR block would be just enough to ensure a Commons majority. The veracity of this assumption will be discussed later in the thesis.

The above analysis has noted two key factors: the parliamentary Liberal party, or more specifically David Steel, in constructing the Liberal communiqué prioritised the demand for consultation viewing it as a pragmatic response to the political situation, rather than a 'shopping list' of Liberal policy

demands. Secondly, that this pragmatism extended to a conciliatory stance with regard to what was to become the key objective of the Pact in the mind of many Liberals, achieving PR for the European Elections. The consequences of these decisions would have huge repercussions for both the subsequent Lib-Lab negotiations, and the perceived 'success' for the Liberal party of the resulting Lib-Lab Pact, as will be discussed later in this thesis.

Second meeting of the Lib-Lab negotiations, 22 March 1977

The Liberal communiqué outlining the party's demands arrived with James Callaghan on the morning of 22 March 1977. Callaghan was in his rooms at Number 10, where Tom McNally and Bernard Donoughue had just left having outlined the shortcomings of the proposed deal with the Ulster Unionists as noted above. It is within this context, of Callaghan's acknowledgement that the government's survival was dependent on a deal with the Liberals, that Tom McCaffrey entered the Prime Minister's study and handed him the Liberal document. On reading Steel's demands, Callaghan 'threw it on the coffee table and said "well, I cannot take that" (Donoughue, 2008:169). McCaffrey duly picked up the letter and handed it back to the Prime Minister, Callaghan composed himself and reconsidered its contents. Thereupon, he contacted the Liberal leader with a view to, as agreed, reconvening the negotiations later that day.

Despite the narrative of these developments appearing in the memories of Bernard Donoughue, Kenneth Stowe is adamant that he was the only person present with Callaghan when McCaffrey handed him the letter. Taking into account this anomaly of the historical sources, Stowe nonetheless confirms the basic turn of events, concluding that, 'It was the most annoyed I ever saw Jim' (Stowe, 2010. Personal communication).

Stowe attributed Callaghan's frustration to three factors: a desire to remain in Office (a natural enough desire for any Prime Minister), and an irritation that the necessity for cross-party discussion was a consequence of both internal dissent within the Labour party, bad personal judgement and

bad luck, as noted above. Stowe also stresses the sense of duty that Callaghan felt was a key motivating factor in the actions of the Prime Minister throughout this period. Specifically, he was concerned he should be given the chance to guide the country out of the economic difficulties present at the time.

Callaghan was consequently resigned to having to accept, what was, it has been established, his least-desirable option, a formal deal with the Liberal party. Earlier that morning, in discussion with Bernard Donoughue, Callaghan had expressed concern that he would not be able, in the limited time available, to conduct constructive negotiations with the Liberal leader, that he 'found it difficult to talk to the Liberals. Steel was very adolescent. He did not think he could deal with them' (Donoughue, 2008:168).

When Callaghan met with Steel for the second time at 12.30 on 22 March 1977, in order to discuss the Liberal communiqué (this time with Michael Foot and Tom McNally present), the Prime Minister was quick to express these frustrations, abruptly stating; 'This letter could not be published, it was wholly unacceptable' (NA, PREM 16/1399: note from meeting, 12.30, 22 March 1977). Steel assured the Prime Minister that the document was merely for consultation, but Callaghan remained unhappy with the drafting process, and at the end of the discussion, insisted that all subsequent drafting of documents would be undertaken by the government side, with Kenneth Stowe and Tom McNally being charged with this role. Callaghan also suggested that the final agreement be presented as an aide-memoir, not as a long document. Steel consented to both requests, asserting his own preference for a short document. Accordingly, all subsequent drafts of the Lib-Lab agreement were indeed produced by Kenneth Stowe and Tom McNally, in close consultation with Steel; the parliamentary Liberal party in effect acting as a consultative revising body.

In agreeing to secede the drafting of all subsequent amendments of the Lib-Lab Agreement, (of which there were four), to the Labour party and specifically to Tom McNally (the Prime Minister's Political Advisor), the Liberal party lost control of how their particular influence would be expressed

and emphasised in the wording of the final document. This apparent minor issue lead to some frustration from both Liberal MPs and activists that the party had sold itself short. It is the contention of this thesis that had the drafting process been more bi-partisan in character, and with perhaps David Steel's own political advisor, Alistair Michie, or Chief Whip, Alan Beith, representing the Liberal Party, the final document might have enshrined a more nuanced stance with a stronger emphasis Liberal policy input or at the very least Steel could have deflected some of the criticism directed at him from his own party as to how the agreement was constructed.

This second meeting saw a number of subsidiary issues discussed many of which were to feature in the final Lib-Lab Agreement. One such issue and one of the few issues which the Liberal party subsequently promoted as a policy achievement resulting from the Pact was the implementation of Liberal MP Stephen Ross's Homelessness Bill. Ross had come first in the Private Members' ballot, and the Liberal party was hopeful that his proposed changes to Housing legislation would be adopted by the Government. However, it should be noted that recognition for Ross's Bill had not been included as a demand in the Liberal communiqué. Furthermore, the archive records show that the suggestion for the inclusion of Ross's Homelessness Bill in the Lib-Lab Agreement actually came from the Prime Minister.

As is often the case with Private Members' Bills, although championed by a backbencher, if the government agrees with the proposal it may look favourably and assist the legislative process. In this case, the Cabinet had already concluded on 10 February 1977, 'it should be given all necessary support to ensure a Second Reading' and accordingly it received cross-party support at this stage (NA, CAB 128/61 (CM 77): Cabinet Conclusions, 10 February 1977). Callaghan deduced correctly, that the inclusion of the Homelessness Bill in the body of the Agreement would be viewed favourably by Liberals, without being onerous for the Labour government to implement. Moreover, Liberal's claim that the adoption of this legislation be classed as government concession is rather undermined by the archive evidence.

A second subsidiary issue raised and agreed upon at this meeting and subsequently included in the Lib-Lab Agreement was a provision which limited the Local Authorities (Works) Bill. This provision addressed the anomaly whereby existing direct labour activities of Local Authorities had been made illegal simply due to local government reorganisation. This was class in the Pact was therefore an administrative amendment to the Bill and the government, in consultation with the Chief Secretary to the Cabinet and the Local Government Organisation, accepted it in full. This was not therefore in any real sense a 'concession' on the part of the government achieved through Liberal influence. Equally, such a procedural change yielded little material benefit for the Liberal party.

Having reviewed these subsidiary issues, the Callaghan-Steel discussions shifted to the more substantive matters which would consume the remainder of the Lib-Lab negotiations, namely the degree of compulsion the Liberal party would demand from the Labour party in the vote on the electoral systems when legislating for the devolved Assemblies and the Direct Elections to the European parliament. Steel began this negotiation process stating that, from his perspective, 'a proportional system for Direct Elections was really the only sticking point', because, he stressed he could not 'sell an agreement to his party in the country....without something on this' (NA, PREM 16/1399: note of a meeting, 12.30, 22 March 1977).

Michael Foot, attending the discussions at the behest of Callaghan, advised that the government was due to publish the White Paper on Direct Elections (in April 1977) and could not 'pre-empt the White Paper by promoting one system now' – a point that Steel acknowledged. Foot then suggested what was to prove to be a highly significant progression in the negotiating process. He reasoned, given that the Liberal party was prepared to allow a free vote for Labour in legislating for the devolved Assemblies, surely it could allow the same for the Direct Elections. Moreover, Foot observed that this was consistent with the Liberal position of promoting the principle of free votes on constitutional issues in the past (NA, PREM 16/1399: note of a meeting, 12.30, 22 March 1977).

Two factors might be considered at this point: first, the archives suggest that this was a negotiating position initiated by Foot rather than a joint position with the Prime Minister. In a private note, written prior to the second meeting, Callaghan comments: 'free vote? – M. Foot idea' (Bodl., MS. Callaghan, Box 113, file 2741: personal note, 22 March 1977).

Second, Foot's negotiating position (demanding that both Bills be treated the same) was only possible because of the differentiation which the Liberal party itself had engendered into how it expected the Labour party to act. Without the 'pragmatic' difference in approach in the Liberal communiqué as noted above, Foot would not have been able to disassemble the Liberal's demands. As such, it is the contention of this thesis that the pragmatism shown by Steel was to prove a key factor in undermining his own negotiating position, and the extent to which the party could achieve significant policy concessions on the issue of electoral reform.

In response to Foot's suggestion, Steel was initially dismissive, claiming that with regard to the Direct Elections legislation, 'a free vote might have come anyway' but then argued, as highlighted above, 'on a free vote there was no guarantee that their [the Government's] recommendation would secure the legislation' (NA, PREM 16/1399: note of a meeting, 12.30, 22 March 1977).

Interestingly, the archives also suggest a divergence of opinion between Foot and Callaghan on this issue. While Foot pressed for a free vote, Callaghan was amenable to the idea of government support for PR using the 'list system'. He observed that the government 'would have to make a recommendation in due course...the idea of a list system was gaining ground'. He subsequently made the somewhat ambiguous observation to Steel that, 'he could not settle the government's policy this afternoon, although he did not rule out that it might be proportional representation for the first election'. (NA, PREM16/1399: notes from meeting, 12.30, 22 March 1977).

Callaghan's apparent ambivalence over the merits of proportional representation, as seen in his discussions with Steel on 22 March 1977, might be considered surprising given his subsequent

strong denunciation of PR, describing it (in his autobiography *Time and Chance*) as ‘an animal of a very different colour, for the party was against it and so was I’ (Callaghan 1987:455-6). However, the archive records give a new perspective on Callaghan’s position.

Callaghan based this assertion on the following factors: first, the increased media support for this form of PR - *The Sun* and *The Times* newspapers had both recently argued that there was merit in electoral reform under the ‘list system’ (*Liberal News*, 8 February 1977). Second, in February 1977, David Owen and Merlyn Rees had been instructed to present papers to the Cabinet outlining the merits of a proportional system and a plurality system respectively. Owen had shown that an election using PR, whether that be a list system or single transferable vote, would almost certainly be advantageous to Labour and avert a likely Conservative landslide in European elections to be held in 1978. Owen focused his analysis on the ‘list system’, on the basis it would also avoid the need for a redrawing of the electoral boundaries. An election carried out using either a ‘first past the post’ and single transferable vote system would require a redrawing of the boundaries. This was important because retaining the existing boundaries meant the election could take place in May/June 1978, a timeframe which Callaghan had agreed to use his ‘best endeavours’ to meet in discussions his European counterparts in September 1975.

Owen’s conclusions were endorsed by William Rodgers who had also presented a paper on the political merits of the ‘list system’ and had received a similarly favourable response. Despite what appeared to be majority Cabinet support official Cabinet Conclusions stipulate that, the Cabinet would not endorse the adoption of a proportional electoral system, it was instead agreed the White Paper should seek to highlight the specific difficulties which would ensue if a first past the post system was employed for the Direct Elections. The reason for this position was the considerable hostility towards PR of certain members of the Cabinet, as noted by Joel Barnett above. Indeed concern over intra-party division on this issue lead Callaghan to continually defer a final Cabinet

decision so that no final decision has been reached prior to the Lib-Lab negotiations (NA, CAB 128/61 (CM 77): Cabinet Conclusions, 3 March 1977).

On 17 March 1977, the same day as the vote on the Expenditure White Paper, the Cabinet again discussed this issue, whereupon it appears Callaghan sensed a shift in opinion among his colleagues in favour of PR. He would later, in a meeting of the Parliamentary Labour Party, highlight his own ambience towards this issue, regarding it of 'little interest to the public at large and should not be an issue which should either split the Labour Party or bring down the Labour government' (NA, PREM 16/1401: preparatory notes for meeting of the Parliamentary Labour Party, 21 July 1977).

The second meeting of the Lib-Lab negotiations concluded without an agreement on the issue of PR, the Liberal leader confirming that he would convey the government's position to his colleagues, and that the two sides would reconvene for further discussions later that day. The official minutes then record verbatim a private conversation between Callaghan and Foot. In this discussion the Prime Minister expresses concern that the question of 'PR for Europe' may derail the whole negotiating process with the Liberal party. He implies that, in exchange for a formal agreement, he would concede to the Liberal demands for the government to commend (with a whip imposed) the proportional system, stating that,

'the Cabinet would, in return for an agreement, settle for proportional representation on the list system for 1978 because the outcome would be one of total obscurity in relation to the prospective outcome of a General Election'.

Michael Foot's recorded response was:

Yes, perhaps, but this was not a gnat to swallow. He would prefer to try the Liberals on the basis that "one major matter for consultation is the operation of free votes, given the present situation, and one such free vote might be on the option for the

European Assembly and Scottish Assembly” (NA, PREM16/1399: note of a meeting, 12.30, 22 March 1977).

It should be observed that it is extremely unusual for such an obviously political discussion to be transcribed and retained in the official archives of the Prime Minister’s Papers. Kenneth Stowe, who took the minutes, could not recall why he had transcribed this conversation, but it clearly demonstrated the Prime Minister was, at least at this stage, countenancing acceding to Liberal demands. His subsequent drawing back from this position would prove critical to the subsequent inter-party conflict within the Liberal party and the later historical legacy of the Lib-Lab Pact (Stowe, 2010, Personal communication).

The conversation ended with the Prime Minister stating ‘they would consider this further’ (NA, PREM: 16/1399: note of a meeting, 12.30, 22 March 1977), and in a report outlining the chronology of the Lib-Lab Pact discussions, Kenneth Stowe noted that between 17.00 and 18.00 on 22 March 1977, Callaghan met with Foot, sadly there is no record of these subsequent discussions (NA, PREM 16/1400, ‘Diary of events’, April 1977).

No reference is made to the nature of the discussions between the Prime Minister and Foot on this issue in Callaghan’s autobiography, nor does Kenneth Morgan refer to the discussion in his biographical works on Callaghan and Foot respectfully. Morgan holds with the traditional view that Callaghan was opposed to the principle of electoral reform (Morgan, 1997:568).

In contrast to Callaghan’s ambivalence, Foot was strident in his opposition to both the principle of Direct Elections and the prospect of a proportional voting system being employed. As noted above, it was Foot’s suggestion that the Liberal party may acquiesce to giving the Labour party a free vote on Direct Elections which drove the subsequent negotiations. Foot’s position in this regard is interesting, his position was influenced by his interaction with the Liberal party, both personally, Foot had strong family links with the Liberal party, and more pertinently his position had been informed by

discussions with John Pardoe on 21 March 1977 (NA, PREM 16/1399: notes of a meeting, 21.45, 21 March 1977). It was on this basis that Foot had commented to his Private Secretary that the 'Liberals could [not] break off talks on this issue [electoral system for direct election to the European parliament] – they would look very silly if it were known that the government had offered a free vote and they had rejected it' (NA, PREM16/1399: handwritten note, expressing views of Michael Foot, from C H Saville to Kenneth Stowe, 22 March 1977).

While this notion of the Liberal party being forced to accept the terms of the Lib-Lab Pact for fear of either looking 'silly' as Foot suggests, or in order to avoid an election, has become the prevalent historical view, archive evidence suggests that, had Steel decided to walk away from the negotiations on 22 March 1977, on the basis that he could not secure a firm commitment from the government on the 'commending' of proportional representation for the European elections, he would have enjoyed the support of both his parliamentary party and the grassroots.

Geoff Tordoff's report on grassroots sentiment conducted over the weekend of 19-20 March 1977 had concluded that the party expected 'cast iron' assurance on this issue. Furthermore, a second report by Tordoff, on 22 March 1977, had showed a marked shift in Liberal grassroots sentiment away from an agreement being brokered - under any circumstances (Liberal Party Archive, LLP 19/2: Tordoff report to NEC, 6 April 1977). By the 22 March 1977, of 21 constituencies contacted (mostly in the South East of England) 19 were against a potential agreement, and only two were in favour. By the following day, out of a further 27 constituencies contacted, all were against an agreement (Liberal Party Archive, LLP 19/2: handwritten note, 23 March 1977). As such, in some respects for Steel not to walk away, but to decide to go ahead and form a Pact without 'cast iron' assurances, he was against the sentiment of the party at this juncture, a action which might be considered a politically dangerous decision.

While the party might have been becoming more sceptical David Steel's his own political philosophy and specifically his desire to instigate a co-operative approach to politics are of central significance

to his decision-making process. Crucially, as noted in Chapter One, Steel held the electoral mandate as a newly appointed leader to drive forward his own strategy. Therefore from his perspective, as noted in *A House Divided*, 'it seemed a pity that our failure to agree on this one issue should vitiate the prospects of everything else and plunge us into an election' (Steel, 1980:39).

Following his discussions with Michael Foot, noted above, Callaghan instructed Kenneth Stowe and Tom McNally to draft a document designed to act as a reply to the Liberal communiqué, to be sent to the Liberal party for review and response. Although 12 copies of this aide-memoir arrived with the Liberal leader, they were not distributed among the MPs, instead, Steel's consultation only extended to a discussion with John Pardoe. The Liberal leader reasoned he had already briefed his parliamentary colleagues on the current state of negotiations earlier that afternoon (Steel, 1980:38). Furthermore, Steel deemed the latest document unsuitable for wider discussion, on the grounds that it was 'vague on several points' (Steel, 1980:39). Having conducted discussions with Pardoe he then waited for the Prime Minister to initiate the next stage of the negotiation process. This Callaghan duly did, and a third round of the Lib-Lab discussions was arranged for 5pm the same day.

Despite Steel's disapproval of the Stowe-McNally aide-memoir, this document did replace the Liberal communiqué as the framework for the final Lib-Lab Agreement. This is important as there were significant differences between the Stowe-McNally document and the Liberal communiqué which had been summarily dismissed by Callaghan. While the Liberal document had demanded joint action, 'in pursuit of National Recovery'; the Stowe-McNally version called 'economic recovery'. It appears from the archive evidence that this change was at the behest of Michael Foot who felt 'national recovery smacked of coalition' (NA, PREM16/1399: hand written note, expressing views of Michael Foot, from C H Saville to Kenneth Stowe, 22 March 1977).

With regard to how consultation was to function there was also considerable amendment. The clearly defined Liberal demand for consultative meetings to take place 'at least fortnightly during the sitting of the House' was removed completely, as was the suggestion that the two party leaders should meet 'as necessary'. In fact, Steel and Callaghan did meet on an *ad hoc* basis, but the omission of this explicit reference to formal consultation is evidence of the Labour negotiators being concerned about the degree of Lib-Lab consultations might be perceived by their own supporters. This change also removed an explicit reference to the extent of 'consultation', so central to Steel's own political strategy. Liberal representatives would no longer 'introduce policy' in the Consultative Committee - this proposal was seen by the Prime Minister as 'totally impractical'. This seemingly semantic change would be important when discussion, into how and under what terms inter-party discussions would operate and the level of Liberal influence, took place on 25-26 March 1977, as will be discussed in more detail in Chapter six (NA, PREM 16/1399: note of a meeting, 18.00, 21 March 1977).

The removal of explicit references to Liberal consultation or policy influence was also evident in economic matters. The Liberal document had stated that agreement could only be reached following a meeting of the Chancellor and the Liberal Economic spokesman, and although such a meeting did take place, reference to this was also redacted from the final Agreement. The Liberal desire for the Agreement to be based on a 'reduction in the burden of taxation on personal income' was completely removed. There were clear practical reasons for the exclusion of this clause in the Agreement in March 1977. Primarily, the fact the government already had a defined fiscal policy, but also the fact that Healey had argued a switch to indirect taxation would be inflationary, so running counter to one of his core economic objectives. Even so, the removal of an explicit aspiration for tax reform from the Lib-Lab Agreement, together with all other overtly Liberal economic policies, meant that the Liberal party would find it difficult to claim credit for the improving economic conditions which occurred through the lifetime of the Pact.

The statement that 'No measures of nationalisation should be introduced' did remain in this first Stowe-McNally draft, but this reference too would be absent from the final document. For Pardoe, even though he did get assurances of intent on the change in the burden of taxation, the absence of all specifically Liberal orientated economic policies made the idea of Liberal influence almost impossible to 'sell to the public' (NA, T366/1: notes of a meeting, 23 March 1977; Pardoe, 2010 Personal communication)

Finally, and most significantly, the demand in the Liberal documents that the government should 'commend' that the Direct Elections to the European parliament be held under a proportional voting system was significantly amended. The Stowe-McNally aide-memoir simply followed the proposal put forward by Michael Foot and a continuation of government policy to be laid out in the White Paper, namely that, in legislating for Direct Elections, the government would 'take account of the Liberal party position but no recommendation would be made'. As with the Devolution Bill, it was envisaged that Labour MPs would be offered a free vote. This assertion was made by Stowe-McNally despite the fact that no formal agreement had yet been reached between the two parties on how to proceed on this issue.

In contrasting the aide-memoir with the original Liberal communiqué, it is important to highlight that the Liberal document was an opening salvo in the cross-party discussions, with some amendments through negotiation perceived as inevitable. It might also feasibly be argued that part of the reason for so many retracts of issues which had been present in the Liberal document was based on a shared desire of the Prime Minister and the leader of the Liberal party to condense the Agreement to a 1-2 page memorandum. However, this drive for a 'concise document' seems to have been almost wholly at the expense of some of the more specific examples of Liberal policy influence, namely, in economic policy, and explicit references to 'consultation'. In the final analysis, in the context of the Liberal party's need to show clearly both to its own supporters, and to the public, that

in entering into an Agreement with the Government they had achieved either specific policy concession or direct consultation, the aide-memoir was a significantly weaker document.

Third meeting of the Lib-Lab negotiations, 5pm, 22 March 1977

The Lib-Lab negotiations reconvened for the third time at 5pm on 22 March 1977, and despite the significant changes to the body of the draft agreement as outlined above, and Steel's decision not to discuss it with the full parliamentary Liberal party before meeting with Callaghan on the grounds it was 'vague on several points', he proceeded to raise no issues with the substantial changes outlined above. Instead, in this meeting, Steel focused almost exclusively on the issue of Direct Elections and the voting system to be employed for the European parliament. On this point, Callaghan, seemingly influenced by his earlier discussions with Michael Foot, did not repeat his earlier speculation on whether or not PR would be acceptable 'for the first election'. He simply reiterated the position that the government 'could not give a pledge on proportional representation', although he added the proviso 'at this stage' (a phrase underlined by Stowe in the official minutes). Intriguingly, this ambiguous statement was not expanded on by Callaghan, and the ambiguity was not questioned by Steel, either in this meeting or in subsequent negotiations (NA, PREM 16/1399: note of a meeting, 17.00, 22 March 1977).

With regard to the Liberal party's original position: that the government would 'commend' the list system (of PR) for the European Elections, the minutes show Steel did not press for this concession. The term being replaced by the much more ambiguous term 'take full account of the Liberal commitment to proportional representation'. Subsequently, Steel asked the Prime Minister for his assurance that 'the government would give a lead' (for PR) when the debate reached the floor of the House of Commons. Callaghan formally consented to this request, although, this more specific, if still somewhat ambiguous demand did not feature in the final draft of the Agreement. Steel eventually

settled for the personal, private and unwritten assurance that Callaghan himself would vote for list system of PR, clearly a much less onerous concession (NA, PREM 16/1399: Joint statement by the Prime Minister and the leader of the Liberal Party, 23 March 1977). This difference between a verbal understanding and written confirmation was to have far-reaching consequences with regard to what members of either party expected from the government in fulfilling the 'spirit of the Agreement' (Steel, 1980:57).

At the conclusion of this third meeting, Steel deemed the terms 'acceptable', whereupon he reported back to his colleagues (NA, PREM16/1399: note of a meeting, 17.00, 22 March 1977). Steel duly convened a meeting of the parliamentary Liberal party at 6.45 pm. Some Liberal MPs exhorted him to achieve greater concessions on the issue of Direct Elections, specifically by requesting a more formal understanding that the Labour party would support a proportional voting system for the European elections (Pardoe, 2010. Personal communication). However, their criticism did not extend to a rejection of what Steel had negotiated on other issues, even though as has been noted the latest draft of the agreement had seen substantial change from the communiqué they had agreed to the day before (Steel, 1980:38). Meanwhile, the Prime Minister once again held private discussions with Michael Foot before the two sides reconvened for further discussions at 9.45 pm (NA, PREM 16/1400: 'Diary of events', April 1977).

Fourth meeting of the Lib-Lab negotiations, 9.45pm 22 March 1977

The fourth and final Lib-Lab negotiations again comprise Steel, Callaghan and Foot, but for the first time, John Pardoe attended for the Liberals, Steel concluded it was right to involve him at this stage (Steel, 2010. Personal communication). In spite of the detailed briefings Steel had provided to Pardoe throughout the negotiations, when the Prime Minister began his opening statement, outlining the terms thus far agreed, he was quickly interrupted by Pardoe, who stated:

Prime Minister, I do not think that will be acceptable to the Liberal party. We have to achieve something concrete out of this, and the only thing the Liberals think is concrete is proportional representation (Pardoe, 2010 Personal communication).

After a short discussion, it was decided to leave this issue for later. Crucially, before the question of voting systems could be resolved, John Pardoe left the meeting for a prearranged interview with the BBC *Tonight* programme, in which he stated that 'he did not think there would be an Agreement because of the sticking point of PR' (Pardoe, 2010. Personal communication).

With Pardoe absent, the conversation returned to the question of Labour's attitude to PR and within 45 minutes an agreement was reached. Steel accepted, subject to ratification by his parliamentary colleagues, that the Labour party would be given a 'free vote' on the voting system to be employed for the European elections, and on this basis he accepted the invitation to reach a formal Agreement with the Government. This rapid change of position on Steel's part was based on only one further concession, namely, as stated above, a personal and private undertaking from the Prime Minister that, when the time came for the House of Commons to vote on which electoral system would be used for the European elections, Callaghan would vote, and let it be known that he would vote, for the list system of proportional representation.

For Callaghan the fact that this concession should remain secret from his party colleagues was of utmost importance. To disclose this concession to a Parliamentary Labour Party which was sceptical of cross-party co-operation *per se*, as well as Direct Elections and electoral reform, might have led to serious divisions both within the Cabinet and the PLP. Indeed, the extent to which this deal remained secret was evident in its omission from the Prime Minister's submission to colleagues on 23 March 1977, in which the Agreement was ratified. Callaghan explicitly assured the Cabinet at this time that 'there was no private understanding that did not appear in the statement which the Cabinet had before them' (NA, CAB/128/61 CM (77): Cabinet Conclusions, 23 March 1977). Steel, of course, was compelled to inform his parliamentary colleagues of Callaghan's commitment, by way of explanation

of his decision to accept the 'free vote' option, but did stress the importance that this information should not be divulged to the wider party or the press.

Steel subsequently outlined to his colleagues the wider significance of the deal he had agreed with the Prime Minister. Each of the 11 MPs present (Richard Wainwright had gone home, consistent with his Methodist principles not to work past midnight) were subsequently given a brief opportunity to express their views. A majority of the MPs accepted the deal; only Jo Grimond and David Penhaligon expressed direct opposition, Cyril Smith had reservations. However, Grimond, Penhaligon and Smith each agreed to abide by the protocol of collective responsibility (which the parliamentary Liberal party exercised at this time), and thus each publicly endorse the agreement. While no formal vote was taken, the resolution passed unanimously. Whereupon, at 1.20am on 23 March 1977, Steel informed Kenneth Stowe that the Liberal party had endorsed the Agreement (NA, PREM 16/1399: reported in a letter from Kenneth Stowe to Alastair Michie, 23 March 1977). A more in-depth analysis of the position of the members of parliamentary Liberal party will follow in chapter 7 of this thesis.

John Pardoe met with Dennis Healey on the morning of the 23 March 1977 to discuss economic policy, and while later meetings between the two men were to prove difficult, they did reach an early understanding. Although, as Pardoe acknowledges, 'we could hardly have done otherwise, given the situation' (Pardoe, 2010 Personal communication; NA, T366, note of a meeting, 23 March 1977; NA, PREM 16/1399: note from Kenneth Stowe to the James Callaghan before Cabinet discussions, 23 March 1977).

The Liberal MPs showed unanimity in supporting the deal at a press conference held on the 24 March 1977, all 13 MPs were present, and all spoke in support of the Pact. At a series of public engagements in subsequent weeks they each publicly expressed their support for the agreement (Liberal Party Archive, LLP 13/37: statement by Jeremy Thorpe, 25 March 1977; NLW, Hooson Papers, Box 56: press release of speech by Cyril Smith, 3 April 1977; Liberal Party Archive, LLP 13/37:

speech by Emlyn Hooson, 18 April 1977; NLW, Hooson Papers, Box 56: speech by Emlyn Hooson to Abergavenny Constituency Liberal Party, 17 April 1977).

Chapter Five

Labour Cabinet discussions on the Lib-Lab Agreement, 23 March 1977

With the parliamentary Liberal party position confirmed, James Callaghan was obliged to secure the agreement of Cabinet colleagues prior to the confidence vote which was due to commence at 3.30pm on 23 March 1977. The Cabinet convened at 12.30 pm, the first time it had met since the tabling of the confidence motion. Although Ministers were clearly aware that cross-party discussions had been conducted, the vast majority were ignorant of the exact nature of those discussions until a copy of the Lib-Lab Agreement was placed in front of each of them in the Cabinet room.

Those aspects of the Lib-Lab Agreement which related to individual government departments had been circulated to each of the Permanent Secretaries by Kenneth Stowe prior to the Cabinet meeting, to ensure that there were no significant policy issues that might prove to make the deal unworkable. Each Permanent Secretary had confirmed that there were no issues, and so the 'political' discussion in Cabinet could proceed (Stowe, 2010. Personal communication). Likewise, Stowe had produced a briefing note for the Prime Minister prior to the Cabinet discussions, highlighting possible areas of conflict, and outlining the key issues which the Prime Minister might like to point out to his colleagues (NA, PREM16/1399: notes from Kenneth Stowe to James Callaghan before cabinet discussions, 23 March 1977).

According to Tony Benn, Callaghan was 'red-faced' and Michael Foot 'white and drawn' prior to the meeting (Benn, 1990:85 diary entry for 23 March 1977). Callaghan commenced the Cabinet discussions by outlining the chronology of the events since the adjournment debate on 17 March 1977. He emphasized that, in negotiating with both the Ulster Unionists and the Liberals, he had done nothing which would undermine the integrity of the Labour party. He then explained that he had first entered into discussions with the Ulster Unionists, having believed that this was the most likely avenue for agreement. Callaghan confirmed the government's intent to form a Speaker's

Conference on increasing Northern Ireland's representation at Westminster, but stated talks with the Ulster Unionists 'had led to nothing', with the sticking point being security issues. He made no reference to the informal understanding achieved with Molyneux and Powell, noted earlier in this thesis. Instead, the Prime Minister stressed that, having failed to reach an agreement with the Ulster Unionists, he had shifted his attention to discussions with the Liberal party, emphasising that he had had low expectations for success, but 'after some very hard bargaining,' an agreement had been reached (NA, CAB 128/61 CM (77): Cabinet Conclusions, 23 March 1977).

Callaghan then proceeded to dissect the content of the Lib-Lab agreement line-by-line, after which the Cabinet embarked upon an open discussion. The Cabinet Conclusions can only hint at the nature of these discussions. Michie and Hoggart described the meeting as 'light-hearted', with the majority of Ministers expressing a 'sense of relief' that an agreement had been achieved (Hoggart and Michie, 1978:59). However, Kenneth Stowe, present throughout the meeting recalls that, 'people were arguing around the table about the words...this was not some kind of cosy cuddle' (Stowe, 2010. Personal communication). Callaghan later commented to Bernard Donoughue 'it had been a hard meeting. He had taken more criticism than he had expected' (Donoughue, 2007:170).

Looking at the nature of this opposition in more detail, Peter Shore (Secretary of State for Environment) argued that he could not agree to a deal as there were issues within it which affected his Department. Callaghan turned to Kenneth Stowe seeking clarification that the relevant Permanent Secretary had agreed the document - Stowe confirmed this was the case, and so the Prime Minister stated 'well then let's carry on' (Stowe, 2010. Personal communication).

Peter Shore was also vocal in his opposition on the terms agreed regarding the Direct Elections Bill; as the most staunch, so-called anti-Marketeer member of the Cabinet, he warned that the decision to agree to the principle of Direct Elections, and 'to take account of the Liberal position' on the electoral system, would 'cause great bitterness within the Labour party' (Benn, 1990:89, diary entry for 23 March 1977). Shore viewed the concession on electoral reform as a 'sop to the Liberals'

(Barnett, 1982:116). Shore's response in many ways confirmed Callaghan's inference, made in his negotiations with Steel, that to grant more concessions in the White Paper on Direct Elections would almost inevitably lead to resignation from the Cabinet (NA, PREM 16/1399: note of a meeting, 12.30, 22 March 1977). However, according to William Rodgers, Callaghan had been careful in previous months to be more inclusive in his dealings with Shore, 'letting him in on talks'. While his primary motive was to isolate Benn', it appears that Callaghan's man-management was a factor in persuading Shore not to resign from the Cabinet over the Lib-Lab Agreement (Young, 2008:129). Equally, it also seems that Shore did not feel that he was in a strong enough position politically to resign, citing the fact that he did not have the powerbase within party that Benn enjoyed (Benn, 1990:89, diary entry for 23 March 1977).

The most contentious aspect of the Agreement, for most Ministers, was 'consultation'. This can in turn be split into two factors: first, the lack of consultation undertaken by Callaghan with the organs of the Labour party in agreeing the Pact, and second, the need for clarification over the level of consultation the Liberal party were to enjoy in the implementation of the Pact *vis-à-vis* the Parliamentary Labour Party.

Mindful that this both these areas might be an area of concern for Ministers, Callaghan had pre-empted questioning by highlighting that, at various stages, the cross-party negotiations had involved Michael Foot, Cledwyn Hughes, William Rodgers and Roy Mason, as well as the Whips' Office. On the broader issue of why there had not been wider consultation with the PLP and the NEC before agreeing to the Pact, Cledwyn Hughes informed colleagues that, in the first case, there was no time to consult more widely, and second, even if there had been time, there was no obligation on the part of Callaghan as leader to consult the Parliamentary Labour Party. Tony Benn, who had decided before the Cabinet meeting took place that he would vote against the Agreement, rather predictably, was not appeased by this argument, commenting that 'the Cabinet does not control the PLP, the Executive or the party and he would have to consult with each' (Benn, 1990:89 diary entry for 23

March 1977). Joel Barnett, the Chief Secretary to the Treasury, dismissed Benn's comments, 'as with so many of Tony Benn's Cabinet contributions it was all very much for history' (Barnett, 1982:116). David Owen takes a similar view of Benn's intervention, describing it as: 'ritual rather than passionate, making his denunciations for the record but offering nothing in its place' (Owen, 1992:328-9).

However, in this instance Benn was not alone in airing concerns, Eric Varley, Stan Orme, Fred Mulley and even the social democrat orientated Shirley Williams each expressed a desire for further consultation before the vote of confidence took place. Williams wondered if the PLP could meet at 6 pm that evening to debate it, whereupon Denis Healey, in an echo of the support he had given the Prime Minister during Cabinet discussion during the IMF crisis, intervened, stating that 'we cannot convene the PLP, only the Prime Minister can speak for the party' (Benn, 1990:87 diary entry for 23 March 1977). While Williams conceded Healey's point, Tony Benn was not mollified, and at the end of the Cabinet discussions, he voted against the agreement citing the lack of consultation.

On the question of the degree of consultation offered to the Liberals as part of the Lib-Lab Agreement, Kenneth Stowe, in his briefing to the Prime Minister, advised him to stress that consultation with the Liberals would 'not outbid or devalue' the consultation already in place with the Parliamentary Labour Party (NA, PREM16/1399: 23 March 1977 notes from Kenneth Stowe to James Callaghan). Callaghan duly emphasised to his Cabinet colleagues that the 'Consultative Committee' was 'no more than that. It has no powers'. His view was that it was no more than the consultation the government offered the CBI or the TUC (NA, CAB 128/61 (CM 77): Cabinet Conclusions, 23 March 1977).

To some extent, the Prime Minister was aided in this regard by the very vague terms in which 'consultation' had been outlined in the Lib-Lab Agreement. The composition of the committee and regularity of meetings had yet to be confirmed (NA, PREM16/1399: note from Kenneth Stowe to the James Callaghan, 23 March 1977). Meanwhile, for many on the Left, sceptical of the whole process,

the fact that the Consultative Committee was to be chaired and administered by Michael Foot gave a reassurance that it would not be used as a cover by those in the social democratic wing of the party to develop closer ties with the Liberal party (NA, PREM16/1399: note from Kenneth Stowe to the James Callaghan, 23 March 1977).

The Prime Minister was also aided in his attempt to appease Ministers over the power of the Lib-Lab Consultative Committee by the fact he had recently reviewed and strengthened the level of internal discussion which took place within the Labour party, most notably between the Cabinet, the Parliamentary Labour Party and the National Executive. Furthermore, in an effort to pre-empt a confrontation with the PLP on this issue, Michael Foot had arranged to meet with the PLP's Liaison Committee to discuss their concerns before the confidence vote took place (NA, PREM16/1399: notes from Kenneth Stowe to James Callaghan, 23 March 1977).

Callaghan continued to monitor internal discontent within the PLP over the issue of consultation with the Liberals. He instructed Stowe and McNally to keep him informed of the level of consultation undertaken by Cabinet Ministers both with the Liberals and with members of the PLP through the organs of the Labour party (NA, PREM16/1399: note from Kenneth Stowe to James Callaghan, 29 March 1977).

After 75 minutes of discussion a vote on whether or not to endorse the Lib-Lab Agreement finally took place. Only four of the 24 Ministers voted against the Agreement. As already highlighted, Shore and Benn were two, they were joined by Stan Orme, (Secretary of State for Social Security), and Bruce Millan (Secretary of State for Scotland) (Barnett, 1982:116).

According to Joel Barnett, Stan Orme felt he 'could not go along with what he saw as a compromise of his socialist beliefs', he also considered the Agreement to be 'unnecessary and humiliating'(Barnett, 1982:116). Orme had great personal anxiety over his decisions, asking the Prime Minister if those who had voted against would be compelled to resign. Callaghan reassured all

present that, while he required them to adhere to the formal protocol of collective responsibility, and thus expected them to vote with the government in the confidence motion, he did not wish to make it a resignation issue. All four Ministers assented to this demand.

Bruce Millan, a loyalist of the Prime Minister, who had been brought into the Cabinet as Secretary of State for Scotland by Callaghan in 1976, objected on the grounds that the Agreement would see the reintroduction of the devolution legislation. Millan's decision was also influenced by the fact that he had a strong personal dislike of David Steel, the Liberal leader having been critical both of his appointment and abilities.

An important point to note is that the majority of Ministers were content with the policy aspects of the Agreement. Joel Barnett's assessment of the deal is perhaps indicative: he saw no alternative to the course of action that had been taken, and in some ways was relieved that the deal was not as restrictive as it might have been. Nonetheless, he 'did not relish the prospect the Pact offered' and certainly did not relish regular consultations with John Pardoe (Barnett, 1982:128). Barnett goes on to confess that 'I did not anticipate just how soon those consultations would begin, how tortuous they would be, and how often they would take place' (Barnett, 1983:116-7). Denis Healey had also resigned himself to accepting the Agreement, although with some insight he noted in conversation with the Prime Minister privately later, for all the formal nature of the Agreement it would in practice mean they would 'need to construct a compromise with the Liberals on every issue' (Stowe, 2010. Personal communication). He nonetheless preferred this to dealing with 'Nats and nutters' (Morgan, 2007:349).

The complementary roles of Michael Foot and James Callaghan in promoting the Pact were of crucial importance to the support afforded by the Cabinet and latter the parliamentary party. Foot's involvement in negotiating the Pact, endorsing its content and his position as the primary government administrator of the Pact, mitigated the level of opposition which might otherwise have been expected, especially from the Left. In spite of his personal reservation over the concept of

cross-party co-operation, devolution, direct elections and proportional representation he spoke forcibly in favour of the Agreement in Cabinet, stating that '[we] could emerge stronger and stay in power stronger'. According to Morgan (2007:350) Foot's stance had a direct bearing on the actions of many on the Left in the Cabinet, including Albert Booth, in supporting the Agreement.

Meanwhile Callaghan's management style was also an important contributory factor in the successful passage of the Pact through the Cabinet; Kenneth Stowe described Callaghan's management of the Cabinet discussions on the Pact as 'a virtuoso performance comparable with his handling of the Cabinet meetings during the IMF talks' (Morgan, 1997:568). As with the IMF Cabinet meetings, at which time Callaghan received admiration from even his most ardent opponents such as Tony Benn, during the Lib-Lab discussion, Callaghan showed a preparedness to listen to contributions from all Ministers.

Significantly, even at this late stage, amendments were made to the Lib-Lab Agreement as a consequence of Ministerial objections. Intriguingly, David Steel was party to the Cabinet discussions; queries raised by Ministers were relayed to Steel via Kenneth Stowe who was sitting in the corner of the Cabinet Room. Stowe noted areas of conflict then intermittently left the Cabinet Room to converse with Steel on the telephone, the Liberal leader being stationed in his own office in the Commons. Having conferred with Steel, Stowe then returned to the Cabinet Room to inform the Prime Minister of Steel's response (Stowe, 2010 Personal communication). At no time did Callaghan leave the Cabinet Room to talk directly to Steel, as Stowe states 'for obvious reasons, he did not want to leave them to talk on their own'. Stowe further observes, with some satisfaction, that 'for a couple of hours, I really was the little bit of wire between the Prime Minister and the leader of the Liberal party' (Stowe, 2010. Personal communication).

Although the amendments to the Lib-Lab document using this process were mostly cosmetic (the specific insertion that the consultative committee was to be chaired by the Lord President of the Council (Michael Foot), and a slight change to the wording related to the Local Authority (Works) Bill,

it nevertheless highlights both the fluid nature of the Lib-Lab negotiations, and the inclusive management style adopted by Callaghan, a style he would retain during the Lib-Lab Pact (NA, PREM 16/1399: draft of Lib-Lab agreement, 'Cabinet amendment' 23 March 1977).

At the end of the Cabinet meeting, the Prime Minister asked for colleagues to return their copies of the Agreement, all but Tony Benn complied. Benn justified his decision to secretly retain his copy on the grounds that he saw no reason why he should not be able to discuss it with 'his friends' (Benn, 1990:89-90 diary entry for 23 March 1977). It was through Benn's subsequent discussions with colleagues that the first formal opposition to the Pact developed, as will be discussed later in this thesis.

The final meeting of the Lib-Lab negotiation process took place after lunch on 23 March 1977, when the parliamentary Liberal party met to discuss, and formally endorse, the minor Cabinet amendments. Later that day, on the floor of the House of Commons, the leader of the Opposition, Margaret Thatcher, tabled the (no) confidence motion, in response to which Callaghan announced the formation of the Lib-Lab Agreement.

The Joint Statement by the Prime Minister and the leader of the Liberal party

We agreed today the basis on which the Liberal Party would work with the government in the pursuit of economic recovery.

We will set up a joint consultative committee under the chairmanship of the Leader of the House, which will meet regularly. The committee will examine government policy and other issues prior to their coming before the House, and Liberal policy proposals.

The existence of this committee will not commit the government to accepting the views of the Liberal party, or the Liberal party to supporting the government on any issue.

We agree to initiate regular meetings between the Chancellor and the Liberal party economic spokesman, such meetings to begin at once. In addition the Prime Minister and the leader of the Liberal party will meet as necessary.

We agree that legislation for Direct Elections to the European Assembly for 1978 will be presented to Parliament in this session. The Liberal Party re-affirm their strong conviction that a proportional system should be used as the method of election. The government is publishing next week a White Paper on Direct Elections to the European Assembly which sets out the choices among different electoral systems but which makes no recommendation. There will now be consultation between us on the method to be adopted and the government's final recommendation will take full account of the Liberal party's commitment. The recommendation will be subject to a free vote of both Houses.

We agree that progress must be made on legislation for devolution and to this end consultations will begin on the detailed memorandum submitted by the Liberal party today. In any future debate on proportional representation for the devolved assemblies there will be a free vote.

We agree that the government will provide the extra time necessary to secure the passage of the Housing (Homeless Persons) Bill, and that the Local Authorities (Works) Bill will now be confined to provisions to protect the existing activities of direct labour organizations in the light of local government reorganization.

We agree that this arrangement between us should last until the end of the present parliamentary session, when both parties would consider whether the experiment has been of sufficient benefit to the country to be continued.

We also agree that this understanding should be made public.

(NA, PREM16/1399: Joint Statement by the Prime Minister and the leader of the Liberal party 'The Lib-Lab Agreement', 23 March 1977)

Confidence Motion, 23 March 1977

On the afternoon of 23 March 1977, Margaret Thatcher, in a highly charged House of Commons, tabled the (no) confidence motion. However, 'devoid of inspiration', and aware that a deal had been done between the Labour and Liberal parties, though not privy to the details, she later confessed her speech was the worst of her career. The *Daily Telegraph's* criticised it as, 'hovering uncertainly between disaster and tragedy and finally settled on catastrophe'. The consequence of this was to hand the initiative to the Prime Minister, who nonetheless later commented 'it had been the roughest House he could ever remember' (Donoughue, 2008:171; HC Deb. vol. 928 cc1285-418, 23 March 1977; Thatcher, 1995:328-326; *Daily Telegraph* quoted in Steel 1980:42).

Callaghan responded to Thatcher by defending the government's position, presenting the 'Joint Statement' and outlining its key aspects. David Steel, in a speech which, like Thatcher, he considered

to be one of his worst, subsequently defined the reasons why he agreed to the Pact, stressing his primary motivation as being the need for stability and 'national recovery'. In response to jeers from the Conservative benches, Steel argued that the deal agreed with the Labour party was the same as offered to the Conservatives in 1974 (HC Deb. vol. 928 cc1285-418, 23 March 1977; BBC Desert Island Discs, David Steel [Accessed 23 May 2012a]).

At the conclusion of the debate, which extended over six hours, the House divided. The result, as anticipated, was a victory for the government, by a majority of 24 votes. The full complement of 307 Labour MPs voted with the government, (Tom Litterick was absent due to illness). Labour was joined by 13 Liberals, the Independent Nationalist Frank Maguire, and Gerry Fitt of the SDLP. As previously observed in this thesis, three UUUC members Harold McCusker, John Dunlop and Enoch Powell abstained.

Voting for the motion were 275 Conservatives - Anthony Steen, MP for Liverpool Wavertree, was absent, having fallen asleep in his London home having just returned from a visit to Bangladesh. Steen had requested a wakeup call but the 'GPO dialled the wrong number' (ITN News Archive, <http://www.nfo.ac.uk/>, 23 March 1977 [accessed 20 May 2012]). Of the minor parties, both Scottish Labour MPs, the full contingent of Plaid Cymru, SNP and seven UUUC members voted with the Conservatives, against the government.

In analysing the result, it is clear that the Liberals' decision was critical. If they had voted with the Conservatives, the government would have lost by two votes. However, it is also important to emphasise that the Liberals' decision to vote with the government meant the minor parties (SNP, Plaid Cymru and SLP) were able to cast their vote against the government, secure in the knowledge that it would not result in its defeat. Michie and Hoggart argue that the Welsh and Scottish Nationalists might have voted against the motion without the prior confirmation of the Liberal position, although perhaps a more plausible scenario, which might have averted a government defeat without the need for the Pact, was that a contingent of the UUUC MPs would have positively

supported the government, together with the two SLP MPs. This, as has been noted in this thesis, was Callaghan's preferred scenario, but, as also noted, it would have led to probable long term political instability not present after the formation of the Lib-Lab Pact (Hoggart and Michie, 1978:64).

While conjecture will remain as to whether the Labour government would have survived on 23 March 1977 without the Lib-Lab Agreement, the more significant consequence of the deal with the Liberals was the medium term parliamentary security it offered the government. In this way, it acted as a political corollary to the economic agreement Callaghan had secured with the IMF the previous autumn (Morgan, 1997:568). It also ensured that the prospect of a General Election was removed from the political agenda, at least for the remainder of the parliamentary session. From the Liberal party's perspective, it did offer, for the first time since 1945, the opportunity to be consulted and potentially influence the policy agenda. As Steel observed, what mattered now was 'how we use it' (Liberal Party Archive, LLP 19/2: letter to candidates, 25 March 1977).

Assessment of the Lib-Lab Agreement: Could Steel have secured more than a 'free vote'?

This section will focus on an assessment of most significant criticism of the negotiating position of Steel, both at the time and subsequently, namely, the Liberal leader's decision to concede to a free vote for the Labour party in deciding on the voting system to be employed for the Direct Elections to the European parliament, taking into account new archive material outlined for the first time in this thesis. Other aspects of Liberal influence, via both the consultation process will be discussed in the next chapter.

It has been observed that Steel's decision to accept a free vote for Labour MPs when they came to vote on the electoral system to be employed for the European parliament elections was based on a pragmatic assessment of two factors, first, that the substantial opposition within the Labour party

would militate against securing the Pact under such terms, and second, a belief that sufficient support could be achieved from a combination of Opposition MPs.

As this chapter has noted the archives documents suggest that Callaghan considered that it might be politically expedient to concede to Liberal demands on this issue and compel the 'pay roll' to vote for proportional representation. It has similarly been observed that with the intervention of Michael Foot proving crucial in securing a 'free vote'. Given the archive evidence on Callaghan's position, the next section will examine whether Steel should have been more attuned to the Prime Minister's position, and thus demanded greater concessions on this issue in return for Liberal support.

Steel remains resolute in his opinion that the opposition within the Labour party to the concept of Direct Elections, allied to any mode of electoral reform, was of such intensity that Callaghan could not have compelled his party to vote for electoral reform without splitting the party and thus ending the Lib-Lab Pact (Steel, 2010. Personal communication). It should also be noted that several academics concur with Steel's analysis, most notably Morgan (1997:568 and 2007:50) and Butler and Kavanagh (1979:54). Furthermore, while Callaghan himself speculated over Cabinet opinion, it is not possible to establish a confirmed policy of the Labour Cabinet on this issue. Although there had been numerous Cabinet debates, and Callaghan was of the view opinion had shifted in favour of PR, no definitive vote was taken prior to the Lib-Lab discussions, thus leading Labour party figures come to divergent conclusions as to the Cabinet's position.

Nonetheless, Callaghan's conjecture and ambivalence on this issue necessitate that Steel's negotiating position be questioned. David Owen, Foreign Secretary 1977-79, is of the view that Steel should have been more familiar with the Cabinet's position with regard to proportional representation, 'The Liberal party knew the majority of the Cabinet had already accepted that Proportional Representation should be in the legislation since I had personally told Jeremy Thorpe that this was the case' (Owen, 1992:289). Owen was also of the opinion that 'Jim would have had to

persuade the Cabinet...as a necessary price [for the Pact]....I doubt if even Tony Benn would have resigned' (Owen, 1992:289).

Owen had expressed this view to Thorpe in early March 1977 and it seems conceivable that Thorpe would have conveyed the Foreign Secretary's views to Steel during the numerous meetings of the Parliamentary Liberal Party before the Lib-Lab negotiations, and yet Steel chose to discount this information while accepting the arguments proffered by the Prime Minister and Michael Foot (Steel, 1980:38).

As well as Thorpe, Jo Grimond had stated to Liberal colleagues that he had it 'on very high authority', without divulging his source, that the Cabinet would have agreed to PR under a list system (McManus, 2001:323). Meanwhile, Christopher Mayhew, the former Labour Minister who defected to the Liberals in 1974, was even more forthright, in terms not dissimilar to those articulated by Callaghan to Foot on 22 March 1977, he states:

From my own long experience, I felt certain that if confronted with the stark choice between PR for Europe and a disastrous General Election, enough of its members could be browbeaten by the Prime Minister, Callaghan, into voting for PR (Mayhew, 1987:209).

Tom McNally, political advisor to Callaghan, (and present during some of the Lib-Lab discussions) is more circumspect, believing that for Steel to hold out for a proportional system for the Direct Elections would have been, 'very high politics...neither Callaghan or Foot were in the business of reshaping British politics...the Prime Minister would have faced considerable opposition from the left, notably Tony Benn'. Nevertheless, he too concluded that, the Cabinet would have 'gone along with it' (McNally, 2008. Personal communication).

The fact that a number of Steel's colleagues appear to have been informed by senior members of the Labour party that the Labour Cabinet might have accepted an agreement with the Liberals,

based on the understanding that they would be compelled to vote for a proportional voting system for the European elections, again highlights the absence of wider pre-planning on the part of the Liberal party, as previously noted in this thesis. Steel clearly did not enjoy the same inter-party channels of communication with Cabinet-level politicians in the Labour party as some of his colleagues, but equally he chose not to utilise their experience or knowledge in his discussions with the Prime Minister.

Steel's decision not to make use of even these limited resources, but instead to conduct the negotiations in a largely bilateral manner with the Prime Minister, had two notable consequences: first, the claim of colleagues, not involved in the negotiations, that more policy concessions might have been achieved. Second, it meant the focus of Liberal party discontent, during the Pact, was centred on Steel, for not negotiating a 'better' deal, rather than on the Labour party for not fulfilling the 'spirit of the Pact'.

To now turn to the second of Steel's assumptions, to recap, Steel assumed that even in a free vote, and with a majority of Labour MPs opposing PR, a Commons majority could still be achieved through a coalition of minor parties. Critical to this assumption was that at least 100 Conservative MPs would support PR (They had done so during the devolution debates in early 1977).

In retrospect, Steel is contrite, acknowledging 'this was the biggest political mistake of my career' (Steel, 2010. Personal communication). With the benefit of hindsight, it is easy to view Steel's supposition as politically naive; assuming that pro-PR Conservatives would vote in favour of PR, when to vote against PR would undermine the Lib-Lab Pact and potentially hasten a General Election, which it was anticipated would result in a Conservative victory. Steel did have contacts in the Conservative Party, such as Edward Heath and Christopher Chataway, but these relationships were based on a shared interest in European integration and electoral reform, and their views were not indicative of the majority of Conservative MPs. But equally Steel was not alone in misjudging the mood of the Conservative party. Michael Steed, who been in the company of Geoffrey Rippon, the

Pro-PR Conservative MP for Hexham, when the Pact was announced, was amazed that Rippon furious with the Liberal party for sustaining the government and was determined to break the Pact (Steed, 2011. Personal communication).

A number of points might be raised in defence of Steel's decision to accept a free vote on the choice of electoral system for the European elections. First, he had secured the personal assurance of Callaghan that he would let it be known 'when the time was right' of his personal support for PR. Second, the Joint Agreement explicitly stated that the government would consult with the Liberals and 'take full account' of the Liberal party's support for PR. On this basis, Steel envisaged he would be able to influence both the drafting of the White Paper, and the attitude of Labour MPs of the merits of PR through the process consultation through the lifetime of the Pact (NA, PREM 16/1399: Lib-Lab Agreement, 23 March 1977). Furthermore, Steel was also aware that the Agreement would need to be reviewed, and hopefully renewed, at the end of the parliamentary session, at which point further revision to the relevant legislation might be possible – this indeed did prove to be the case as will be discussed later.

However, perhaps the most important factor in mitigation was the fact Steel did not see the Pact as an end in itself. It was, in his view, a stepping stone to further cross-party co-operation in the future, and therefore the short term concessions on policy (even electoral reform) were far less important than the long term strategic goal – realignment in British politics.

Steel's apparent reticence to demand specific assurances on this issue was also based on a broader assumption on the future composition of British politics, which also explains his wider strategy during the Lib-Lab Pact. He reasoned that there was a distinct possibility that the next General Election would result in another Hung Parliament, at which time, the Liberal Party perhaps holding the balance of power, could demand a full coalition with electoral reform, for Westminster and European elections, as a prerequisite for support. It should be noted that Steel's analysis was shared by a significant proportion of his own party, and seen as plausible by many academics and media

commentators. In a questionnaire of Liberal Party constituency chairmen and minor party officials, conducted by *New Society* magazine in spring 1977, over half thought that the next General Election would result in a Hung Parliament, with more than one third believing the Liberals would hold the balance of power, the remainder assuming an amalgam of other parties such as the SNP would hold the balance (*New Society*, 22 September 1977:606-607).

Furthermore, in Steel's defence, a scenario in which the Liberals were invited to form a coalition, they would be able to cite the Lib-Lab Agreement as an example of effective cross-party co-operation, and promote the Liberal party as trustworthy and mature coalition partners, with recent experience of shaping governmental policy. Under such circumstances, the absence of achieving PR for the European elections in 1978-79 would likely be disregarded as inconsequential in the broader political picture, especially given the fact there would eventually be convergence on this issue and the UK would be compelled to introduce a PR system for European elections.

Nevertheless, it is hard to avoid the conclusion that, irrespective of a broader political strategy, had Steel placed greater emphasis on electoral reform as a key objective in his negotiations with Callaghan, or been more cognisant of the views of the two larger parties with regard to the electoral reform, he might have sought, and more importantly achieved significantly greater concessions on this issue. It is the contention of this thesis that Steel's emphasis on 'co-operation' and the desire for policy concessions on this issue were not mutually exclusive aims.

While, in retrospect, even Steel saw his actions as politically naïve, the most immediate consequence of not demanding a 'cast iron' assurance on this issue, as the Tordoff Report had demanded meant Steel explicitly placed the co-operation strategy above policy fulfilment. In doing this Steel was at direct variance with a large section of his party and Liberal supporters, (Liberal Party Archive, LLP 19/2: Tordoff report to David Steel, 20 March 1977). The consequences of this divergence in priorities were to be very significant in the Liberal intra-party discussions during the life-time of the Pact, as will be discussed later in this thesis.

The next section will assess the other aspects contingent in the Lib-Lab Agreement, namely, the consultative mechanism and Liberal policy influence.

Chapter Six

The Lib-Lab Consultative Mechanism

In the previous chapter it was noted that Steel chose to prioritize ‘consultation’ ahead of policy influence, indeed, Steel himself concludes that ‘influencing policy was not really the point of the Pact, it was really about being consulted’ (Steel, 2010. Personal communication). This strategy notwithstanding, even Steel envisaged that policy influence as an important consequence of the Pact. He envisaged influence could only be achieved through negotiation, via the consultative mechanism. The origin, structure and extent to which this consultation framework enabled policy influence will be the focus of this chapter.

Origins of consultative mechanisms of the Lib-Lab Pact

As has been noted, the demand for a formal consultative mechanism emanated solely from David Steel. The Liberal leader had repeatedly emphasised the significance which he placed on consultation both as a prerequisite for any cross-party understanding, and as part of a broader ‘co-operation strategy’. To recap, in the first Lib-Lab negotiations on 21 March 1977, Steel had stated that ‘there was no point discussing policy issues’, rather, his priority was a formal agreement through which his primary aim was ‘to be consulted...to be seen to be consulted’ (NA, PREM 16/1399: note of a meeting, 18.00, 21 March 1977). It should be emphasised that few other Liberals viewed a consultative mechanism *per se* as a precondition for an agreement. Most Liberals simply assumed a consultation mechanism would be a necessity to administer any cross-party understanding, (Liberal Party Archive, LLP 19/2: Tordoff Report, 20 March 1977). More significantly when analysing the consultation mechanism of the Pact there was little comprehension, either within the parliamentary Liberal party or the wider Liberal party, as to how ‘consultation’ might operate in practice. Equally, Steel conceded that ‘there was no working paper on how it would

operate, just the Llandudno speech', referring the first speech Steel had given at the Liberal Assembly held in Llandudno in 1976.

While Steel consulted widely on whether to enter cross-party discussions with Labour in March 1977, he did not, in the period between 18-21 March 1977, consult with any Liberal MP or officials within the Liberal party on how a 'Lib-Lab consultative committee' would be structured or operate. This lack of consultation was acknowledged by Steel in his first meeting with the Prime Minister, confessing that the concept of the 'consultative committee' was largely his own idea, admitting that 'he had not yet put this to his colleagues' (NA, PREM16/1399: notes of a meeting, 18.00, 21 March 1977). John Pardoe, the only other Liberal MP involved in direct negotiations with the government in March 1977 later confessed that: 'I certainly don't know who invented the consultative committee, I was never quite sure, I certainly was not in on the discussions, I think I rather assumed that it had come from their side' (Pardoe, 2010 Personal communication).

As noted in Chapter 4, having achieved a 'concession' from Callaghan that a formal mechanism would be adopted, Steel, agreed to defer the negotiations on how it should operate until after agreement had been reached on other policy issues, most notably the government's approach to the voting system to be adopted for the Direct Elections to the European parliament. In a press conference on 24 March 1977, Steel stated that 'we have not taken this very far; we have not attempted to seek detail on this or how the committee will be shaped' (*Guardian*, 25 March 1977).

Without a formal structural template or discussing during the Lib-Lab negotiations, the structure and function of the consultative committee was largely the product of the discussions between David Steel acting alone on behalf of the Liberals in discussion with Labour party negotiators, James Callaghan and Michael Foot, along with important contributions from Kenneth Stowe, its composition and structure only being finalised after the Pact had been agreed. For his part, Steel does not regard the decision to defer discussions on consultation of material importance, primarily because he considers that he had achieved exactly what he sought from the negotiation process,

namely a formal agreement with consultation at its core. However, it is the contention of this thesis that Steel's decision to defer these discussions was significant, influencing both the perceived purpose of the consultative mechanism and its effectiveness as a mean to influencing government policy (Steel, 2010. Personal communication).

The absence of a Liberal party working paper, and Steel's decision to defer discussions on this issue, allowed the Labour party to control the narrative as to the purpose and extent of the consultation process.

Kenneth Stowe produced a 'draft accommodation on consultation' on the 21 March 1977. This was the first document to outline the function and remit of the consultative mechanism, in which he decreed that,

The machinery of consultation...is designed to allow government to take full account of the views of the Liberal party at the appropriate time in the decision process, and to ensure that the Liberal party is fully briefed before taking its decisions on issues that are before the House (NA, PREM 16/1399: Lib-Lab 'draft accommodation', 21 March 1977).

Significantly, Stowe made no reference to the ability of the Liberal party to 'introduce policy proposals' – a key demand of the original Liberal communiqué submitted earlier the same day (NA, PREM 16/1399: Liberal communiqué, 22 March 1977). As has been noted in the previous chapter, the subsequent Stowe-McNally aide memoir and the final 'Joint Statement' only committed the government to 'examine...Liberal proposals'. These apparently minor differences in terminology led directly to government Ministers and civil servants assuming that they were required merely to 'consult' Liberals on forthcoming legislation rather than negotiate with them. This perception was reaffirmed by Callaghan when he reassured Labour Cabinet colleagues on 23 March 1977 that

consultation with the Liberals would be no more extensive than that afforded to the CBI or TUC. (NA, PREM 16/1399: Cabinet discussions, 23 March 1977; Stowe, 2010. Personal communication).

Importantly, large sections of the Liberal party did not share their Labour counterparts' assumptions regarding the limited nature of 'consultation' and policy influence. Both the Liberal NEC and the parliamentary Liberal party believed that in the 'spirit of the Agreement' the Liberal party could 'introduce' policy, as such each Liberal federal organ submitted substantial lists of policies for consideration particularly when the renewal of the Pact was under discussion. This misunderstanding can to some extent be attributed to Steel's ambiguous statements to his colleagues and party during this period. In reply to Callaghan's announcement of the Lib-Lab Pact in the House of Commons on 23 March 1977, Steel outlined specific policy areas 'in which he expected government concessions,

the Liberals would bring forward their views on industrial relations policy, the self-employed, housing policy, and their views on British Leyland. The necessary review of the 1971 Immigration Act, and the Devolution Bill, as well as the shift the burden of taxation off the individual (HC Deb. vol 928 cc1285-418, 23 March 1977).

Of course none of these policies were explicitly mentioned in the Lib-Lab Pact. In a subsequent letter to Liberal parliamentary candidates, Steel advised them to 'ignore the textual analysis of the agreement...it is what we do with it that matters'. These statements placated many Liberals who had been disappointed by the absence of 'cast iron' policy concessions in the 'Joint Statement'. It also had the effect of suggesting to Liberals that significant policy concessions might be achieved through an as yet unspecified consultative framework (Liberal Party Archive, LLP 32/2: Letter to Liberal candidates 24 March 1977; Steel, 2010 Personal communication).

This misunderstanding over the potential of consultation might have been averted had Steel utilised the period between the first meeting with Callaghan on 21 March 1977, in which the establishment

of a consultative process was agreed, and the signing of the Lib-Lab Agreement two days later, to discuss with parliamentary colleagues what he considered achievable via consultation. Similarly, it might be argued that, while Steel has stressed that one of the weaknesses of the Pact was the lack of time to negotiate, given that while there was a need to establish an 'agreement' before the vote of confidence, was there was no necessity for an imminent meeting of a Lib-Lab 'consultative committee'. As such, Steel might have convened the party's Standing Committee after the Agreement was signed to outline more fully his 'consultation' strategy. This strategy would have given him the opportunity to explain what he considered might be both desirable and achievable from a formal consultative process. It might equally have given him more leverage to secure a stronger negotiating position when he came to enter into discussions with Michael Foot.

Steel's loss of the political narrative as to the purpose and extent of consultation also proved crucial in the contemporary perception of the Pact by both political adversaries and the media. Broadly unconvinced by Steel's argument that 'consultation' was a goal in itself, 'Liberal successes' were measured on the basis of tangible policy achievements. Consequently, the perceived absence of an emphasis on policy, either in the Lib-Lab Agreement itself or in the renewal document led critics to conclude that the Pact had not been a policy orientated document but merely a mechanism to avoid a General Election (*The Times*, 24 May 1978; *The Economist*, 28 April 1979). Similarly, this perception influenced later academic analytical studies of the Pact, notably Marsh (1990), Moar (1997) and Oaten (2007). The extent to which this might have been the case in reality will be discussed in detail later in this thesis.

Formation of the Consultative Mechanism

The negotiations between established the structure and remit of the consultative mechanism were conducted by David Steel and Michael Foot over the 24-26 March 1977. Steel largely led the discussions, outlining a template for how consultation might operate, the structure of which will be

discussed in detail shortly. Foot acquiesced to each one of the Liberal leader's demands, only confirming that the Liberal party would support the Labour government's forthcoming legislative programme. In response, Steel asserted that the Liberal party would look at each policy on an *ad hoc* basis, but he did not envisage any issues that would jeopardise the Pact (NA, PREM 16/1259: note of a meeting, 25 March 1977).

Foot's apparent equanimity can be explained by the fact that he concurred with Stowe's earlier assessment of the purpose and remit of the consultative mechanism, namely: that it should be viewed as a means to enable the Labour government to continue with its legislative programme; maintaining the government in office; providing long-term political stability; enabling a greater proportion of the government's legislative programme to be implemented than would otherwise have been the case. This last factor was particularly important to Foot, given his position as Leader of the House and as such had to orchestrate the legislative programme. Foot considered the framework, as envisaged by Steel, to be a largely anodyne instrument, and certainly not capable of compelling the Cabinet to adopt Liberal policies. On this basis, when assessing these negotiations, it might be noted, Steel was content as his proposals had been accepted without significant amendment, while Foot was content as he had secured his key strategic objectives.

The structure of the Consultative mechanism

Steel's template for the consultative mechanism of the Lib-Lab Pact saw inter-party discussions subdivided into three strands: Liberal spokesman-government Minister; the Consultative Committee; and finally bilateral meetings between the Liberal leader and the Prime Minister. At each level, Steel envisaged discussions would be conducted on an issue by issue basis, could be initiated by either party, and should function as informally as was practicably possible.

First strand of consultation: Liberal spokesman-government Minister

Interaction between Liberal spokesmen and government Ministers was regarded by Steel as the most important, and potentially most productive, aspect of the consultation process. In acknowledging the structural constraints of a parliamentary Pact, he concluded that familiarity and close personal interaction were the only way in which the Liberal party could credibly promote policy priorities or achieve policy concessions. Liberal spokesmen were compelled to act on their own initiative, only reporting back to the parliamentary Liberal party on a weekly basis.

The emphasis Steel placed on interaction between Liberal parliamentarians and government Ministers necessitated an immediate review of the shadow departmental portfolios of Liberal parliamentarians. A rudimentary structure of Liberal departmental spokesmen already existed, and in most cases, Liberal MPs retained their erstwhile responsibilities, however, Steel formalised this structure into a self-styled 'Shadow Administration'.

Liberal Shadow Administration

Lord Avebury	Race Relations, Energy (after July 1977)
Lord Banks	Social Services
Alan Beith	Chief Whip and Education
Rt. Hon. Lord Byers	Leader in the House of Lords
Clement Freud	Northern Ireland, Broadcasting and the Arts
Rt. Hon. Jo Grimond	Energy (until July 1977)
Emlyn Hooson QC	Defence and the Law
Geraint Howells	Wales and Agriculture
Russell Johnston	Scotland
Lord Mackie	Without Portfolio, Devolution
John Pardoe	Treasury

David Penhaligon	Transport, Energy after July 1977, Employment after October 1977
Stephen Ross	Housing and Local Government
Baroness Seear	Employment, Prices and Consumer Protection
Cyril Smith	Employment (until October 1977)
Rt. Hon. David Steel	Party Leader
Rt. Hon. Jeremy Thorpe	Foreign and Commonwealth
Richard Wainwright	Trade and Industry
Lord Wigoder	Chief Whip in the Lords
Lord Winstanley	Health

Before finalising this process, Steel felt obliged to liaise with Foot to ensure there were no ‘personality clashes’ (Steel, 1980:43). Consequently, under Foot’s direction, Cyril Smith and David Penhaligon swapped portfolios so that the more amiable Penhaligon shadowed Social Security Secretary Stan Orme, while Smith liaised with Employment Secretary Albert Booth. As has been noted by Butler (1978; 116-117), with only limited powers of patronage Steel was obliged to call on all Liberal MPs to ‘hold office’, the only reshuffle occurring when both Cyril Smith and Jo Grimond resigned from their posts in October 1977 to be replaced by Baroness Seear and Lord Avebury respectively with Penhaligon taking on their responsibilities in the House of Commons.

In such circumstances the task facing the shadow administration was overwhelming, a mere 12 Liberal MPs, assisted by an even smaller contingent of politically active Peers, were required to shadow the portfolios of 24 Secretaries of State and a further 32 Junior Ministers. (Steel having decided to resign from his erstwhile position as Liberal spokesman on devolution in order to focus

on his leadership responsibilities). The increase in workload was substantial, David Penhaligon, for example, was Liberal spokesman in the House of Commons for Transport, Social Security, and (from October 1977) Employment and Energy, positions he was forced to retain despite suffering from viral pneumonia in the summer of 1977.

Moreover, as most issues were to some extent inter-departmental in character, Liberal spokesmen were often compelled to negotiate with numerous departments, one example being Richard Wainwright, who as Trade and Industry spokesman, orchestrated the Liberal party's submission for changes to the Post Office (Industrial Democracy) Bill. The Liberals sought the inclusion of two consumer representatives on the Post Office Board. This process involved liaising with Chief Secretary to the Treasury, Joel Barnett, Roy Hattersley on Prices and Consumer Protection, as well as Eric Varley and Gerald Kaufman, Secretary of State and Minister for Trade and Industry respectfully.

Under such constraints, Liberal spokesmen were required to work collectively, for example, Wainwright was assisted by Hooson and Pardoe, while Wainwright in turn assisted Pardoe in his often fractious discussions with Chancellor of the Exchequer Denis Healey. Similarly, Jeremy Thorpe, while nominally spokesman on Foreign Affairs was an important intermediary in the discussions on Direct Elections. In such circumstances good communication between Liberal MPs and their colleagues in the House of Lords were essential and a consequence of the Pact was an improvement in internal parliamentary party relations.

Second strand of consultation: Consultative Committee

The 'Consultative Committee' had two key functions: first, in-keeping with the priorities of the Labour government, it was to facilitate the passage of the government's legislative programme, acting as a forum in which forthcoming legislation could be discussed and any conflicts debated and resolutions sought. In this sense, it might be viewed as a formalisation of the 'usual channels'

between respective party Chief Whips. Second, the Committee was to act as an arbiter in disputes which arose within the spokesman-Minister strand.

On the basis of this dual role, it was agreed that Michael Foot (as Leader of the House) should chair these discussions, with Home Secretary, Merlyn Rees and Labour Chief Whip, Michael Cocks and his Liberal counterpart Alan Beith, also constant attendees. At Steel's suggestion John Pardoe and Emlyn Hooson also attended these meetings. It was agreed that meetings would take place fortnightly, on a Wednesday, after both the parliamentary Liberal party had met and the formal announcement of the following week's parliamentary business. Sir Freddie Warren, in his capacity as Permanent Private Secretary to the Chief Whip, advised the Committee on parliamentary procedures.

It was anticipated that Labour Ministers, Liberal spokesmen and departmental officials would attend on an issue by issue basis. As with the spokesman-Minister tier, Steel stressed that the Consultative Committee should function on the premise of co-operation and flexibility. Furthermore, he insisted that Ministers should not be overburdened; 'it should not require a lot of time from busy people', although as Russell Johnston observed this concession largely seems to have been an accommodation to government Ministers rather than Steel's parliamentary colleagues many of whom would have welcomed the opportunity to hold the government to account (NA, PREM 16/1294: note of a meeting between David Steel and Michael Foot, 24 March 1977; NA, PREM 16/1400: minutes from the first meeting of the Consultative Committee, 30 March 1977; Johnston, 2008 Personal communication).

It is worth noting that almost all previous academic analysis on the Pact has used the term 'consultative committee' to encompass the entire consultative framework, in fact it was technically only this second strand of consultation (Bartram, 1981, Dutton, 2004). Equally, some, such as Michie and Hoggart (1978) have misinterpreted the avowed function of the Consultative Committee as envisaged by Steel. Michie and Hoggart state, also quoted in Marsh (1990), 'The main demand, the one which to Steel mattered more than any other, was the joint consultation committee...this was

the vehicle for achieving the array of policy initiatives' (Marsh, 1990: 294). In fact, as stated above, of greater significance to Steel was the establishment of the spokesman-Minister strand. Steel envisaged that the Consultative Committee should be 'more of a symbol, than a working organisation, exercising oversight of how the thing is going, not trying to do the work itself' (NA, PREM 16/1399: note of a meeting between Steel and Foot, 24 March 1977).

The Consultative Committee did fulfil its remit, in so much as it met regularly throughout the Pact, (see Appendix 2) discussions were cordial as Steel has envisaged, and did centred on forthcoming legislation and areas of dispute. There is also some justification in claiming the Committee did enable Liberal MPs to exert policy influence, although this was largely characterised as acting as a check on government policy, rather than instigating Liberal policy. For example, the series of meeting in February 1978 which focused on Tony Benn's Electricity Bill resulted in the Liberals deciding to withdraw their support and the Bill; it was consequently dropped from the legislative programme. Similarly, the Liberals' refusal to support the Dock Work Regulation Bill and the reversal of cuts in Defence spending were confirmed in the Consultative Committee. Although, as with other aspects of the Pact it might equally be argued that these changes would have occurred if the Liberals had opposed these policies from a position of formal opposition.

It might, however, equally be noted that this process did gave the Liberal party the opportunity to promote their own favoured policies such as the Land Bank, devolution to the English regions, Efficiency Audit and Official Secrets, however, none of these proposals were adopted in the legislative programme. There were occasions when, through discussion in the Committee, the Liberals achieved concessions which led to legislation being enacted. Richard Wainwright, for example, compelled the government to agree to the Liberal proposal to include two consumer representatives on the reconfigured Post Office Board as part of the Post Office (Industrial Democracy) Bill. In response, to this concession Steel commented to Callaghan he was 'almost embarrassed about how well the Consultative Committee was functioning' (NA, PREM 16/1399: note

of a meeting, 3 May 1977)'. Likewise, John Stevens, Principal Private Secretary to the Lord President's Office, observed:

Industrial Democracy in the Post Office was perhaps a classic example of how the Consultative Committee should work. Talks between departmental Ministers and Liberals had run into difficulties and the discussion moved into the Consultative Committee which ultimately achieved a solution (NA, PREM 16/1400: Note from John Stevens to Kenneth Stowe, 18 May 1977).

However, in some ways this issue encapsulates one of the structural problems of a parliamentary arrangement. Unaware of the Conservative Party's positions on this issue, the Labour government agreed to Liberal concessions on the assumption that the Conservative party would vote against the Bill, and thus Liberal support was essential. In the event, the Conservative party supported the legislation in full; consequently the government's compromise to the Liberals was an unnecessary concession (Beith, 1978: 36).

Furthermore, the role of the Consultative Committee as an arbiter of disputes was somewhat undermined by the fact that decision-making authority ultimately resided with the respective party leaders, or necessitated formal Cabinet discussions. As such, on a number of issues, such as: discussions on Defence spending; Direct Elections; help for small businesses, the Consultative Committee either deferred to the Callaghan-Steel strand or was circumvented by events. This structural weakness frustrated Steel, who resented the fact that 'everything ended up on [his] desk'. Despite his earlier statement, noted above, praising the work of the committee, he subsequently confided in Foot that the Consultative Committee had not functioned as effectively as he had hoped. Nevertheless, Steel decided not to attempt to amend the working practices of the Committee as part of the renewal document (NA, PREM 16/1401: note of a meeting, 29 July 1977).

Third strand of consultation: Callaghan-Steel axis

The third strand of consultation was the meetings between the Prime Minister and the Liberal leader. This had three principal functions: it acted as a forum in which the leaders could discuss the wider tactical and strategic aspects of the cross-party agreement; forthcoming legislation could be discussed; it operated as the final arbiter in inter-party disputes unresolved in the Consultative Committee.

Steel embraced the prospect of discussing strategy and policy with the Prime Minister, he also envisaged that he could utilise the privilege this afforded him to persuade Callaghan of the merits of cross-party co-operation as a method of government. Simultaneously he hoped to achieve minor policy concessions. Kenneth Stowe attended almost all meetings, in his capacity as Permanent Private Secretary to the Prime Minister, Philip Wood, the Prime Minister's Private Secretary occasionally taking on this role in late 1978.

The Liberal leader had initially suggested meeting should take place after Prime Minister's Questions, (twice a week), to ensure unanimity in approach to forthcoming policies. Callaghan however viewed this as unworkable on both a political and practical basis, reasoning that the Liberal leader should not be consulted more frequently than either the Cabinet or the Parliamentary Labour Party. In response Steel then seems to have changed his negotiating position markedly, suggesting that they should meet only when necessary. As with the other aspect of consultation Steel envisaged these discussions should be as informal as possible. He later observed, 'the Prime Minister's life was hell enough without the leader of the Liberal party darting in and out every other day' (NA, PREM 16/1400: note of a meeting, 3 May 1977; Steel, 1980:53). In practice, meetings took place on average every two weeks while parliament was in session, mostly at the behest of the Prime Minister. The exception to this being times of political crisis, when meetings were much more numerous; examples of this being the build up to the renewal of the Agreement and prior to, and in the aftermath of, the parliamentary vote on the Direct Elections (PR) vote - in the latter case seven

meetings took place over five days. On certain issues the Callaghan-Steel axis was the principle forum for debate and decision-making, with the lower tiers taking an ancillary role, examples being: the renewal of the Pact, the Queen's Speech, the termination of the Pact, and that most controversial measure, Direct Elections.

Contemporary commentators such as Kenneth Stowe, Bernard Donoughue and Tom McNally have noted that despite his early reticence Callaghan acquired a high regard for the Liberal leader and a good and personable relationship based on mutual respect. John Stevens characterised this relationship as 'Uncle and nephew', a description with which Steel does not demure (Stowe, 2010. Personal communication). Like his political mentor Hugh Dalton, Callaghan was a keen advocate of promoting youth. As such Steel, at 39 was of the same generation as with the Prime Minister's close aids Tom McNally and Tom McCaffrey both of whom were in their mid 30s meanwhile David Owen as Foreign Secretary was the youngest holder of this post since Anthony Eden.

Meetings between the two men were largely cordial, and often well natured, in keeping with the style of leadership Callaghan had adopted since becoming Prime Minister, he was happy to converse openly on a number of issues, often going beyond the remit of the Lib-Lab Pact (Ballinger and Seldon, 2004: 176). However, it should be observed Callaghan was not averse to using his discussions with Steel for political advantage:

I often took him into my confidence; speaking on Privy Council terms...I wanted him to have as complete a picture as possible of the government's overall situation so that he would better understand our limitations. He quickly grasped this, much earlier than some of his colleagues...Steel toned down their demands into a manageable package (Callaghan, 1987:466).

The motives behind Callaghan's comments attune with the observations of Jo Grimond, the former Liberal leader had warned his colleagues that Steel's rationale, 'that through familiarity the Liberals

could achieve concessions', might have unintended consequences which would be detrimental to the Liberal strategic objective,

What this arrangement overlooks is the value of ignorance. It's all too easy to begin to sympathise with Ministers if you know all the arguments they know. Now we all get the arguments and when you've heard them you lose your clarity. How can you attack the Government so strongly if you know why they are doing what they are doing (Young, 2008:111-112).

It was Steel's very reasonableness in discussion with Callaghan which at time infuriated his colleagues, Emlyn Hooson (Defence Spokesman) for example, clashed with Steel over the Liberal leader's desire not to cause inter-party conflict over this issue. Hooson asserted to Michael Foot in May 1977 that unless proposed cuts in defence spending were reversed the Pact would not be renewed. Defence spending an important issue for all political parties through the 1970s, in the context of a perceived Soviet threat in Eastern Europe. Indeed, Callaghan confided in colleagues that he feared this issue may lead to the termination of the Pact. Steel in contrast did not prioritise it as a 'breaking point' in the Pact in May 1977, and actively sought to reduce inter-party tensions. Later a belligerent Hooson, and with Conservative support, forced Steel to act on his behalf in achieving concessions on this issue (Steel, 1980:124; NA, PREM 16/1400: letter from Michael Foot to Fred Mulley, 26 May 1977; NA, CAB 128/61 CM(77): Cabinet Conclusions, 15 December 1977).

In his discussions with Callaghan, Steel did raise issues on behalf of Liberal MPs, Geraint Howells concluding that on the changes to small business tax relief 'it was only through David Steel's ability to press James Callaghan that anything was achieved' (Cole, 2011a:179). However, because the leaders' axis was the final arbiter of disputes on some, often more controversial issues, Steel was able to act on his own initiative. On occasion this resulting in him later supplying the parliamentary Liberal party with a *fait accompli*. Examples of this included, to various degrees, decision on the Direct Elections Bill, the Finance Bill, the renewal of the agreement and the Queen's Speech 1977.

Implementation of the consultative mechanism and reasons for the limitations in Liberal policy influence

The following section will assess the limitation on the extent to which the Liberal party could influence government policy. This analysis looks at instances where limitations might be considered systematic of a negotiation process where one party (with only 13 MPs) had only limited influence. The analysis will also address instances where the limiting factors might be considered a consequence of weaknesses in the negotiating strategy of Steel and thus structural weaknesses in the consultative mechanism.

Structural/institutional issues

The Lib-Lab Pact, as has been numerous observed in this thesis, was not a full coalition. As such the structures which might have existed in a more formal arrangement were absent from the Pact. There was no 'joint programme' of government, being formed in the middle of the 1976-1977 parliamentary session meant the Labour government's legislative programme was already in place and Liberals were only able to influence policy on the margins. Moreover, Labour managers were neither inclined or compelled to give either their time or parliamentary time to Liberal party initiatives other than those outlined in the Joint Agreement. None of this would have been of any consequence had the Liberal party activists not expected more from the consultation process constructed by Steel/

From the outset of the Lib-Lab negotiations Liberal activists speculated eagerly that the loss of the Devolution legislation on 17 February 1977 had left room in the parliamentary timetable for 'Liberal measures' to be introduced. In fact, this was not the case, indeed Freddie Warren, Permanent Secretary to the Chief Whip, had warned Michael Foot that far from freeing up the government programme for the imposition of more policies, the loss of the Devolution Bill had only relieved the

strain on an already congested legislative programme.

The 'Lib-Lab Joint Statement' had explicitly stated the Pact would be concluded (and reviewed) at the end of the parliamentary session. This in practice meant the first period of the Pact extended over only 61 parliamentary days; this clearly offered Liberal MPs little opportunity to instigate policy change. The short duration of the first period of the Pact also meant Liberal MPs were not in a position to discuss the proposals for the legislative programme for 1977-78 (The Queen's Speech) until and unless the Pact was renewed at the end of the parliamentary session. Indeed, Kenneth Stowe had specifically warned Ministers against discussing forthcoming legislation with Liberal spokesmen (NA, PREM 16/1395: note to Ministers, 28 April 1977). Furthermore, the fact that the Pact was only renewed at the very end of the parliamentary session meant Liberal policy influence after this period was diminished by the almost immediate summer recess and the fact October was taken up with the party conference season, followed almost immediately by the Queen's Speech by which point almost all of the government's programme for 1977-78 was already agreed without significant Liberal input.

When considering Liberal influence on government two key objectives might be observed: first, to act as a restraint on policy proposals they considered 'illiberal'; second, to oblige the government to include in its legislative programme specific policies which could be seen as explicitly originating from the Liberal party.

With regard to the notion of acting as a block on Labour policies, the Liberal party might be considered only marginally successful. This is partly because many of the more controversial measures of the Labour government had either already been enacted in the period 1974-1976 when the government had enjoyed a parliamentary majority, or Labour party parliamentary managers, (just as they had on 3 March 1977 following the loss of the guillotine motion), took the pragmatic decision to jettison measures which might not receive all party support, such as nationalisation of the water industry and the imposition of a wealth tax.

Furthermore, even when items were included in the legislative programme which might be considered 'radical', often at the behest of the Labour party National Executive, such as the Post Office Bill, Occupational Pension provision and the Civil Aviation Bill, these measures were not prioritized. The Cabinet sought to be seen to be acquiescing to the radical elements in the party when in reality being prepared to quietly accept defeat on this legislation at the committee stage. This approach through which the parliamentary process stalled radical legislation rather than a confrontation with the Liberals had the simultaneous consequence of preventing the Liberals from promoting the Pact as a mechanism for 'stopping socialism', except in the more abstract sense that more radical measures were not enacted (Steel, 1980:183-185; NA, PREM 16/1395: letter from Michael Foot to James Callaghan, 14 April 1977).

The second area in which Liberal spokesmen's might influence policy was by utilising the consultative mechanism to promote policies. This too was problematic for the Liberals to either achieve or be seen to achieve because of the structural weakness inherent in the 'Joint Agreement'. The Pact only compelled the Labour government to act on four areas of policy: Devolution, Direct Elections; Stephen Ross's Homeless Persons Bill; Local Authority (Works) Bill. Beyond this list the government was only required to consult with Liberals or 'take account' of their position. This structure led to two problems for the Liberals, first, how could they compel the government to act when Ministers were not compelled or inclined to do so? Second, how to establish decisively in the public mind that when the government did act, it did so specifically because of Liberal pressure or persuasion? - rather than because of a combination of other factors related to not possessing an overall majority. The attitude of Liberal spokesmen to this dilemma and their respective responses will be discussed shortly.

It should be noted Marsh (1990) in the analysis of these problems attempts to classify Liberal influence, however, Marsh largely misrepresenting the problems or misunderstands the timelines of the decision making process and so his conclusions have been largely discounted in the following

analysis. In this thesis, primarily because of the issues over classification, ‘policy influence’ has only been noted where clear evidence is available to show Liberal input was decisive in the government’s actions.

Human resource issues

During the Lib-Lab negotiations Steel and Pardoe had suggested to Foot that ‘Liberal experts’ outside parliament might be utilised in place of Parliamentarians, (mirroring the preparations undertaken by Grimond in 1965, as noted in chapter 1 of this thesis). Steel had intended to involve among others, Christopher Mayhew, Menzies Campbell, Ralph Bancroft and Professor James Cornford, of the Liberal Outer Policy Unit. However, Foot insisted that, as it was a parliamentary Pact, outside agencies could only be seconded in an advisory capacity – at the Liberal party’s expense. This proved both financially and logistically difficult for the Liberal party. Almost immediately after the formation of the consultative mechanism, the party’s Standing Committee complained that there were practical difficulties with this aspect of the consultative structure.

The key concerns were as follows: the Liberal party remaining an Opposition party, as such Liberal spokesmen often found it difficult to maintain effective contact with government Ministers. Meetings with Ministers were often convened at very short notice, meaning it was difficult for the Liberals to retain a continuity of attendance, or ensure they were fully prepared. This issue was especially acute when Liberal spokesmen were faced with a large and often obstinate government delegation consisting of both Ministers and civil servants. Russell Johnston, spokesman on devolution, recalls, ‘there would be three or four us, facing the entire civil service and half a dozen Ministers’ (Johnston, 2008. Personal communication). Vernon Bogdanor notes, ‘the Liberals proved utterly unable to match the technical sophistication of the Treasury and the Inland Revenue’ (Bogdanor: 1983:189). The response to this might very well be: How could they be expected to, with such limited resources?

While Steel did raise the issue of structural and institutional difficulties with Callaghan, he nonetheless simultaneously felt compelled to complain to his colleagues, 'it was no use taking vague Liberals [to meetings] on humanitarian grounds...these are not group therapy sessions, but hard political negotiations' (Steed Papers, minutes of Liberal Party Standing Committee meeting, April 1977; Michie and Hoggart, 1978:132).

Financial issues

The Liberal party's ability to participate effectively in the consultation process was also affected by financial constraints. Under the terms of a parliamentary pact no additional financial assistance could be provided by the state for the Liberals which might have been expected under a full coalition. As such, Steel was compelled to lobby the Prime Minister repeatedly for an increase in the level of 'Short money' (the mechanism whereby Opposition political parties are allocated money relative to their electoral performance). The Liberal party received £33,000 through this process, but Steel argued that inflation had diminished this figure. This argument was accepted as reasonable by the government, yet no new money was provided during the lifetime of the Pact.

The parliamentary Liberal party only had a very small secretarial team; in 1979 this numbered eight full-time and two part-time staff (Steed, 1983: 133). Steel had attempted to gain political capital from this situation, stating in *The Times* that he had a bigger workload than the Leader of the Opposition but 'I shall not ask for the salary, the car, the offices, the staff which are hers by right, let alone Ministerial jobs for myself and my colleagues (*The Times*, 18 April 1977). However, for all Steel's bluster this situation clearly undermined the effectiveness of the Liberal party to either hold the government to account or formulate coherent alternatives to government policy.

Again Steel addressed these problems to the Prime Minister, however, unprepared for the logistical and administrative novelty of the Pact, an impasse developed within Whitehall over how this issue might be resolved. While sympathetic to the Liberals plight, the government was concerned not to

be seen to be supplying official assistance to the Liberal party. A solution was arrived at via a proposal suggested by Geoffrey Smith of *The Times*. In an editorial piece he suggested secretarial staff might be seconded from the Lord President's Office to administer the Consultative Committee and thus 'unofficially' work for the Liberals. Kenneth Stowe, having read the article, commented to the Prime Minister, 'I rather like the suggestion', as such in September 1977 Carolyn Morrison was seconded to work as secretary to the Consultative Committee, though in effect she administered the Liberal party side of the consultative framework (*The Times*, 1 July 1977; NA, PREM 16/1400: note from Kenneth Stowe to James Callaghan, 1 July 1977; NA, PREM 16/1400: letter from Kenneth Stowe to John Stevens, 4 July 1977).

This episode was emblematic of the *ad hoc* nature of the Lib-Lab Agreement, as both the two political parties and Whitehall took time to adjust to the new situation. While Steel welcomed the appointment of Morrison, the limitation on resources remained a structural weakness of the Pact. It was also a contributory factor in Cyril Smith's conclusion that a cross-party agreement could not function with such an unequal distribution of power and resources and informed his decision to resign from his position as Employment spokesman in September 1977.

Aptitude and Attitude of key participants

The fact that Steel had placed as the fulcrum of the consultative mechanism the spokesman-Minster axis meant the ability of Liberal parliamentarians to conduct constructive negotiations with Labour party counterparts was clearly going to be critical for the Liberal party to be seen to be successfully influencing government policy. The ability of Liberal spokesmen in this regard was far from uniform. In some respects the Liberal spokesmen acquitted themselves well, Steel, Pardoe and Wainwright were credited by Labour counterparts as of Ministerial calibre, meanwhile David Penhaligon, Stephen Ross and Alan Beith were each seen to be effective negotiators. Cyril Smith resigned his post in September 1977 and Clement Freud, while taking a keen interest in some aspects of the Pact,

such as his own Private Members' Bill on Official Secrets, was an infrequent attendee of meetings with Ministers (Donoghue, 2008; Barnett, 1982; Owen, 1992).

Of the former Party leaders, Jeremy Thorpe and Jo Grimond, Thorpe enjoyed good relations with David Owen, and gave constructive advice on foreign policy, especially with relation to Rhodesia. As noted above, Thorpe also assisted in the negotiations undertaken in the consultative committee, although his effectiveness was clearly mitigated by his involvement in the political scandal which was to resurface in September 1977. Jo Grimond, while an erstwhile political heavyweight, by 1977, sceptical of the merits of the Pact and suffering from increasing deafness, was largely ineffectual in his role as Energy spokesman shadowing Tony Benn. Reporting back to colleagues on his discussions with Benn he commented 'we had a very nice chat, we had five biscuits and tea' (Tordoff, 2008. Personal communication). Grimond confided in Hugo Young that he was 'working no harder now than I was before' furthermore he complained, 'if I am expected to work like a Minister 'I want £10,000 a year and a good staff' (Young, 2008:111-12).

Steel was largely dismissive of the role played by Liberal peers, however, evidence suggests that each played a productive role in their respective negotiations. Lord Mackie assisted in discussion on Devolution, Nancy Seear was instrumental in Liberal objections to the Dock Work Regulations and Lord Banks prevented changes to the appointment of trade union members on the board of pension funds. (Liberal Party Archive, LLP 19/2: 'Liberal achievements from the Pact' 20 March 1978; (Tordoff, 2008 Personal communication (Johnston, 2008. Personal communication; Barnett, 1982:120; Liberal Party Archive, LLP 19/1: 'List of Liberal Party achievements during the Lib-Lab Pact', May 1978; Brack, 1998:63; Steel,2010. Personal communication).

In assessing the spokesman-Minister axis in practice, Alan Beith observed that while this was the most constructive aspect of the Pact, the consultation process was *ad hoc*; dependent on individual spokesmen to press the Liberal case (Beith, 1978; 35). Particular criticism in this regard was directed from various quarters at Russell Johnston, the lead Liberal negotiator on Devolution, facing Michael

Foot and John Smith representing the Government. Cross-party discussion on this issue had predated the Pact as continued under this framework. As such, unlike most spokesman-Minister relations formal meetings on devolution were convened and full minutes were taken. Indeed these negotiations might be regarded as running in parallel to the consultative mechanism, rather than integral to the process. Significantly cross-party discussions on this topic would have continued even without the formation of the Pact, and the Lib-Lab Agreement did not afford the Liberal party any new privileges in this regard.

Professor James Cornford, who assisted Johnston in these negotiations, is dismissive of Johnston's negotiating style commenting that, at every impasse 'Johnston responded "well if they won't they won't"...he didn't even go outside and say "what are we going to do about it", he just gave way' (quoted in Maor, 1998:122). Johnston acknowledges this criticism, but cites the structural weakness of the consultative process for his equanimity, stating, 'our negotiating position was very weak, we couldn't force the government to agree to our demands without bringing down the whole thing' (Johnston, 2008. Personal communication). The fact with reference to devolution both parties held a shared objective, namely, to see the legislation re-introduced, militated against Liberals exerting influence on this process, in the final analysis for all his negotiating limitations Johnston is correct, the Liberals could not achieve their key objectives because they could not feasibly threaten the ultimate sanction - to veto the legislation.

In assessing the Liberal influence on the Devolution Bill, it might be observed that the Liberals did not achieve either of their primary objectives, namely, the adopting of a proportional voting system, or for the Scottish Assembly to have tax raising powers. Liberal 'improvements' to the Bill were negligible and on the margins: separate Bills for Scotland and Wales, a judicial review over the Assemblies' powers and a reduction of the powers of the Secretary of State, a change in title of the leader of the Scottish Assembly from Chief Executive to First Secretary, (in fact Callaghan had vetoed

Steel's original suggestion of First Minister) (NA, PREM 16/1259: note from James Callaghan to Philip Wood, 28 June 1977).

One issue which was to prove significant, but drew little comment at the time was the adoption of the block grant based on population size rather than need, later to be called the 'Barnett Formula' after Chief Secretary Joel Barnett, in fact owed its origins to the Liberal Outer Policy Unit. Finally, the concessions achieved by the Liberals on this issue were ultimately to prove irrelevant when the Cunningham '40% rule' Amendment, (stating that if less than 40% of the electorate voted 'Yes', then the Scotland Act granting devolution should be repealed). Thus, making it highly unlikely that the devolved assemblies would be introduced (Steel, 1980:99; NA, 16/1297: 'Liberal Party memorandum on devolution', no date).

This point in turn raises an important issue when discussing the extent of Liberal policy influence. While the Lib-Lab Pact was the only formal agreement entered into by the government, it was by no means the only, or it has been argued, the most significant process whereby the Labour government was forced to amend policy. According to Vernon Bogdanor, the Cunningham Amendment has 'some claim to be the most significant back-bench initiative in British politics since the war' (Bogdanor, 1979:249). Equally, changes to the Finance Bill 1977, imposed on the Government at the committee stage by Labour Left-wing MPs Audrey Wise and Jeff Rooker had a greater affect on Government economic policy than anything enacted through the Lib-Lab Pact.

The difficulty Liberal spokesmen had in holding the government to account, while simultaneously demonstrating the virtues of collaboration noted by Johnston, were also observed by Nancy Seear; 'we could modify certain things they did...we could get individual things...and that was really about all we could do. If we pushed much further than that, the Pact would have been broken (Seear quoted in Moar, 1998:121). In this regard, Tony Greaves liked the Lib-Lab Pact to the revising function seen in the House of Lords, amending legislation but unable to initiate legislation (Greaves, 2010. Personal communication).

While the limitations to the spokesman-Minister strand have been noted, in most areas Lib-Lab consultation was productive and conducted on good terms. Joel Barnett recalls his deals with Richard Wainwright,

I worked very well with him, enjoyed working with him, and he seemed to enjoy it.

He wanted to do something practical. He was knowledgeable financially; I could have serious discussions without difficulty (quoted from Cole, 2011a:178).

However, 'working well' with Ministerial counterparts did not always result in a productive outcome for the Liberal party. As Cole (2011a) notes, while Wainwright concurred with Barnett that their relationship was good and he enjoyed the opportunity the Pact afforded him to influence policy making, he nonetheless lamented that there was a 'rather unhappy contrast' between government Ministers' attitude 'on matters where our votes have been needed, and per contra, not shown on non-parliamentary aspects of the very same subject' (Cole, 2011a:178-79).

Nevertheless, even in such circumstances some Liberal concessions were achieved; David Penhaligon worked well with Transport Secretary, William Rodgers. Rodgers later conceded 'he influenced me more than he imagined, especially on rural questions, although I did not shout it from the roof tops' (Rodgers 2000:171). Penhaligon also achieved the assurance from the Minister of State at the Department of Industry, Alan Williams, that the government would supply a subsidy which ensured the survival of the Wheal Jane tin mine in Penhaligon's Truro constituency (Penhaligon, 1989:147). It was also Penhaligon who was most successful in using the Pact as a blocking mechanism, upon becoming Energy spokesman in October 1977, he spoke most vociferously against Benn's Electricity and Nuclear Materials Bill.

A further concession achieved via the Lib-Lab Pact was the opportunity it afforded Alan Beith to persuade Chief Whip Michael Cocks to serve the writ on the Liverpool Edge Hill by-election in February 1979. Cocks' decision was a direct consequence of the close working relationship he and

Beith enjoyed, fostered by the Pact (Beith, 2008:100). The Liberal candidate David Alton duly won Edge Hill, just a day after the government was defeated in the vote of confidence. Alton's victory was instrumental in providing a boost in moral and credibility to the Liberal party immediately before the 1979 General Election, Steel regarded it as crucial in sustaining the Liberal vote in the 1979 General Election (Steel, 2010. Personal communication). There were also more subtle consequences from the Pact with regard to the election, for example, Bernard Donoughue approached the *Daily Mirror* to ask them to suggest to Labour supporters that they vote Liberal anywhere that would help keep the Tories out, (although this appears to have had little material effect). Donoughue also liaised with Steel and Pardoe prior to the election to 'help plan their election campaign' (Donoughue, 2008:347).

Other areas where Liberal influence was exerted were: an inquiry into the effect on NHS of an influx of visitors into Cornwall; an increase in the grant for teacher training; the decision not to sell arms to El Salvador; a Pricing Commission to control charges at caravan sites; an increase in the level of the Green Pound; the introduction of a separate National Farmers Union for Wales (Liberal Party Archive, LLP 19/1: 'list of Liberal achievements since the start of the Lib-Lab Pact', May 1978).

As becomes evident in reviewing this list, while it might be argued that each policy concession achieved by the Liberal party had merit in its own right, they did not constitute a coherent collection of policy concessions. In some ways this, as with other factors, was a structural weakness of the Pact. There was no coherent 'Liberal manifesto'. More pertinently, because the Liberal spokesmen worked largely alone in their dealings with Ministers and with limited resources, and without significant media support, it was difficult to co-ordinate a clear political narrative to convey these 'successes' to the media or the public.

While some spokesman-Minster relationships were relatively harmonious, others experienced significant discord and these poor relations effected Liberal effectiveness at policy influence. These divisions were most evident in the interactions between John Pardoe and Denis Healey. While Steel had assumed a good, if robust, relationship might have developed between the two men, in fact there was shared antipathy. Healey viewed Pardoe as 'simply Denis Healey with no redeeming features' (Barnett, 1982:112). Meanwhile, Pardoe is of the view that,

we were set up to fight...the only way which the respectability of the Liberal party could be maintained was if Healey and I had a fight. The trouble was that the only way in which the Labour party could maintain that Liberals weren't having too much influence was for Healey also to be seen fighting (Pardoe, 2010. Personal communication).

The most serious confrontation between Pardoe and Healey occurred on 21 December 1977 when, following disagreements in a meeting over pay policy. Healey left, the meeting 'ending abruptly', and Pardoe subsequently called Healey the 'second worst chancellor since the War'. No further meeting took place until 22 February 1978. This resulted in some difficulties when cross-party discussions were required on the 1978 Budget due to take place in April 1978. The consequences of these difficulties and Pardoe's negotiation strategy will be discussed in chapter 11 (NA, PREM 16/1794: note of a meeting, 21 December 1977; Steel; 1980:118).

Attitude of Government Ministers to consultation

Frustration with the structure of the consultative mechanism was not restricted to the Liberal party. Labour Ministers' often found adjusting to the new political situation cumbersome. The Prime Minister's Office sent regular reminders to Ministers stressing that consultation must be maintained. At the formation of the Pact a communiqué was sent to all Cabinet Ministers by Callaghan instructing them that consultation should be 'conducted in a timely manner, but not to go to

extremes' moreover he asserted 'only they and not Junior Ministers should liaise with Liberal spokesmen' (NA, PREM 16/1400: note of a meeting, 27 June 1977; NA, PREM 16/1399: note from Kenneth Stowe to Departmental Private Secretaries, 28 March 1977; NA, PREM 16/1294: letter from James Callaghan to Shirley Williams, 22 January 1978). Although circulated to all departments, these letters were largely directed at one person – Tony Benn. As noted in Chapter 5, Benn was a firm critic of the Lib-Lab Pact and much to the Liberal party's frustration he chose not to liaise regularly with the various Liberal spokesmen, Jo Grimond, Lord Avebury or Grimond's successor as Energy spokesman in the Commons, David Penhaligon. However, in keeping with the 'informal' remit of the Pact no formal sanction could be imposed on Benn for not fulfilling his role, other than a rebuke from the Prime Minister.

It might also be noted that Benn was not alone in not liaising effectively with the Liberals, nor was this issue restricted to the Labour Left or those opposed to the Pact. Shirley Williams was chastised by Callaghan for not keeping Alan Beith informed of changes to the Green Paper on Education reform. When Williams did communicate with Beith she simply informed him that his proposals, that local authorities might employ Newly Qualified Teachers, were unworkable (in fact it later transpired Beith's suggestions were illegal).

Government Ministers, like their Liberal counterparts were often frustrated by the structural limitations of the Pact. Joel Barnett observed that while discussions were more frequent than he had envisaged, he lamented that 'because I could not speak directly with the parliamentary Liberal party, I had to rely on John Pardoe selling our various compromises. I began to suspect that they in turn, reacted against John's highhanded manner and were not persuaded by him' (Barnett, 1982:117).

While the previous section has noted the structural, constitutional, financial and human resource limitations of the Pact, focusing on the interaction between the Liberal or Labour politicians, it is important to note that the administration of the Pact was facilitated by the civil service. The next

section of this thesis will therefore address the role of the civil service through the negotiation of the Lib-Lab Pact and its subsequent implementation.

The role of the civil service during the Lib-Lab Pact

Until 2010, no preparatory work had ever been undertaken by either the Prime Minister's Office or the Cabinet Office into how cross-party negotiations should be conducted, either with regard to an inconclusive General Election or the necessity for the establishment of a parliamentary pact, as had occurred in 1977 (www.publications.parliament.uk, Justice Committee meeting, 24 February 2010 [accessed 10 September 2010]). It was always assumed by successive Cabinet Secretaries that because any discussions would be 'political' in nature these fell outside the remit of the civil service (Stowe, 2010 Personal communication). The absence of guidelines as to the role and remit of the civil service led to difficulties for those charged with administering the negotiations and implementation of the Lib-Lab Pact as will be discussed below.

Prior to the commencement of the inter-party discussions on 21 March 1977, Kenneth Stowe, the Prime Minister's Principle Private Secretary, sought the counsel of Sir Douglas Allen, Head of the civil service. Stowe required Allen's assurance that his [Stowe's] propriety as a impartial civil servant, advising the Prime Minister, would not be compromised by attending the imminent cross-party discussions, which he acknowledged were essentially 'political' negotiations (NA, PREM 16/1399: Kenneth Stowe 'note for the record', 28 March 1977).

Allen judged that Stowe was perfectly at liberty to take an active role in the discussions, reasoning that as they would involve issues of policy, 'the Prime Minister should have factual advice, and any conclusions involving changes in policy (or not) be accurately recorded' (NA, PREM16/1399: letter from Kenneth Stowe to Douglas Allen, 21 March 1977). Allen's decision enabled Stowe to attend all the cross-party meetings involving the Prime Minister, with the Principal Private Secretary to the

Lord President's Office attending those in which only Michael Foot represented the government. Although Allen did not cite it in his letter to Stowe, there was in fact a precedent for civil service involvement in cross-party discussions; Robert Armstrong, while Principal Private Secretary to Edward Heath, had taken on a similar role during the Heath-Thorpe discussions in February 1974 (Dorey, 2008:31).

Given Allen's assurances, Stowe subsequently played an important role in the Lib-Lab negotiations, (as noted in chapter 4) advising the Prime Minister, and together with Tom McNally writing the various drafts of the Joint Agreement. Stowe wrote the first document which established the remit of the consultative mechanism, which it has been noted was important in setting the parameters of the consultation process. Stowe acting as a conduit between Steel and the Cabinet on 23 March 1977. As will be noted later in this thesis Stowe was instrumental in the drafting the renewal document. Moreover, Stowe acted as the fulcrum for the administrative aspects of the consultative process during the lifetime of the Pact, disseminated information and issuing directives (often on his own initiative) to colleagues within Whitehall. This involved close consultation with Douglas Allen, the Head of the civil service, John Stevens, the Cabinet Secretary as well as Departmental Permanent Secretary including Douglas Wass, at the Treasury. In many way, while the Pact might be describe as an agreement between Callaghan and Steel, with Foot administered the consultation process, Stowe acting as the fulcrum for all interaction related to the Pact within Whitehall.

Stowe developed a good working relationship with Steel, commenting 'Davey Steel [sic] was an honourable and pragmatic man, he understood the limitations of the Pact and worked within them' (Steel, 2010; Stowe, 2010. Personal communication). Stowe's comments are instructive. He often acted on his own initiative (without the express permission of Callaghan) to ensuring the Pact functioned effectively, going to the extent of ensuring Liberal party be given great access to government documents when required. For example, concluding that negotiations between Steel and Callaghan were detrimentally effected by the structural weaknesses of the Pact, as he supplied

Steel with all the minuted correspondence between Liberal spokesmen and government Ministers. Similarly it was Stowe who initiated and orchestrated the secondment of a civil servant to administer the Consultative Committee and thereby vicariously assist the Liberal party. However, it must be emphasised Stowe's primary function as Principal Private Secretary to the Prime Minister was not the maintenance of the Pact *per se*, but to ensure the Pact enabled the smooth passage of the government legislative programme. All his actions therefore must be viewed through this prism.

Stowe, together with John Stevens and John Hunt each advised Callaghan where possible to take a strategic approach when negotiating with the Liberals. As such meetings with Steel were prioritised, rather than with the 'more hawkish Pardoe' or the more obstinate Liberals such as Richard Wainwright. Stevens noting, 'Steel understands the difference between negotiating and making a flat statement of the Liberal position...not all his members appreciate the difference; but this is probably just a question of inexperience'. The fact that the final arbiter of dispute was the leadership axis often assisted the Government's aim of circumventing the more belligerent members of the Liberal party (NA, PREM 16/1400: notes from John Stevens to Kenneth Stowe, 18 May 1977).

On 25 March 1977, Stowe warned Cabinet Secretary, John Hunt, 'there is as great a danger around Whitehall of people going overboard on consultation with the Liberals, as there is of them neglecting to do so' As such Hunt informed the Permanent Secretaries in all departments to be mindful of the 'limited nature of the agreement with the Liberals' (NA, PREM 16/1399: note from Kenneth Stowe to James Callaghan, 25 March 1977).

Stowe's role was not restricted to maintaining the structural aspects of the Pact, on occasion he also liaised closely with Callaghan to ensure the Pact achieved a political advantage for the Labour government. Steel always assumed that there was 'no consistent policy regarding his appearances [at No. 10 Downing Street]'. In reality, Callaghan and Stowe quickly ensured that where possible the Liberal leader's meetings with the Prime Minister were timed to the government's advantage. On one such occasion Stowe suggested to Callaghan that 'it might be preferable for [Steel] to come in

through the Cabinet Office door: there will be plenty of observers [press] at the front door of No. 10 over the next few days and it would help feed speculation, if by chance Steel was seen coming in'. Conversely, Stowe ensured that the delicate Callaghan-Steel discussions on the vote for Direct Elections, in December 1977, took place in the House of Commons to avoid 'positive press coverage for the Liberals'. (Steel, 1980:91; NA, PREM 16/1259: note from Kenneth Stowe to James Callaghan, 6 June 1977; NA, PREM 16/1794: note from Philip Wood to Kenneth Stowe, 14 December 1977).

While the Liberal leader's relationship with Kenneth Stowe was broadly constructive, Steel's colleagues often had a less positive experience in their liaisons with Whitehall officials. Russell Johnston and John Pardoe shared the view that the civil service was often demonstrably obstructive in their interaction with the Liberal party. Johnston commenting 'there always seemed put forward some reasoned argument why [our suggestions] could not be implemented, it was like something out of Yes Minister' (Johnston, 2009. Personal communication). Pardoe concurs, 'they were appalling, they didn't like the idea of co-operation and they didn't like the Liberals, they did all they could to scupper each and every one of our suggestions' (Pardoe, 2010. Personal communication).

There is some evidence to support claims of obstinacy on the part of the Whitehall mandarins and again the structural aspects of the consultation mechanism were a factor. John Stevens commented to Stowe that policy information should only ever be released to Liberal members of the Consultative Committee when 'it was deemed necessary' (NA, PREM 16/1400: letter from John Stevens to Kenneth Stowe, 18 May 1977).

A further structural problem in administering the Pact was the long established protocol that the most sensitive information on government policy could only be conveyed to other parties on 'Privy Council terms', as such it could only be related to David Steel, (although in fact both Jo Grimond and Jeremy Thorpe were also privy councillors) this consequently led to a number of logistical problems, particularly with regard to the Queen's Speech 1977 when Steel was obliged to physically cut up the draft document outlining government proposals and disseminate it piecemeal to the relevant Liberal

spokesmen. Similarly, 'Privy Council protocol' prevented Steel from including Christopher Mayhew in discussions on defence procurement, Steel comments, 'so I was left representing the Liberal party on something I had very little knowledge' (Steel, 2010. Personal communication).

Issues arose in Pardoe's relations with the Treasury, without defined procedures in place the Treasury were unsure how and when to transfer information to John Pardoe, (not a member of the Privy Council). While Pardoe himself 'never saw the need to be a Privy Councillor, government officials seriously considered if the best course of action might be to appoint him a councillor as a means of administering the cross-party discussions more effectively. In the event this did not occur, Callaghan interjected: 'Pardoe should not be given any concrete proposals'. Douglas Wass later concluded that most 'relevant information' could be transferred to Pardoe without the need for 'Privy Council terms' (NA, PREM 16/1401: consultation paper by Douglas Wass, 27 July 1977).

The civil service were continually wary that the Liberal party might leak sensitive information to the media; of particular concern in this regard were Cyril Smith and John Pardoe. Accordingly, Stowe advised departmental secretaries to only release information through the Cabinet Office briefing papers, although he later concluded 'there is no incentive as far as I can see for the Liberals to leak it' and Liberal indiscretion was not a serious issue through the lifetime of the Pact (NA, PREM 16/1401: note from Kenneth Stowe to James Callaghan, no date).

The Pact also required that a working relationship be developed between the civil service and Steel's private office, for most of the Pact this constituted discussions between Stowe and Alistair Michie, Steel's chief aide. Stowe, while cordial with Michie later commented to Callaghan 'I never trusted him' and relations were further soured when in early 1978 Michie undertook with Simon Hoggart of *The Guardian* to write '*The inside story of the Lib-Lab Government*', an action which brought disdain from the professional civil servants who had administered the Pact. Relations improved with appointment of the 'more straightforward' Archie Kirkwood (NA, PREM 16/1794: note from Kenneth Stowe to James Callaghan, 9 May 1978).

While, as this chapter has noted, the absence of formal civil service guidelines as to how the cross-party negotiation and implementation process of the Pact should be administered did lead to structural and institutional difficulties, at the conclusion of the Pact, no briefing paper was produced to be utilised should a parliamentary pact reoccur. Stowe concludes, 'it was generally assumed it was a one off and we returned to business as usual' (Stowe, 2010. Personal communication).

This chapter has highlighted the structural limitations of the Lib-Lab consultative mechanism. It has been noted that 'consultation' and not Liberal 'policy influence' was the principle priority of the Liberal leader. It has also been observed that this emphasis was a contributory factor in the structural weaknesses of the Pact as a mechanism of instigating policy influence. Liberal policy influence was further restricted by the absence of a more prescriptive list of policy concessions built in to the Joint Agreement, as well as financial, personnel, attitude and aptitude constraints.

Consultation in Action: An Overview

The previous section emphasised the consultative mechanism as the primary framework whereby the Liberal party could exert broad influence on government policy, however, there were occasions when Liberal influence was exercised outside this structure. The following section breaks away from the chronological narrative to conduct a case study into just such an occasion: the Budget 1977. The purpose of this diversion is to assess how and in what ways Liberal priorities were expressed and influenced exerted at the start of the Lib-Lab Pact. It might be instructive to know that, Chapter 7 reverts to the chronological approach. Following this approach Liberal policy influence on two other key areas of influence, the Queen's Speech 1977 and the 1978 Budget, will be discussed in due course, in Chapter 10. In this way an assessment can be made of how the Liberal party adapted to the experience of cross-party co-operation and how its strategy and objectives changed over the period of the Pact.

Case study 1: The Budget 1977

As might be anticipated, given the haste with which the Lib-Lab Agreement was devised, combined with the absence of planning or experience of cross-party co-operation in British politics at a Westminster level, the first few weeks of the Pact witnessed a series of serious destabilising incidents. The most significant of these was caused by a unintended conflagration over the 1977 Budget. To summarize, the government's budgetary proposals presented in the budget resulted in inter-party conflict which in turn resulted in the Liberal party achieving one of its most significant policy concessions. The following section will review the events which lead to this achievement and assess why this period had significant and far-reaching consequences for the subsequent Lib-Lab consultative process.

Under the terms of the Lib-Lab Pact, both parties agreed to strive for 'national recovery', however, as has been noted previously the Pact was simply a 'confidence' agreement, there was no 'supply' aspect to the agreement, as such there was no compulsion for the Liberal party to vote for the Labour government's economic programme. However, the Labour government could not remain in office if it could not maintain the confidence of the House of Commons for its economy policies. On this basis of this paradox, when in the Budget, presented by the Chancellor on 29 March 1977, Denis Healey proposed to increase petrol duty by 5 ½ pence per gallon, accompanied by an increase vehicle excise duty of £10, and the Liberal party subsequently rejected this proposal an impasse developed in the Lib-Lab relations.

The Liberal MPs, while supportive of both a shift to indirect taxation and the environmental merit in the increase, rejected the change in petrol duty on the grounds that it would disproportionately affect rural motorists (many Liberal MPs represented rural constituencies). Consequently, John Pardoe, the Liberal Economic spokesman, while privately supportive of the policy, was persuaded by Liberal colleagues to announce in the press that the Liberal party would vote against the increases.

Likewise, Steel argued, in a meeting with Callaghan on 31 March 1977, that because economic policy was not a contingent part of the Lib-Lab Pact, the Liberals were not bound to support the proposal. He explained that 'he would be deluding the Prime Minister if he gave the impression that he thought they could abstain [on the vote on the Finance Bill]' (NA, PREM 16/1225: notes of a meeting, 31 March 1977). Callaghan in response, bluntly informed the Liberal leader that no government had lost a Budget resolution since the nineteenth century, and if his administration lost the vote on the petrol increase, it would be compelled to resign, thus abruptly ending the embryonic Lib-Lab Pact.

As Joel Barnett observed, 'the actions of the Liberal MPs had shown the naivety of the Liberals who blithely thought they could defeat us on a Budget Ways and Means Resolution - and yet we could carry on as if nothing had happened, they were soon disabused of that notion' (Barnett, 1982:117).

Steel was horrified by Callaghan's response, having publically avowed to vote against the petrol price increase; he was now faced with the prospect that to do so threatened the cross-party consultation he so desired. Much to Steel's relief he was extracted from this seemingly intractable problem by a proposal put forward by Callaghan in a subsequent meeting. The Prime Minister outlined a possible compromise; in exchange for the Liberals' abstention on the vote on the increase in petrol and subsequent support for all other aspects of the Budget, the government would reverse the fuel increase via an amendment to the Finance Bill. In this way the Liberals would save face, the government's finance bill would be passed and it would receive increased revenue until the increase in duty was reversed, possibly in August 1977.

Appreciating the gravity of the situation, Steel, without informing his parliamentary party, quickly released a statement confirming that the Liberals would abstain from the vote on the fuel increase (Michie and Hoggart, 1978:107; NA, PREM 16/1225: note of a meeting, 12.45, 31 March 1977).

This episode has correctly been seen as the first Liberal 'success of the Pact', to the extent that through Liberal influence a government tax increase was reversed (The Economist, 14 May 1977;

The Times, 12 May 1977). However, more broadly, it highlighted the difficulties both intra and inter-party in nature arising out of a hastily arranged cross-party agreement, in a political environment without experience of coalition politics. Furthermore, as a consequence of the political crisis, there was a re-examination by all key participants as to how inter and intra-party relations should be conducted.

Steel disliked the political instability which ensued during this episode, primarily because it undermined his concept of the cross-party co-operation the Pact was intended to imbue, namely supplying stable government. By nature he preferred negotiation to 'brinkmanship' as a method of achieving policy concessions. He was also frustrated that the media response to the impasse was to condemn the parliamentary Liberal party as a 'bucket shop' (The Economist, 9 April 1977).

Steel learnt from this experience and his subsequent actions and strategy were informed by it. Henceforth, he emphasised to his colleagues the importance of 'collective responsibility'. He also focused on the need for a united front when negotiating with the Labour government and dissuaded colleagues from making pronouncements in the media. In a letter to *The Guardian*, John Pardoe shared Steel's view and encapsulated his leader's opinion that the Liberal party had been naive in their approach to this issue and that it affected his conduct in subsequent cross-party discussions; 'we talked loudly to the press when we should have been talking quietly to the government' (Michie and Hoggart, 1978:160).

In practice, the subsequent emphasis on 'collective responsibility' often translated, according to Cyril Smith, into Steel making decisions on behalf of the Liberal party, often in the Callaghan-Steel axis of the consultative mechanism, then later providing colleagues with a *fait accompli*. This thesis has noted that strategy had to some extent been evident in the negotiations which led to the formation of the Pact and the structure agreed for the consultative mechanism. It would subsequently, and with great effect, be employed during the renewal process, in negotiations over the content of the

Queen's Speech as well as minor policy issues related to defence, agriculture, official secrets and education (Johnston, 2009. Personal communication; Smith, 2009. Personal communication).

This episode did increase the level of consultation undertaken by Steel with government Ministers and the civil service circumventing the Liberal parliamentary party which was to become a feature of the Pact. In an effort to secure a resolution to the impasse over petrol duty, Steel liaised closely with government representatives. The extent of his interaction is exposed by the fact that prior to Steel's confirmation that the Liberal party would abstain on the Budget vote, he suggested to Callaghan that 'Joel Barnett might supply some helpful phrases' in his speech in the House of Commons (NA, PREM 16/1225: note of a meeting, 31 March 1977). Briefing notes were subsequently provided by Government representatives to Steel, together with a copy of a pre-drafted response by Denis Healey. It might be concluded that, in attempting to avert a crisis over the 1977 Budget, which might have jeopardised the Pact, Steel became 'embedded' in the policy process, acquiescing to government demands for Liberal compromise, at the expense of promoting Liberal party policy influence. The extent to which the government may have compromised on the petrol tax increase is exposed when it is noted that the Labour party did lose a Budget resolution (on income tax) in the 1978 Budget and did not feel compelled to resign (NA, PREM 16/1225: briefing note: 'Steel statement and Healey's response', no date).

From a Labour government perspective, after the petrol duty crisis, Ministers ensured they did not provide the Liberal Party with a similar opportunity to achieve policy concessions. Thus, on a series of issues, for example, the timetabling of legislation on Direct Elections to the European parliament, the introduction of policies on Profit-Sharing, defence spending, and the appointment of Harold Lever, the Duchy of Lancaster, to act as a quasi-Minister for small business, the Labour party actively sought to minimise evidence of Liberal party influence (Michie and Hoggart, 1978:112; NA, 16/1401: note from Kenneth Stowe to John Stevens, 29 July 1977; Barnett, 1982:139).

The petrol duty crisis was also emblematic of the difficulties which the Liberal party experienced in establishing, in the public consciousness, that the Lib-Lab Pact had delivered substantive changes to government policy. Despite a Liberal Party media campaign highlighting that the reduction in petrol duty was as a result of Liberal pressure, the party saw no material benefit in public support. Again, this would be a recurring theme throughout the period of the Pact as either poor media management or an unsympathetic press thwarted Liberal attempts at promoting the virtues of the Pact (The Times, 9 August 1977; Tordoff, 2008. Personal communication).

This case study has assessed the first 'crisis' which hit the Lib-Lab Pact and the responses of the key protagonists. It has been noted that Steel's emphasis on co-operation and conciliation was central to this process, as was his desire to maintain control of the Liberal side of the understanding. Later in this thesis the events of the Queen's Speech 1977 and the Budget 1978 will examine specifically how the intra- and inter-party relations developed through the Pact with relation to key areas of policy influence.

Chapter Seven

Reaction to the Lib-Lab Pact: Overview

As discussed in Chapter 4 and 5 the Lib-Lab negotiations were, largely because of time constraints, focused on the leader-led discussions of 18-23 March 1977. Indeed, it should be observed the declaration which formed the Pact was itself leader-centric, entitled: 'The Joint Statement by the Prime Minister and the leader of the Liberal party'. While it has been noted in Chapter 5 that both the Labour Cabinet and the parliamentary Liberal party endorsed the Agreement, the following section will examine in much greater detail the response to the Lib-Lab Agreement as formulated by Callaghan and Steel. Analysis will focus on three areas: the response of the parliamentary parties; the parties' elected structures; and the parties grassroots.

Academic analysis of the response to the Lib-Lab Pact has focused almost exclusively on the Liberal Party notably, Cook, (1998); Dutton, (2004); Hoggart and Michie, (1978). There has conversely been no in-depth analysis of the Labour Party's response to the Pact, with the exception of the brief review undertaken by Dorey (2011). Of those studies which have commented on Labour's reaction to the Pact, such as Whitbread (1985) the broad conclusion has been that, while there was unease within the Left-wing of the Parliamentary Labour Party (PLP) to the concept of cross-party co-operation, more generally the party was largely ambivalent to the Agreement (Hoggart and Michie, 1978; Whitehead, 1985:259).

While this analysis is largely correct, with regard to the period from summer 1977 to the demise of the Pact in August 1978, documents released from the National Archive show the extent to which, between March 1977 and June 1977, efforts were made by some sections of the PLP to undermine the Agreement, if not necessarily to destroy it. Even the most militant Labour MPs understood that the Agreement's early demise would make a General Election inevitable which, at that time, would

almost certainly result in the election of a Conservative government. The very fact that such destructive efforts were taking place at all in this context adds to the narrative of the extent of conflict which existed in the Labour party in the late 1970s. The following section will examine the extent and nature of opposition to the Lib-Lab Agreement within the Labour party.

As seen in chapter 5, the Labour Cabinet was largely supportive of Callaghan's decision to enter the Pact. Three of the four Ministers who had spoken out against the Pact, Stan Orme, Peter Shore and Bruce Millan acquiesced to the notion of collective responsibility and acted constructively in administering the Lib-Lab Agreement. As such, the only exception to Cabinet unanimity was Tony Benn, who was to act as a fulcrum for much of the subsequent Parliamentary Labour Party (PLP) opposition to the Pact.

Reaction to the Lib-Lab Pact: Parliamentary Labour Party

Opposition from within the Parliamentary Labour Party changed over time, initially opposition can be characterised as largely symbolic, followed by a more clandestine attack, over the period April-May 1977, orchestrated by a small group of malcontents, designed to undermine the inter-party Agreement, finally this dissipated so that there was general acquiescence for the remainder of the period of the Pact. The first formal example of discontent from within the PLP was the interventions by Dennis Skinner during the Prime Minister's presentation of the Pact to parliament, Skinner's primary concern, like Benn's in the earlier Cabinet discussions, was the extent of consultation afforded to the Liberal party *vis-à-vis* the parliamentary Labour party. Over the next week Left wingers, such as Bob Mitchell, Leslie Sprigg and Arthur Lewis formally expressed similar concern to the Prime Minister. (NA, PREM16/1400: letter from James Callaghan to Bob Mitchell, 7 April 1977; Bodl., MS. Callaghan, Box 113, file 2741: letter from Leslie Sprigg to James Callaghan, 30 March 1977; NA, PREM 16/1400: letter from James Callaghan to Arthur Lewis, 23 June 1977).

While these advances were little more than token gestures of discontent, Kenneth Stowe instructed the Lord President's Office to give clear answers to each point raised, rather than giving a 'comprehensive brush off'. In so doing he sought to avoid accusations of the government disregarding these grievances. This proved to be a successful tactic as such inter-party conflict was averted largely averted (NA, PREM 16/1399: letter from Kenneth Stowe to Clive Saville, 29 March 1977).

As noted in Chapter 5, Callaghan was aware that 'consultation' might be an area of internal dispute. In some respects he was fortuitous in how he addressed this problem. Soon after becoming Prime Minister, in response to a deteriorating relationship between much of the PLP and the Cabinet, he had initiated two internal reviews of how intra-party consultation operated and might be improved. The two reports, the first produced by the Labour parliamentary liaison committee looked into the functionality of the Labour backbench subject committees. The second by Geoff Bish, Research Secretary of the Labour party, reviewed the interaction between the Parliamentary Labour Party, the Cabinet and the National Executive.

The Liaison Committee report noted some thirty-five 'Special Subject Groups' existed, however, within the context of consultation with the Liberals, and those in the PLP who demanded more intra-party consultation in response to the formation of the Pact, Callaghan was able to point out that while official membership of these committees was high, in most cases attendance levels were very low. For example, the Finance Group officially had 105 members, but between October 1974 and June 1976, attendance only averaged 13. The final report outlined recommendations for change and these were fully endorsed by Callaghan before March 1977.

Reforms were also introduced to the NEC-Cabinet committees, in accordance with Bish's recommendations, and although attendance remained poor Callaghan's acknowledgement of their significance to the internal workings of the Labour party diffused much of the discontent on this issue *vis-à-vis* the Lib-Lab Consultative Committee (Bodl., MS. Callaghan, Box 113, file 2741: Briefing

Note, 7 February 1977). The effectiveness of these changes was noted in May 1977, when Callaghan received an unsolicited report from Stan Orme, Secretary of State for Social Security, one of the four Ministers who had voted against the Pact in the Cabinet discussion on 23 March 1977. In this report Orme outlined how the PLP's Social Security Committee was functioning, and commented to the Prime Minister that 'Barbara [Castle] said they were the "most open and frank discussions she had ever experienced"'. Orme continued, 'I feel it is this sort of development which is essential if we are to ward off the criticism that we are treating the Liberals in a different manner from our own members' (NA, PREM 16/1355: letter from Stan Orme to James Callaghan, 29 May 1977).

Kenneth Stowe, mindful that 'consultation' might be an area of intra-party conflict, advised the Prime Minister to 'maintain and indeed uplift consultation with the PLP'. In this regard, Stowe instructed all Private Secretaries to keep a running tally of all occasions when they consulted the PLP and to note the topics discussed. In this way Callaghan had information readily available should any member of the PLP raise concerns about the extent of consultation *vis-à-vis* the Liberal party (NA, PREM16/1399: note from Kenneth Stowe to James Callaghan, 29 March 1977). In the same vein, Callaghan stressed to his Cabinet Ministers that 'consultation with our colleagues [the PLP] will be a prior and essential step in forming government policy and should in no way be prejudiced by, or overlooked, in consequence of the new arrangement for consulting the Liberals' (NA, PREM 16/1355: letter from James Callaghan to Cabinet Ministers, 29 March 1977). Callaghan's ability to pre-empt areas of discontent and his man-management of the Cabinet and the parliamentary party through this period ensured 'consultation' was largely eliminated as an issue upon which intra-party discontent could manifest.

The most significant attempts to undermine the Lib-Lab Pact were undertaken by Left-wing Labour MPs, most notably by Tony Benn and his cohorts, but also and separately by Eric Heffer. Both these initiatives were based on a fundamental opposition to cross-party co-operation, but were also emblematic of the long term deterioration in relations between the Left-wing and the social

democrats within the Labour party. Benn's position as a Cabinet Minister but also the fulcrum of much of this opposition is worthy of particular analysis. He was concerned that a deal with the Liberal party would undermine the power of Labour's National Executive Committee and marginalise the Left-wing in the parliamentary party. He commented in his *Diaries* 'the National Executive now becomes of supreme importance....I shall work like anything on the NEC for a really radical programme' (Benn, 1990:91, diary entry 23 March 1977). Benn was equally concerned that a parliamentary understanding between Labour the Liberal party would act as a catalyst for an alliance between the Liberals and the social democrats in the Labour party. Again in his *Diaries* he commented - 'that is what it's really about' (Benn, 1990:94, diary entry 24 March 1977).

This view that the Pact might precipitate a Liberal-Social Democrat alliance was shared by Cledwyn Hughes, who believed that some on the Right of the Labour party saw the Pact as 'a way towards their big dream – a realignment of the parties and a drop of the ultra left'. In Hughes' view, David Steel was 'indistinguishable' from the social democrats in the Labour party (Young, 2008:125). There is no evidence that either Steel or the social democrats in the PLP sought to use the Pact to engineer this process of 'realignment'. This issue will be expanded upon later in this thesis.

Tony Benn acted as a conduit for a small number of MPs included Michael Meacher, Eric Heffer, Ian Mikardo, and Brian Sedgemore who sought to destabilise the Pact. As such, Benn, having secretly retained his copy of the Lib-Lab Agreement from the Special Cabinet meeting which ratified the Agreement, convened a series of meetings with colleagues to inform them of the content of the Agreement, and construct a strategy to undermine the Pact. This process began when Brian Sedgemore, Benn's Political Private Secretary, drafted a series of written questions for the Prime Minister regarding the Lib-Lab consultation process, as noted above Stowe ensured that each query was addressed.

Benn's first formal action against the Pact was to produce, in conjunction with Ian Mikardo, an anonymous and largely anodyne statement, which was circulated among the PLP, and was subsequently presented to Chief Whip, Michael Cocks:

We, the undersigned, will support the Government in the lobby this evening, but do not consider ourselves bound in any way to the implementation of the whole or any part of the agreement entered into by the Cabinet and the Liberal party (NA, PREM 16/1399: statement with list of signatories, 23 March 1977).

Benn had hoped the statement would receive between 60 and 80 signatures, in the event, only 48 Labour MPs signed, most of whom may be considered 'the usual suspects' - almost all were members of the *Tribune* Group, (NA, PREM 16/1399: statement with list of signatories 23 March 1977; Benn, 1990:90, diary entry for 23 March 1977; Donoghue, 2008:170). Benn also instigated a letter signed by 12 *Tribune* MPs sent to Cledwyn Hughes expressing their opposition to the Agreement, again to very little effect (*The Guardian*, 24 March 1977).

The lack of traction for these initiatives can be attributed to the fact that the over-riding sentiment in the parliamentary Labour party, on hearing the result of the vote of confidence, was one of relief. The majority of the PLP on hearing the defeat of the motion joined Neil Kinnock in singing *The Red Flag*. When Ron Thomas, a member of the *Tribune* Group, spoke out against the Agreement, he was shouted down by fellow Labour MPs. Even some Left-wing MPs, such as Judith Hart and Audrey Wise, both of whom had small parliamentary majorities, were supportive of any deal which averted a General Election. Wise told a Labour Whip she would 'support a deal at any price' (quoted in Donoghue, 2008:169). Meanwhile, many Labour MPs, with safer parliamentary seats, were sympathetic to the plight of less secure colleagues (Benn, 1990:90, diary entry for 23 March 1977). Others on the Left, such as Neil Kinnock, concluded the Pact was an anodyne agreement, concluding 'the party had simply agreed to continue with policies it was obliged to legislate on and desist on policies it had long since realised were undeliverable' (Coates, 1980:154).

The fact that the Benn's initiatives had secured the support of less than 20 per cent of the PLP also consolidated Callaghan's position. Moreover - and unfortunately for the conspirators - Bernard Donoughue, Head of the Policy Unit in No. 10, had overheard Benn and Mikardo discussing their plans while he stood outside Roy Mason's office, which adjoined Benn's office, whereupon, Donoughue reported back to the Prime Minister. Callaghan chose not to act immediately on this information, but Benn's disloyalty was noted by the Prime Minister, as will be explained shortly.

While Benn's actions are noteworthy because of his position in Cabinet, the most significant attempt to undermine the Pact was made by Eric Heffer MP for Liverpool Walton. Curiously, as noted in Chapter 4, Heffer had been one of the facilitators of the early negotiations between Labour and the Liberals, acting as a conduit in discussions between Michael Foot and John Pardoe. However, following the formation of the Pact, he became one of its most fervent critics. Heffer was mostly concerned about the consequences of Lib-Lab consultation, but he also disliked the formal nature of the agreement. In an interview in *The Times* he complained that,

The government could have stood absolutely firm. They could have had some form of agreement, each understanding the other party's point of view. We had had to do that on numerous occasions, but I do not think it was right to enter into a formal agreement. It is a movement towards a coalition, which could be very dangerous for the Labour party (*The Times*, 28 March 1977).

Heffer, as a member of Labour's National Executive Committee (NEC), attempted to instigate a special meeting of the NEC in order to discuss, and ultimately vote on, the merits of the Lib-Lab Agreement. Heffer's ultimate objective was to compel the government to allow the PLP to vote on the Pact. Paradoxically, Steel too repeatedly requested the PLP vote on the Pact to 'avoid sniping'. Callaghan never agreed to this process, reasoning that while a vote would almost certainly have resulted in an affirmation of Callaghan's actions, it may also have crystallised backbench opposition.

This remained an unresolved structural weakness of the Pact, as will be discussed in the conclusions of this thesis.

Returning to the actions of Heffer, in order for Heffer to place the issue of the Lib-Lab Pact on the agenda paper of the NEC, he was required to obtain the backing of 15 NEC members. Initially Heffer was successful in securing 16 signatories, but over subsequent days two names were withdrawn and the resolution failed. One of those who withdrew their name from the Heffer resolution was Sam McCluskie, National Secretary of the National Union of Seamen, and later Treasurer of the Labour party. McCluskie was concerned about the absence of wider intra-party consultation. In a letter to Ron Hayward, General Secretary of the Labour party, he warned that 'ignoring the National Executive Committee on this important issue....will have the National Executive Committee and the parliamentary party, including the government, in internal dispute' (NA, PREM16/1399: letter from Sam McCluskie to Ron Hayward, 31 March 1977). McCluskie's concerns were conveyed to the Prime Minister, and while his reasons for removing his name from the Heffer list remain unclear, Callaghan acknowledged McCluskie loyalty in supporting the government (Seyd, 1987:82; NA, PREM 16/1400: letter from James Callaghan to Sam McCluskie, 7 April 1977).

Tony Benn was the second signatory to remove their name. As already highlighted, Benn's professed opposition to the Pact was primarily based on the absence of consultation with the PLP and NEC. Although he had accepted the majority will of the Cabinet, in accordance with the doctrine of collective responsibility, he now sought to reopen this debate using the NEC as a vehicle to achieve this, by signing the Heffer resolution Benn was in breach of the doctrine of collective responsibility and thereby provoked a confrontation with the Prime Minister (Benn, 1990:89 diary entry for 23 March 1977).

On the evening of 24 March 1977, Callaghan telephoned Benn to demand an explanation for his actions. In a heated discussion, Callaghan asserted that Benn had 'sailed close to the wind in the past, but this time he had gone to the limit', and that Benn could not 'criticise government policy from his

position in Cabinet without first consulting the Prime Minister'. In the absence of any such consultation he now insisted that unless he removed his name Benn would have to resign from the Cabinet. Benn retorted angrily, 'to get Steel in and me out would certainly complete it' (NA, PREM 16/1399: note of a telephone conversation between James Callaghan and Tony Benn, 20.00, 24 March 1977). The conversation then ended 'abruptly'.

Callaghan subsequently instructed Kenneth Stowe and Tom McCaffrey to draft a press release announcing Benn's resignation from the Cabinet (Donoghue, 2008:170-2). Callaghan's frustration with Benn was clearly compounded by knowledge Benn's earlier actions, including the information he had received from Donoghue regarding Benn's involvement in the PLP statement critical of the Pact. Callaghan further suspected Benn was the source of a leak to the media suggesting that the Cabinet had been split over the merits of the Lib-Lab Agreement (Benn, 1990:93, diary entry 25 March 1977).

Following the conversation with Callaghan, Benn immediately contacted Michael Foot to establish if Callaghan might be appeased. Foot made it clear that Callaghan's main frustration lay in Benn's wider disloyalty. Faced with Callaghan's ultimatum, Benn withdrew his name from the Heffer resolution, and retained his place in Cabinet for the remainder of the parliament. This was the last clandestine operation which Benn instigated against the Lib-Lab Pact, although he remained obstructive as Energy Secretary in his interaction with his Liberal counterparts in the consultation mechanism.

Frustrated by the failure of his resolution to receive the requisite signatures, Heffer attempted to have the question of the Pact placed on the agenda of the next NEC meeting. He pleaded his case to Ron Hayward, claiming that: 'In view of the fact that a large minority signed the letter, and others withdrew their names, although agree with the need for the NEC to discuss the situation, it is clear that the parliamentary Lib-Lab Agreement must be discussed by the NEC at the next meeting' (Labour Party Archives, LPA: letter from Eric Heffer to Ron Hayward, 25 May 1977). Hayward

rejected Heffer's request. In his last salvo against the Pact, Eric Heffer eventually succeeded in putting forward a somewhat anodyne resolution to be discussed by the NEC in June 1977, that 'whilst recognizing the government had every right to conclude an agreement with the Liberal party the National Executive Committee make it clear that it was not involved in drawing up the agreement' (Labour Party Archives, LPA: note of meeting Labour NEC, 22 June 1977). Yet even this resolution was rejected by the NEC.

Ultimately, Heffer consoled himself that his actions, while not successful in undermining the Pact, did 'give guidance to the party and the country' (*The Times*, 26 May 1977). The Lib-Lab Agreement was never placed on the NEC agenda for discussion, it simply noted the existence of the Pact, and accepted Callaghan's argument that it was a parliamentary arrangement, and thus not in the remit of the NEC (Benn, 1990:152, diary entry for 24 May 1977).

In May 1977, the last significant opposition to the Lib-Lab Pact was articulated in the form of a letter to the Prime Minister from Left-wing Labour MP James Lamond, calling for the 'Left' to:

have the same facilities as you have given the Liberals (who are smaller than we are), namely, regular prior discussions with Ministers on the Government's intentions and proposals [if the demands were not met] we do not commit ourselves to vote for any government motion on which we have not had discussions satisfactory to us (NA, PREM16/1399: letter from James Lamond to James Callaghan, 3 May 1977).

The letter was signed by 67 Labour MPs, and as was the case with previous such letters, the signatories were mostly members of the *Tribune* Group. Once again, the effectiveness of the Lamond letter was negligible on account of Callaghan's ability to cite the mechanisms through which the PLP could discuss specific areas of policy with government Ministers before any consultation with the Liberals could take place.

The actions of the Left did not go unnoticed by those on the Right of the parliamentary party. Tom McNally condemned the Lamond letter as ‘clearly more of Mikardo’s dirty tricks’ and advised the Prime Minister, ‘isn’t this an opportunity to put him on the defensive for organizing this mischief virtually on the eve of local elections...I do not see why we should take this lying down’ (NA, PREM 16/1355: letter from Tom McNally to James Callaghan, 3 May 1977). (Tony Benn later claims the letter was instigated by Eric Heffer and Michael Meacher) (Benn, 1990:124, diary entry, 3 May 1977). Callaghan, in an example of the balance he had to draw between the Left and the Right in the Labour party, chose not act against Lamond, or any other MP over the letter.

To briefly return to the suspicions of Tony Benn and Cledwyn Hughes, noted earlier in this section, namely that Steel and the social democrats within the Labour party might use the Pact to facilitate realignment in British politics. Steel confirms that there were never any clandestine discussions between the Liberals and any of the social democrats within the Labour party, with regard to how the Agreement might facilitate a realignment (Steel, 2010. Personal communication). Furthermore, as Crewe and King observe, the focus of the Labour MPs who subsequently formed the SDP, through this period and a great deal after, was on achieving internal reform of within the Labour party, rather than aligning in any way with the Liberal party.

The ‘gang of three’ (David Owen, Shirley Williams and William Rodgers) certainly did not, at the time or subsequently, regard the Pact as a conduit for either the formation of a Social Democrat Party or an alliance with the Liberal Party. Rodgers in particular, for all his involvement with the formation of the Pact, was strongly opposed to an alliance with the Liberal party and had no interaction with Steel or any other Liberal on how the Pact might be used to reform the British political system (Crewe and King, 1995:167-8).

The largely pragmatic response of the Labour party to the Agreement nonetheless masked an underlying despondency within the PLP (and the grassroots) at the ignominy that the Labour party had been compelled to enter into a cross-party agreement. As highlighted earlier in this thesis, the

Labour party was by inclination anti-coalitionist, and the memory of Ramsey MacDonald's decision to enter the National Government in 1931 still resonated with many in the Party. Barbara Castle, speaking at the TUC-Labour Party Liaison Committee meeting on 20 March 1977, warned that: 'There was a danger of perpetual Government by minority groups...it is wrong that these groups should be the final arbiter of policy' (Labour Party Archives, LPA, notes of meeting of Labour NEC, 21 March 1977).

Callaghan himself shared many of these views, for example, during discussions with the Ulster Unionists and the Liberals, the Prime Minister had insisted that he would 'not be another MacDonald', and then during the Lib-Lab negotiations warned Tom McNally, 'don't get too close to this Tom – they never forgave MacDonald' (McNally, 2008. Personal communication). Over the Easter recess, after the formation of the Lib-Lab Pact, Callaghan read the recently published biography of Ramsay MacDonald by David Marquand (Donoghue, 2008:178). However, it should be noted that Callaghan, unlike Wilson, did not articulate anti-coalitionist sentiments in the period 1974-77 and thus retained the political authority to initiate the Pact. Nevertheless, Callaghan's innate anti-coalitionist stance would be an important factor in his decision not to call a General Election in autumn 1978 as will be discussed in more detail later in this thesis (Bodl., MS. Callaghan, Box 113, file 2741: handwritten note, no date).

Finally, it should be noted that for all the opposition with regard to 'consultation' not even Benn criticised the terms under which the Pact was agreed when it came to policy concessions. The Lib-Lab Pact was utilised by Benn and others as a device in their overall strategy to undermine the social democratic wing of the Labour party, but in the final analysis the Pact in itself did not instigate, nor was it designed to instigate, significant intra-party dispute within the Parliamentary Labour Party.

Reaction to the Lib-Lab Pact: The wider Labour movement

The reaction to the announcement of the Lib-Lab Pact from the wider Labour movement might be characterised as broadly positive and at worst ambivalent. The majority of the extra-parliamentary

party were unprepared for the development of Lib-Lab discussions. There were no protocols or mechanisms, within the limited timeframe available, to establish a general opinion. TUC representatives, on 21 March 1977, signalled that in their opinion the decision to enter into discussions with minor parties was the 'proper responsibility of the Prime Minister,' although it confirmed it did not favour a General Election (Labour Party Archives, LPA: notes of meeting, NEC-Labour Liaison Committee, 21 March 1977). Once the Pact was established, there was no discontent within the TUC over the terms agreed. TUC support was largely assured by the fact that the Agreement did not impinge on the government's industrial policy. This was important, for as Eric Heffer observed, 'if the Unions do not come out against the agreement, the possibility is it will continue' (*The Times*, 28 March 1977).

During the period of the Pact, only peripheral issues were of significance to the TUC, most notably the Liberal's calls for Profit-Sharing in business. They were also exercised by the demand for changes to the composition of the Post Office board. However, in both cases Union leaders were largely ambivalent to Liberal demands. As noted in chapter 5, Callaghan was resolute in his view that a shared desire for 'National Recovery' did not constitute Liberal involvement in the government's industrial policy, and that any Liberal involvement in this matters was based on consultation with the Liberals rather than compulsion to change policy by the Liberals. Trade Union officials, notably Jack Jones and Len Murray, did meet with Liberal MPs, at the behest of Callaghan, to ensure that the Liberal party received a 'dividend' from the Agreement.

The reaction from the Constituency Labour Parties (CLPs) was also broadly supportive, or ambivalent at worst. Callaghan noted that the 'overwhelming volume of mail from party activists' showed they 'understand well the reasons and necessity for the arrangement' (NA, PREM 16/1400: letter from James Callaghan to Sam McCluskie, 31 March 1977). Nevertheless, some of the Constituency Labour Parties took a more critical view. Of the 22 resolutions on the Pact submitted to the NEC, 15 condemned it outright, with only five stating unambiguous support for Callaghan's actions. However,

the fact that the vast majority of CLPs did not express a view either way suggests a degree of acquiescence from the Labour grassroots (Labour Party Archives, LPA: note of meeting, Labour NEC, March-May 1977). Significantly, there was no correlation between those constituencies which opposed the Pact, and the concurrent infiltration of constituencies by *Militant*, which was increasingly a factor in local Labour party politics from the late 1970s (through to the mid-1980s).

The opposition which was expressed by CLP's was broadly based on a view that they would have preferred greater consultation in the decision to form the Agreement, combined with some anxiety that the Pact undermined Labour's socialist principles. The Tottenham CLP was typical of this latter concern:

The Labour/Liberal pact is the culmination of a retreat from the Labour party Manifesto. There was no mandate for such a coalition. We therefore call on the NEC and the TUC to convene a special Labour party and TUC conferences....in order to ensure the return of a majority Labour government, which will be pledged to socialist policies (Labour Party Archives, LPA: NEC minutes, Labour NEC Tottenham CLP resolution, 25 May 1977).

Callaghan, aware of some of the concerns raised by the grassroots, wrote an open letter, published in *Labour Weekly*, in which he emphasised three key points: 'the Pact was not a coalition; that no Labour principles were abandoned; that the agreement did not downgrade the government's links with 'various branches of the Labour movement' (NA, PREM 16/1401: transcript of open letter by James Callaghan, published in *Labour Weekly*, no date).

After the initial opposition to the Pact the Labour movement broadly accepted the pragmatic reality of the Lib-Lab Pact. This was exemplified in the decision of the Cabinet, meeting at Chequers on 26 June 1977, to unanimously endorse the renewal of the Pact. Furthermore, the Labour party Conference held in Brighton in October 1977, (in stark contrast to the Liberal Assembly held in the

same location a week before), did not discuss the Pact in any of the main debates. Callaghan in his leader's address felt in a strong enough position to publicly thank the Liberals for their support.

Stan Orme, an opponent of the Pact during the Cabinet discussion in March, explained to conference the reasons for his subsequent decision to vote for its renewal; 'to have done otherwise would have been criminal. We would have let down all the people who supported us in 1974' (*The Times*, 3 October 1977).

The acquiescence of the delegates at the Labour party Conference to the Pact must also be placed in the particular political context of autumn 1977; by this time unemployment was falling, inflation was falling, and the Labour party had regained a position of parity with the Conservatives in the opinion polls. Equally, it might be noted this unanimity in approach with regard to the Pact was in contrast to the increasingly abrasive relationship between the Cabinet – the only body which had 'voted' on the decision to enter the Pact – and the wider Labour Movement which developed through this period. Large sections of the wider party viewed the Cabinet as disconnected from the party on the ground and promoting a right wing agenda, against the wishes of the wider party. The fact that Labour's grassroots chose not to make the Lib-Lab Pact an issue of conflict with the Labour party leadership highlights the extent to which they felt Callaghan had been successful in negotiating a deal which had proved beneficial to the Labour party.

Two subsidiary aspects of long term significance of the Lib-Lab Pact on Labour intra-party relations might be observed. First, this period saw a marked deterioration in the relationship between Tony Benn and Michael Foot – Foot's loyalty to Callaghan, and his resultant separation from the disruptive influences of Benn. Second, the crucial role Michael Foot played as a guardian of the Agreement. As Lord President of the Council, he was responsible for the administration and implementation of the Pact. As a consequence, this former maverick of the Left consolidated his position, first seen in his elevation to the Cabinet in 1974, as a loyal supporter of Government policy – even when this included acting against his own ideals. Foot's involvement in the Lib-Lab Pact therefore enhanced his

standing in the Labour Party which was a subsidiary factor in his successful bid for the Labour party leadership.

Nevertheless, as noted in the literature review of this thesis and in this chapter, the Lib-Lab Agreement was not viewed by the Labour party, or the academic literature related to the party, as anything other than a pragmatic response to a particular political situation. It made no significant influence on the party's tactics or strategy, either at the time of the Pact or subsequently. In conclusion, intra-party opposition to the Pact was broadly centred within the Parliamentary Labour Party. It was focused on a minor disagreement, namely, 'consultation', rather than strategy or policy issues, furthermore, it dissipated within a relatively short period of time. The contrast with the Liberal Party approach to the Lib-Lab Pact could not be more pronounced. This will be the focus of the next section of this thesis.

Reaction to the Lib-Lab Pact: Parliamentary Liberal Party

The following section will review the response of the Liberal party to Steel's decision to enter into cross-party discussions and its attitude to the subsequent Lib-Lab Agreement. It will begin by returning to an issue touched on in chapter 5; the issues which motivated the parliamentary Liberal party in agreeing to Steel's desire to enter into discussions with the Labour party. An important aspect of this study will be an analysis of the extent to which the Liberal MPs' were motivated to accept the terms agreed by Steel by a desire to avoid a General Election.

As noted briefly in chapter 5, when the parliamentary Liberal party met to discuss the agreement late on 22 March 1977, and again at lunchtime on 23 March 1977, while several MPs expressed reservations, only two MPs openly rejected the deal; David Penhaligon and Jo Grimond.

Penhaligon, while naturally of a collegiate character, with friends in all main political parties, was convinced that any agreement with the Labour party must be dependent on securing tangible

Liberal policies. Specifically, Penhaligon argued that the minimum required from the Pact was an assurance that a majority of the Labour party would endorse the use of a proportional voting system for the European elections. Unconvinced by the prospect of this been achieved via a free vote for Labour MPs, Penhaligon concluded that the Liberal party would get no credit from either its own supporters, or the wider electorate, by entering into a Pact under the terms agreed by David Steel (Penhaligon, 1989:133).

Jo Grimond agreed with Penhaligon that 'electoral reform was the prize...the only prize which could justify the Pact' and similarly he concluded this could not be achieved via a free vote. Furthermore, he feared that Liberal voters may ask 'what happened to Liberal values' in forming a pact with a Labour government whose legislation he viewed as been 'very illiberal'. However, Grimond's opposition was altogether more nuanced than Penhaligon's, expressing a conviction - first articulated as Party leader in the 1960s, and again during the Heath-Thorpe negotiations - that while the Liberal party should not rule out working with others as a matter of principle, anything short of a full coalition was not worth considering (McManus, 2001:319).

Moreover, Grimond believed, in direct variance with Steel's strategy, in agreeing to the Pact, and thus ensuring the preservation of a Labour government, the Liberal party was simultaneously ensuring that the Labour Left-wing remained within the Labour party, thereby decreasing the prospect of a schism within the Labour party, which consequently made a realignment' in British politics rather less likely. In discussion with Hugo Young of *The Sunday Times*, Grimond laconically observed, 'How can we bust the system if we're part of it?...the best thing would have been an election with a Tory landslide' (Young, 2008:112).

In spite of their serious misgivings, Penhaligon and Grimond accepted the notion of 'collective responsibility' employed by the parliamentary Liberal party. Their acceptance was based on the belief that Steel had a mandate to lead the party as he saw fit and thus to formally reject the Pact strategy would have split the parliamentary party.

The loyalty of Grimond and Penhaligon was important to David Steel for two reasons: first, it ensured unanimity within the parliamentary Liberal party, neither undermining Steel's authority as leader, nor acting as a focal point for those opposed to the Pact in the wider party. Second, it meant that Steel could utilise Penhaligon and Grimond as Liberal spokesmen in the Liberal 'shadow administration' established to administer the Liberal side of the Lib-Lab Consultative mechanism - an important factor given the limited resources of the parliamentary Liberal party.

What then persuaded the remainder of the parliamentary party to support Steel? The following section will review the declared motives of the Liberal MPs before focusing on 'the elephant in the room' - the extent to which avoiding a General Election was central to the respective Liberal MP's decision to endorse the terms agreed by Steel and enter the Lib-Lab Pact.

All of the remaining 10 Liberal MPs who supported Steel's decision shared Penhaligon and Grimond's scepticism that a 'free vote' for the Labour MPs would ensure the adoption of PR for the European elections. However, this scepticism was outweighed by various factors. Like Penhaligon and Grimond there was a widely held belief among Liberal MPs that Steel had a legitimate mandate to lead the Party as he saw fit. As Alan Sked has noted in his appraisal of the Pact, 'the Party could not be seen to have been compelled to elect a fourth leader within eighteen months' (Sked, 1977:204). As will be seen later in this thesis, the Liberal MPs' compulsion to display loyalty was also a key factor in their endorsement of the renewal of the Pact and in their decision to pass, albeit narrowly, a motion of confidence in the leadership of David Steel in December 1977.

Most significant in this regard were the actions of John Pardoe. Pardoe was 'astonished' at the terms agreed by Steel, and concluded that 'if David had come to the party on Monday with the terms he finally agreed I do not think he would have got it through'. He nevertheless concluded, as noted in chapter 2, following his defeat in the leadership election, he should act as a 'loyal lieutenant' and thus support Steel (Pardoe, 2010. Personal communication).

Many of the MP welcomed the potential for influencing government policy through the consultative

mechanism. Russell Johnston, for example, was determined to see the revival of the devolution legislation (Johnston, 2008. Personal communication). Likewise, Richard Wainwright relished the opportunity to engage with the policy-making process, and the opportunity to argue his case with the government ‘in the reasonable expectation that he would be listened to’. He also expressed a sincere desire to work for ‘National Recovery’, (Cole, 2011a:175). The Liberals hoped that through this process of constructive engagement with government they would be rewarded for putting ‘Country before Party’ and national interest before partisan interest.

There was little doubt the Liberals did not relish the notion of a General Election, particularly with the likely outcome being a Conservative majority government. Steel, Smith, Wainwright and Pardoe each cited the lack of policy proximity between the Liberals and the Conservatives as a factor in their decision-making. John Pardoe stated during the Lib-Lab negotiations, ‘One of the few terrible things in the world would be a government led by Margaret Thatcher’ (*Washington Post*, 22 March 1977). In discussions with his colleagues, Pardoe further asserted that ‘I didn’t leave the Labour party and join the Liberals in order to bring down a Labour government....and I would hate to have to live the rest of my life believing that I had done so’ (Pardoe, 2010, Personal communication). Cyril Smith, similarly a convert from the Labour party, defended his decision to support the Pact on the dual basis that the large Liberal vote in 1974 was based on the electorate rejecting Edward Heath and the Conservative Party. This latter perspective was shared by Stephen Ross, MP for the Isle of Wight (*The Times*, letter by Stephen Ross 14 July 1977; Grimond, 1979:251). Smith also argued, in contrast to Grimond, a deal with Labour would undermine the Left-wing of the Labour party, which he considered the ‘greatest threat’ to the stability of the country. Clearly analysis of these views highlights the difficulties the party faced in trying to construct a coherent narrative as to the purpose of the Pact and how through this realignment might be achieved.

Emlyn Hooson was more circumspect, a vociferous defender of an independent Liberal party in the 1960s and early 1970s, he summed up the problem facing those Liberals who were sceptical of the Pact at its inception and subsequently,

I took the view that for one member to resign it would undermine the whole object of [the Pact]. The Liberals have always been accused of never being able to agree on anything, and if one individual resigned, which I did consider doing...Cyril Smith would have done and David Penhaligon would have done and Richard Wainwright would have done (Hooson quoted in Moar, 1998:80).

A number of minor, though not insignificant, issues also influenced the thinking of Liberal MPs, namely, their limited preparedness to fight an election in 1977, this was coupled with structural and financial issues. Hugh Jones, in a review of the party undertaken upon his appointment as Chief Executive Officer of the Liberal Party in March 1977, concluded that while many constituencies were *prepared* to fight, 'Few constituencies were anywhere near ready for an election' (Hugh Jones, 2007:112). On 16 February 1977, little over a month before the formation of the Lib-Lab Pact, the Liberal's Chief Agent reported to the National Executive Committee that: 'only 150 associations had appointed honorary agents and over 200 constituencies had yet to appoint prospective parliamentary candidates' (Liberal Party Archive, LLP 19/2: notes of a meeting of NEC, 16 February 1977). A General Election Management Committee had not been established, and according to Lord Banks, a review of constituencies in which the Liberal party might have a prospect of electoral success had yet to take place (Sked, 1977:203).

In common with all other political parties in the UK, funding the two General Elections in 1974 had resulted in the Liberal party incurring a considerable overdraft. The loss of Jeremy Thorpe as party leader in early 1976 had seen the Party lose his significant, if sometimes questionable, fundraising talents. The situation was so grave that, by 1977, Hugh Jones reported to Clement Freud, chairman of the Finance and Administration Board, 'to all intents and purposes the party was insolvent' (Hugh Jones, 2007:70).

While the structural and financial constraints on the Liberal party in 1977 was nothing new for a party with very limited resources in terms of finance and personnel. It nonetheless must be

observed the parlous position of the party increased the appeal of avoiding an election should the opportunity arise. Clearly, entering an agreement with the Labour government would afford them just such an opportunity.

There was also the intangible issue of the Thorpe Scandal. Although the resignation of Thorpe as leader had stabilized the party internally, the political scandal was considered the most sensational since the 1963 Profumo affair, and some journalists envisaged they were on to a British 'Watergate' (Donoghue, 2008:251). Liberal MPs were largely dismissive of any suggestion that the Thorpe Affair did any lasting damage to the party. John Pardoe, whose North Cornwall constituency bordered Jeremy Thorpe's constituency, always maintained that the Thorpe Affair had little effect on the doorstep. This conclusion was endorsed by Annette Penhaligon, in her biography of David Penhaligon (Pardoe, 2010. Personal communication; Penhaligon, 1989:123). Similarly, Cyril Smith claimed that there was public loathing of the press's treatment of Thorpe (Smith, 1978:212). However, in March 1977, the Liberal party could not be certain if more damaging revelations were yet to be disclosed – potentially during an election campaign. The opportunity to avoid an election under such circumstances was therefore met with much relief within the party. Indeed, a by-product of the Lib-Lab Pact was that it ensured that the Labour government had a vested interest in mitigating the impact of the Thorpe scandal on the Liberal party. Indeed, according to Bernard Donoghue the Labour party did attempt to slowing down some of the proceedings, and 'giving support when the flak really started to fly' (Donoghue, 2008:249).

On this basis, the motives of the Liberal MPs were clearly manifold. However, it is only right that we should now turn to the most enduring perception, in both contemporary and historical analysis, of why the parliamentary Liberal party endorsed the Pact, namely that they were motivated by self interest - specifically, to reject the Pact would have hastened a General Election in which it was widely assumed incumbent Liberal MPs would lose their seats.

The predictions of the consequences for the Liberal party should an election be called in March 1977 varied, with figures ranging from the loss of four or five seats, to an almost complete rout, in which all but Jo Grimond and David Steel would lose their seats (Hoggart and Michie, 1978; Callaghan, 1988; Donoghue, 2008; Barnett, 1982, *The Sunday Times*, 20 March 1977).

Some Liberal MPs themselves subsequently acknowledged that there was some truth in the charge that they were at least concerned at what the result of an election might be for their own position.

John Pardoe confesses that:

The accusation on everyone's lips, outside of the immediate Liberal party was that we had simply done this in order to save our necks. That was what the press thought and there was a degree of truth in that, but I didn't want the truth to be too obvious (Journal of Liberal History, Slade 2002: Interview with John Pardoe).

Andrew Phillips, the Liberal party candidate for the Saffron Walden by-election held on 7 July 1977, was of the view that 'if Callaghan had called an election, I hate to think what would have happened to the Liberals' (Phillips, 2010, Personal communication). Similarly within the Liberal grassroots, Chris Foote-Wood, a member of the Liberal Council, and councillor in Bishop Auckland at the time of the Pact, concluded that an election would have been disastrous for the party. While he opposed the Pact, he saw the actions of the Liberal MPs as a pragmatic response to the electoral position of the party at the time (Foote-Wood, 2012 Personal communication).

However, some Liberal MPs were more sanguine at the prospect of fighting an election in March 1977, among them Russell Johnston, who argued that, 'We've often gone into an election at a low level and done relatively well....in my view we would have come out of an election [in 1977] better than we did in the forthcoming election after the Pact' (Johnston, 2008. Personal communication).

Steel was certainly aware of the perception that his prime motivation in entering into discussions with the Labour party was to avoid an election. In response to the approach by Cledwyn Hughes on

17 March 1977 for Liberal support in the vote of confidence, Steel was forthright in his assertion 'when Hughes stated that Callaghan was ready to go to the country if he had to. Steel's response was 'So am I' (Steel, 1989:152). Likewise, during the weekend of 19-20 March 1977, he issued a number of press statements emphasising that he did not fear going to the polls (Steel, 1980:30-31). However, the next day, in conversation with William Rodgers, Steel expressed a more nuanced position exposing a deeper concern; 'he did not want an election but his honour was at stake and he could not be seen to duck one'. (NA, PREM16/1399: note for the record, telephone conversation between William Rodgers and James Callaghan, 21 March 1977; Callaghan, 1989:452).

Two factors were most prescient in Steel's thinking with regard to forming the Pact in order to avoid of an election in March 1977: first, the experience of the 1970 General Election which had seen the near eradication of the parliamentary Liberal party. Seven parliamentary seats were lost and only six MPs returned, the same number as the nadir of Liberal representation at Westminster in 1959. Three seats, those of Thorpe, Pardoe and Steel were held with majorities of under 100. Steel himself had to endure three re-counts, eventually securing a 'majority' of 550. He confesses that, had these three seats not been retained, 'it was hard to see how the party could have survived at all....this night was one of my darkest hours' (Steel, 1989:80-1).

Second, and unlike other members of the parliamentary Liberal party other than perhaps Jo Grimond, Steel was concerned about the resurgence of the two Nationalist parties, particularly the Scottish National Party. Already supplanting the Liberals as the third party in Scotland at local government level, the October 1974 General Election had seen the return of 11 SNP MPs. In Wales 3 Plaid Cymru MPs were elected, a combined total already greater than the Liberals' 13. Further Plaid Cymru gains were unlikely, with a swing of over 16% required to win even one more seat. However, the barriers to further SNP successes were less onerous. Indeed, in February 1977, the SNP 'cheerfully predicted success in half the seats in Scotland' (Hoggart and Michie, 1978:28).

Even setting aside such hyperbole, even moderate success for the SNP would have serious, perhaps fatal, consequences for the position of Liberal party in the House of Commons and in British politics. With 13 MPs in 1977, the Liberals were the third largest party in the House of Commons, and by convention, enjoyed some distinct privileges not afforded the other minor parties. These manifested in terms of the procedures of the House related to orders of precedence, and were most visible during Prime Minister's Questions. The Liberal party leader was guaranteed the right to ask one question of the Prime Minister. Privileges also extended to membership of committees and other areas of parliamentary business. Clearly, if the SNP returned more MPs to the House of Commons than the Liberal party, these rights would be lost. Furthermore, should the SNP, a party naturally contesting only Scottish seats, have a greater representation than the UK-wide Liberals, it would undermine the Liberal party's (admittedly aspirational) claims that one day it might credibly become a governing party at Westminster.

What would have been the consequences for the Liberal party if an election had been called in March 1977? Clearly we cannot know for sure what the result would have been, but a number of assumptions can be made based on the political situation in 1977, past performance and the result of the subsequent General Election in 1979.

First, Steel's concerns over a resurgent SNP may very well have been realised, a fact often overlooked in analysis of the position of the Liberal party in the late 1970s (see: Steed, 1983:96-97; Cole, 2011b:280-281; Oaten, 2007:188).

At a national level the most serious threat to Liberal fortunes was a resurgent Conservative party. A significant national swing to the Conservatives, which seemed the likely outcome of a 1977 General Election, would almost certainly have had serious electoral repercussions for the Liberal party. The Conservatives had seen their poll share increase from 35% to 49.5% since the General Election October 1974. In the same time scale Liberal support had fallen from 18.3% to 13%. As Table 6.1 shows, eight Liberal MPs had the Conservative party as their main challenger. Thus, a uniform swing

to the Conservatives of 10% would have seen at least five of the 13 Liberals lose their seats. Meanwhile, a resurgent Conservative party also threatened the prospects of many prospective Liberal parliamentary candidates. Where the Liberal candidates finished second in October 1974, all but 10 were in seats won by Conservatives, there seemed little prospect under such circumstances that the Liberal party would gain these seats which might offset the likely losses (McKie, Cook and Phillips, 1978:196).

Table 6.1 Threat to incumbent Liberal MP's in General Election of October 1974 (swing required to be unseated)

Member	Constituency	Majority	Challenger	% swing
Beith	Berwick	73	Conservative	0.2
Penhaligon	Truro	464	Conservative	0.8
Johnston	Inverness	1134	SNP	2.8
Ross	Isle of W	2040	Conservative	3.1
Wainwright	Colne Valley	1666	Labour	3.3
Freud	Isle of Ely	2685	Conservative	5.1
C. Smith	Rochdale	2753	Labour	5.8
Hoosen	Cardiganshire	2410	Labour	6.9
Pardoe	Cornwall N.	3856	Conservative	9.2
Thorpe	Devon N.	6721	Conservative	11.5
Howells	Montgomery	3859	Conservative	14.7
Steel	Roxburgh et al.	7433	Conservative	16.2
Grimond	Orkney & Shetland	6852	SNP	39

However, figures based on opinion polls of a 'uniform swing' do not necessarily reflect the reality for the Liberal party in the 1970s. Party Chairman Geoff Tordoff argues that immediately prior to the formation of the Pact, the Liberal party's polling figures compared favourably with both 1970 and 1974 (Liberal Party Archive, LLP 19/2: press release by Geoff Tordoff, 18 March 1977). There was also the incumbency factor, David Butler, writing in *The Sunday Times* on 20 March 1977 (the day before Lib-Lab discussions commenced), concluded that Liberal support historically held up well where it was already strong, and Liberal MPs were often able to buck national trends (*The Sunday Times*, 20 March 1977). The increased media exposure acquired by the Liberal party during a General Election campaign had traditionally resulted in improved polling for the party on election day.

The results of the 1979 General Election bear comparison in this regard, on this occasion the Liberal party did, (as in February 1974) experience resurgence in their poll rating during the election campaign. In 1979 this was in part because of the by-election success at Liverpool Edge Hill. Moreover, Butler was vindicated in his observation that incumbent Liberal MPs tended to buck the national trend. In 1979, the Liberal party's national share of the vote fell by 4.5%, a decline if replicated in constituencies where a Liberal was the incumbent which would have resulted in only five Liberal MPs being returned to Westminster. However, only two Liberals saw a decline in share of the vote in 1979. Moreover, because David Alton replicated his by-election success at Liverpool Edge Hill, the Liberal party's parliamentary contingent, (on the October 1974 figure), only declined by two seats. Emlyn Hooson was defeated in Montgomeryshire, largely because of a poorly run local campaign, meanwhile Jeremy Thorpe, somewhat inevitably lost in North Devon. John Pardoe, as he had anticipated, was defeated in North Cornwall, (citing the loss of the leadership election rather than any effect from either the Thorpe scandal or the Pact). While there was more tactical voting by erstwhile Labour voters in 1979 than in 1974, it was only slightly more, and in this regard the Pact

itself was not a significant factor in the 1979 result. As an aside, the absence of tactical voting was one of the most depressing aspects of the Pact for Liberals.

It is important not to take this projection of possible scenarios had an election been called in March 1977 too far. We cannot with any certainty speculate how self-identifying Liberal supporters in either 1977 or those who voted Liberal in 1979, would have reacted had the parliamentary party's decided to vote against the Labour government in the vote of (no) confidence and instigate a General Election in 1977. We do know that the initial response to the decision to enter the Pact was far from positive with the Liberal vote reducing substantially on the 1974 figures at the Ashfield, Stechford and Grimsby by-elections.

Nonetheless, it could be argued that, as Russell Johnston suggests, an election in 1977 may have been no worse for the Liberal Party than in 1979. The Liberal party might have retained seats held, but not advanced in areas without an incumbent Liberal presence. For a party which had experienced near extinction in its recent past, this would hardly have been regarded as a disaster, or a reason to avoid a General Election.

There were significant structural, financial and political reasons why the Liberal party might choose to avoid a General Election in 1977, and these did play a part in the thinking of both the Liberal leader and the party's MPs. However, it is the contention of this thesis that overriding all these issues was the significance which Steel placed on the opportunity to enact cross-party co-operation. As Richard Holme observed, 'for Steel this was the real prize' (quoted in Moar, 1997:112). On this basis, criticism of Steel should not be focused a notion that he formed the Pact to avoid an election. Rather, Steel's failing was not successfully articulating to his own supporters, the Labour party, the media and the wider public the emphasis which he placed on the establishment of co-operation as the key motive in forming the Pact. The fact that Steel's motives were dismissed or ignored, resulted in a narrative being allowed to develop, especially in the Conservative supporting press, that the Liberal MPs were 'saving their own skins' rather than putting 'country before party' (Steel, 1980:54).

Reaction to the Lib-Lab Pact: Liberal Constituency parties and party activists

The following section will examine the response of the Liberal party constituencies and party activists to the prospect of cross-party negotiation in March 1977, and the immediate response of the grassroots to the deal agreed by Steel and Callaghan.

As noted earlier, the party leadership consulted as widely as was practicable prior to entering into discussions with Labour, the most significant example of such consultation was Steel's instruction to party President Geoff Tordoff and Chief Executive Hugh Jones to take soundings from as many Liberal constituency parties and associations as possible in the time available. Accordingly, Tordoff and Hugh Jones made contact with 31 individuals, many of whom were regional officials on the Liberal NEC, who in turn had themselves consulted constituency officers and members. The Tordoff/Hugh Jones report was consequently viewed as a thorough and comprehensive appraisal of the opinions of the Liberal party outside Westminster (Steed, 2010. Personal communication).

The subsequent report, supplied to Steel by Tordoff before the Liberal leader entered into discussions with Callaghan, highlighted a number of key conclusions: First, Tordoff observed that the extra-parliamentary Liberal party accepted unanimously that it was Steel's prerogative, as leader, to negotiate on behalf of the party. Furthermore, his decision-making thus far was met with approval. Tordoff observed that the prospect of a General Election was not viewed with anything other than 'moderate optimism', however, 'only thirteen constituency officers expressed anxiety about an election'. There was a resolute belief that the Liberals should be 'pushing the government to the limit'. Out of 75 London constituencies surveyed, 62 favoured pressing for specific assurances from the government on Liberal policies, (Liberal Party Archive, LLP 19/1: Tordoff Report to David Steel, 20 March 1977; Steel, 1980:35).

The report continues:

while Liberals do not seek an early General Election...Liberal MPs should vote against the government unless 'cast-iron' assurances are given by the Prime Minister to David Steel....the message from Liberals all over the country is 'bend or be broken'.

(Liberal Party Archive, LLP 19/1: Tordoff Report to David Steel, 20 March 1977).

Tordoff outlined three areas in which government assurances *must* be achieved to ensure subsequent grassroots' support for any deal, namely, that, the government enacted the Direct Elections legislation, second, that a proportional system should be employed for those elections, and finally, any deal should include a non-specific 'economic element'. In his conclusion, Tordoff explicitly reiterated that it was the view of the Liberal grassroots that 'without such concessions, the parliamentary Liberal party should vote against the government in the forthcoming no confidence vote' (Liberal Party Archive, LLP 19/2: Tordoff Report to David Steel, 20 March 1977). Steel could thus clearly infer from Tordoff's report that the extra-parliamentary Liberal party's focus was on specific policy concessions as a prerequisite for any deal with the government.

Tellingly, two issues which were central to Steel's negotiating tactics and wider strategy as viewed in chapters 3 and 4 of this thesis were absent from the Tordoff report. First, there was no emphasis on for an explicit requirement for a 'consultation mechanism' *per se*. It was assumed that an obviously requirement in co-operation would be a consultation mechanism. Second, there was no traction with Steel's strategy articulated since becoming leader that a cross-party agreement should be viewed as a conduit to an incremental move towards a realignment of British politics with the Liberal 'seen to be consulted'. The grassroots were far more focused on policy outcomes from any agreement. Therefore, there was a clear divergence between Steel's strategy focused approach and the policy-centric approach of the Liberal grassroots. The implications of this divergence would prove important in the intra-party conflict which developed during the Pact, and thus will be discussed later in this thesis.

One of the most striking aspects of the Liberal grassroots response to the prospect of a deal with the Labour party was how much more accommodating they were compared to the strident opposition evident during the aborted coalition talks between Jeremy Thorpe and Edward Heath in 1974. As noted in Chapter 2 this was in part because of the pragmatism which imbued the party after the events of February 1974. However, it suggests a left-of-centre orientation within the wider Liberal party. This orientation made a deal with Labour somewhat more attractive, and therefore more achievable than a deal with the Conservatives had been in 1974. At the very least, as the comments of some of the Liberal MPs noted above indicate, there was an antipathy towards the Conservative party, especially under Margaret Thatcher's leadership.

These sentiments were highlighted in a questionnaire sent to 855 Liberal party officials, regional chairpersons, treasurers and officials, in spring 1977, the results of which were published in *New Society*. It showed that Liberal party officials were significantly more disposed towards the Labour party than to the Conservatives. When asked which party would be their second preference, 43% said Labour, while only 19% favoured Conservative. Likewise when asked about the party leaders, James Callaghan was given 5 out of 10 (compared with Steel's 8.9) while Margaret Thatcher only achieved an average of 2.2, with over 30% of responses awarding the Conservative leader a zero mark (*New Society*, 22 Sept 1977:606-607). *The Guardian* also highlighted the same ideological inclinations among Liberal party activists reporting on 23 March 1977 that a local Liberal party chairman claimed that 'only '10% of his local party would view a Thatcher government with equanimity' (*The Guardian*, 23 March 1977).

Despite the broad inclination towards the Labour party within the grassroots there was disenable opposition to the concept of co-operation with Labour. Initial opposition (between March-May 1977) can be characterised as based on a disagreement over strategy, reiterating the opposition to the concept of co-operation as expressed at the Llandudno Assembly in 1976, and the likely consequences for future electoral success of the Liberal party. Similar to the Labour party, there was

also concern over how a pact with Labour would impact on the independence of the Liberal party. However, unlike the Labour party, where this opposition emanated almost exclusively from the Left-wing of the parliamentary party, within the Liberal party opposition was primarily focused in the grassroots.

A number of key strands of opinion can be identified in an assessment of the reasons why some constituencies, regions and individuals expressed reservations over the decision to enter into an agreement with the Labour party. These might be classified as follows: those whose outright disagreement with Steel's broad strategy of 'co-operation' meant that any pact would be rejected. Those who believed that by entering a deal with Labour, the Liberal party undermined its opportunity of winning seats held by the Conservatives where the Liberals were the main challengers; those who rejected the Pact on the grounds that to co-operate with a socialist-orientated Labour party was incompatible with Liberal ideals (Bartram, 1981; Dutton, 2004; Steed, 2010. Personal communication).

Assessing individual constituency responses to the prospect of an agreement, and to the terms agreed, and then extrapolating these views to establish if they were in any way emblematic of a broader opinion across the Party is problematic. Only a small proportion of Liberal constituency parties expressed their views on the Pact directly to Liberal Party Central Office, and sadly, unlike the Labour party archive, the Liberal party did not formally record all of these correspondences.

Only eleven constituencies can be identified as having written to Steel expressing their support for the Pact, but the absence of a great number of responses implies a largely acquiescent, if not supportive, constituency base. However, it should be borne in mind when assessing this data that significant numbers of the 'constituency parties' were either 'dormant' or had a very small core membership; Hugh Jones points out in his memoirs *'Campaigning face to face'* that large numbers of constituency branches were 'little more than a handful of well meaning individuals' (Hugh Jones, 2007:72).

Some of the most vehement opposition to the deal was expressed by the cluster of Liberal constituency parties in Surrey and East Sussex, most notably, Eastbourne, Epsom and Orpington. In each case, the incumbent MP was a Conservative, and there was concern from Liberal activists that in entering a Pact with the Labour party, 'soft Tories' who might have considered voting Liberal would be driven back into the Conservative party - although in truth none of these seats might be considered Conservative/Liberal marginals. Nevertheless, feeling were such that the Eastbourne Constituency Party went so far as to threaten to establish an 'Independent Liberal party', while the Epsom Liberal party condemned Steel's decision to 'save the government...for a bribe' (Liberal Party Archive, LLP 19/2: Tordoff Report to David Steel, 21 March 1977; Liberal Party Archive, LLP 19/2: handwritten notes by Tordoff to Steel, 22-23 March 1977). The opposition expressed by the Orpington Constituency Party is perhaps the most instructive in explaining why this specific location was the centre of such strong opposition. Having been the scene of Eric Lubbock's stunning by-election victory in 1962, it viewed itself as the embodiment of Liberal independence. Consequently, the local party, and those in the immediate vicinity, were particularly ill disposed to the concept of a pact. Liberal associations in the traditional Liberal heartlands North Wales, Manchester and Yorkshire also expressed their opposition to the Pact on the grounds that it 'undermined traditional Liberal values'.

Strident opposition also emanated both from Liverpool and the North-East of England respectively. Unlike the South of England, the Liberals' main opponent in these regions was the Labour party, as such entering the Pact reduced any chance of securing support from the 'Tory rump' via tactical voting. In truth this was not a significant issue, these were areas where 'community politics' had resulted in significant electoral successes, and many activists were emphatic in their opposition to 'co-operation' *per se*. In Liverpool, the community politics strategy had seen the Liberals, under the leadership of Trevor Jones, become the largest party on the City Council,. While supportive of the concept of 'National Recovery', Jones was a critic of Steel's 'co-operation strategy' and together with David Alton, the prospective parliamentary candidate for Liverpool Edge Hill, many Liverpool Liberals

had demonstrated against the strategy at the Llandudno Conference. By 1977, Trevor Jones was leader of the Association of Liberal Councillors, and while in March 1977 his opposition to the Pact only manifested itself in correspondence in the *Liberal News*, he would subsequently become an increasingly important figure in the anti-Pact wing on the Liberal Council, especially after the disastrous local elections in May 1977, when large numbers of Liberal councillors lost their seats.

A third areas of discontent was the North-East of England, and especially Newcastle-Upon-Tyne, it too had also seen a significant Liberal revival, again partly as a consequence of a focus on community politics. Andrew Ellis, who had increased the Liberal share of the vote by 17% in the Newcastle Central by-election in November 1976, spoke against the Pact from his position on the Liberal Council, at the Liberal Assembly in October 1977, and again at the Special Assembly in January 1978. He was also a key figure in the fringe group 'Liberals against the Pact'. The North-East saw the only parliamentary candidate resign directly as a consequence of the decision to enter the Pact.

In reviewing the opposition within the grassroots it might therefore be observed that opposition at the start of the Pact was disparate both in geographical and ideological terms. However, significantly, in each case the opposition might be characterised as scepticism at the strategy, rather than direct dissent, it did not at this stage at least, manifest itself as a formal or co-ordinated 'anti-Pact movement' in March 1977 (Hugh Jones, 2007:74).

It should also be observed, there were also those, particularly in Scotland and Wales, who were supportive of the Pact on the basis that the policies included in the 'Joint Statement', most particularly the reintroduction of the Devolution Bill were of particular importance to their members. While some, such as David Penhaligon, argued 'devolution meant nothing to England' there was also a sense of solidarity among some English Liberals for the introduction of devolution, and consequently the Pact as a means of achieving as a long term Liberal policy objective (Steel, 1980:62). It was also, somewhat optimistically hoped that this process might eventually lead to English devolved government (Liberal Party Archive, LLP 19/2, Scottish Liberal Conference minutes,

14 January 1978'; NA, PREM 16/1400: minutes to Consultative Committee, 29 May 1977).

There were some notable (and particularly vocal) Liberal opponents of the Pact. Roy Douglas, Liberal academic and author of *The History of the Liberal Party 1895-1970*, was one such critic, and in a series of letters published variously in *Liberal News*, *The Times* and *The Guardian*, he condemned Steel's negotiating strategy as well as his subsequent decision to enter the Pact with Labour. In so doing Douglas even questioned Steel's leadership abilities,

The parallel with the situation in 1924 and 1929-31 is in many ways close, and I do not think that David Steel can handle such a position with more skill than Asquith exercised on the first occasion or Lloyd George on the second. In both cases the Liberals suffered utter disaster....but if the choice lies between losing him and continuing the pact there seems little doubt what the answer should be (*Liberal News*, 20 December 1977).

Meanwhile, Alan Sked, political historian and Liberal Councillor, cited the historical examples of 1905 and 1924, when the Liberal party 'allowed the Labour cuckoo into the nest', as reasons to be sceptical of the Pact. Like Roy Douglas he questioned both Thorpe and Steel's negotiating abilities in 1974 and 1977 respectively (Sked, 1977:204). Meanwhile, some individual Liberal members who objected to the Pact were particularly trenchant in their views. A letter sent to Emlyn Hooson from a constituent condemning him as a 'Judas' for agreeing to the Pact and asking 'how he wanted his pieces of silver' (NLW, Hooson Papers, Box 56: letter to Hooson, 25 March 1977).

Of the affiliated bodies within the Liberal party, the most prominent opponents to the Pact were the National League of Young Liberals. At their conference at Weston-Super-Mare, in April 1977, Steel's actions were roundly condemned. However, uniquely among opponents of the Pact, their opposition, under the leadership of Peter Hain, Simon Hebditch and Chairman Steve Attack, was based on the premise that the Liberal party should not enter into agreement with Labour but instead attack Labour from the left (Liberal Party Archive, LLP 19/2: Tordoff Report to David Steel, 20 March

1977). However, it is important not to overemphasise the importance of the Young Liberals within the wider Liberal party in 1977. Their influence, particularly on policy development and strategy had greatly diminished from a high point in the early 1970, so that by 1977 they were widely regarded as outside the mainstream of Liberal politics.

In an interesting aside to this process, Tony Benn, mindful of the Young Liberal opposition to the Pact, attempted to recruit Peter Hain to Labour party. Benn hoped that such a defection, 'would also add a new dimension to the Lib-Lab Pact because if Steel thought that Liberals were joining the Labour party it would be a great counter-balance to the formal, slightly shoddy parliamentary arrangements' (Benn, 1990: 207, diary entry for 1 August 1977). Hain did resign from the Liberal Party to join Labour, but not until late in 1977, and not as a response to the Lib-Lab Pact. His defection did nothing to destabilise the Liberal party, or the Pact, and was met with relief by many Liberals who felt that his radicalism was incompatible either with Liberal party policy, nor strategy (*Liberal News*, letters to the editor, 15 November 1977).

Throughout the first period of the Pact formal opposition was very minimal, was largely restricted to internal debate on the abstract notions of strategy, rather than a more fundamental schism over leadership or policy fulfilment. There was no demand from the leadership for opponents of the Pact to resign from the Liberal party and no sanctions were imposed on those constituencies who criticised Steel's decision to enter the Pact. David Alton, who criticised the decision in *Liberal News* remained the PPC for Liverpool Edge Hill, going on to win a famous by-election victory in March 1979. Even when a more formal opposition movement developed in the autumn of 1977, led by John Pick and Andrew Ellis, operating under various titles, including: 'Liberals against the Pact' and 'Liberals against the Strategy' there was no compulsion for them to resign. Ellis worked prominently in by-election strategy co-ordination, notably at the Saffron Walden by-election in July 1977, and later became Chief Executive of the Liberal party.

An internal Liberal party report, conducted in 1978 into the effect of the Pact on party structures,

concluded that only a handful of Liberal activists left the party at the announcement of the Pact, and there was no significant reduction in party membership over the duration of the Pact (Liberal Party Archive, LLP19/1: note of a meeting of the NEC, 26 April 1978). No constituency parties seceded from the Liberal party, and although one, Beckenham and Penge constituency, did vote to do so, this was later rescinded (Michael Steed Papers, letter to Michael Steed, 27 January 1978).

In the immediate aftermath of the formation of the Pact, David Steel received over 2,000 letters, the vast majority in support. Indeed, he admitted to the *Liberal News* that he was ‘frankly astonished’ by the lack of formal opposition to the Pact (*Liberal News*, 5 April 1977). After the Pact was formally announced on 23 March 1977, Geoff Tordoff conducted a second round of consultations with constituencies, whereupon he concluded that the Party ‘generally approved’ of what had been agreed (Liberal Party Archive, LLP 19/1: notes of a meeting of the NEC, 2 April 1977). A readership survey of *Liberal News* by Richard Davies found overwhelming support (*Liberal News*, 29 March 1977). Meanwhile the more independent *Radical Bulletin* and *Liberator* magazines, while viewing coalition-forming as ‘community politics writ large’ before the Pact, were far more critical of the Agreement, mirroring their more radical readership. However, according to Hugh Jones, their influence within the party should not be overemphasised (Hugh Jones, 2007:73-7).

Chris Foote-Wood observes that, at the announcement of the Pact, because it was not anticipated and was formulated rapidly, some local constituency parties felt detached from the parliamentary developments; hence, there was a degree of anguish at what it might mean for local politics. However, according to Foote-Wood most activists continued their work without passing comment, he concludes that ‘for the most part we just had to grin and bear it, we didn’t like it but you had to make a choice, accept it or get out...most of us kept our heads down and stayed loyal’ (Foote-Wood, 2012. Personal communication). Hugh Jones concurs with this assessment observing that while there was some apprehension at the terms agreed, the party broadly agreed to ‘trust the leader’ (Hugh Jones, 2007; 111).

Reaction to the Lib-Lab Pact: Liberal National Executive Committee and Liberal Council

The three most important organs of the Liberal party were the Standing Committee, the National Executive Committee (NEC) and the Party Council. The Standing Committee, chaired by Richard Wainwright, comprising parliamentarians, prospective candidates and party officials, was the most Westminster-centric of the three bodies. The National Executive Committee had a wider membership, namely, elected officials and representatives from the regional and national party and affiliated bodies. Finally, the Party Council was a body of 275 delegates, its membership included all members of the Standing Committee and the NEC; it also incorporated a significant number of Liberal councillors and party activists. Many of this latter group were more radical in their policy orientation and less familiar with the machinations of Westminster politics. Such members saw themselves as the bastions of an independent Liberal party espousing distinctive 'Liberal values'. Historically the NEC had been responsible for policy formation, although by 1977 this role had been taken by the Standing Committee. Consequently, conflict often arose between the two bodies, or more specifically between the leadership in Westminster and the NEC. Difficulties in achieving a coordinated response to political change, reviews of tactics and strategy were exacerbated by the fact that pronouncements on policy between Liberal Assembly were the preserve of the Liberal Council (Steel, 2010. Personal communication; Steed, 1983:124-125).

While acknowledged to be a better committee man than either Grimond or Thorpe, Steel was often frustrated by this cumbersome structure (Butler and Kavanagh, 1979:93). He was particularly disparaging of the Party Council, viewing it as, 'full of members who were deposit losers, meeting in obscure locations' (Steel, 2010. Personal communication).

Officially, all three institutions readily endorsed David Steel's decision to enter the Lib-Lab Pact, with each passing resolutions to this effect at the first meeting of their respective bodies, held on consecutive days at the National Liberal Club, London on 1-2 April 1977. The NEC resolution, passed

unanimously, was indicative:

This Executive notes with approval the content of the joint memorandum from the Prime Minister and the leader of the Liberal party and congratulates the leader and the parliamentary party on achieving a breakthrough in the British political scene (NA, PREM 16/1400: Resolution of the Liberal NEC, 2 April 1977).

However, having made these unequivocal endorsements, each body then passed a second resolution, first, the Standing Committee resolved that: 'The continuation of the agreement between the Liberal and Labour parliamentary parties will be impossible if PR is not used for the UK elections to the European parliament' (Steed Papers, minutes of Standing Committee, April 1977). Likewise, the National Executive passed two further resolutions both of which focused explicitly on how it expected the Labour government to proceed with its legislative programme. The first resolution emphasised the significance that the NEC membership placed on the voting method to be employed in the Direct Elections to the European parliament:

in the event of the government not legislating for PR in the European elections, this executive urges the [Liberal] parliamentary party not to negotiate any extension of the agreement with the government beyond the present parliamentary session (NA, PREM 16/1400: note of Liberal Party NEC resolution, 2 April 1977).

The second resolution was even more specific, stating that the NEC 'very strongly' held the view that the system of proportional representation to be used for the European parliamentary elections should be Single Transferable Vote and not the 'List System' (NA, PREM 16/1400: note of Liberal Party NEC resolution, 2 April 1977). The Liberal NEC's demand for Single Transferable Vote (STV) to be the voting method for the European elections was based on the fact that the Liberal Manifesto of 1974 had explicitly stated the Liberal party's desire that STV be introduced for all elections in the UK.

At first glance it might appear that the resolutions, in demanding concessions from the government not explicitly defined in the Lib-Lab Agreement, were being critical of the deal struck by David Steel in his negotiations with the government. Undoubtedly there was some frustration that the wording of the Agreement was not more prescriptive on the issue of PR, especially in the context of the Tordoff report unambiguously stating that without 'cast iron' commitments on this and other issues no deal should be forthcoming. However, it should be observed it was not the intention of the NEC to undermine the Liberal leader in passing these motions. Instead, the NEC envisaged that by taking a robust stance on this issue at such an early stage, it would emphasise the importance it placed on two clauses in the Lib-Lab Agreement, namely that: 'the Liberal party re-affirm their strong conviction that a proportional system should be used as the method of election...[and]...the government's final recommendation will take full account of the Liberal party's commitment'. Thus, by presenting themselves as an apparently belligerent Party Executive, threatening the termination of the Pact without a commitment on STV, they hoped it would inveigle a sceptical Labour party to be more inclined to acquiesce to Liberal concessions. It was also hoped this action would strengthen David Steel's position when reviewing with Callaghan the contents of the White Paper on Direct Elections which was to be published imminently (Steed, 2010. Personal communication).

The introduction of a proportional voting system in all UK elections had been a long term aim of the Liberal party, and while they were earnest in their belief that a proportional electoral system was more representative than the existing plurality system (hence its use in internal Liberal party elections), there was also a degree of self-interest in promoting this change for national elections. The adoption of any form of proportional voting system in Westminster elections, on the basis of the 1974 results, would have seen the Liberal party emerge as the most advantaged out of all the minor parties (Curtice and Steed, 1982:297).

With specific reference to European elections, Michael Steed had conducted research in 1976 into what effect different voting systems would have on the distribution of seats, and concluded that an

election conducted under a first-past-the-post system, based on contemporary polling figures, would result in no Liberal candidates being elected, whereas, in comparison, an election conducted under STV-PR would see the highest number of Liberal candidates returned - although Steed declined to specify exact numbers. The strength of feeling within the party on this issue was such that, in 1976, the Liberal Assembly considered whether it should refuse to put up candidates if a plurality system was adopted for the European elections (Steed, 1983:227).

Despite the rather nuanced strategic approach adopted by the NEC, designed to assist Steel in his subsequent negotiations, outlined above, their strategy was not done in co-ordination with David Steel or even conducted with his support. Indeed, he did not appreciate their interjection in what he perceived to be an exclusively parliamentary arrangement. As such, when James Callaghan raised concerns about the implications of the Liberal NEC resolutions in a meeting with Steel on 21 April 1977, rather than use the resolutions as a bargaining tool, (as the Executive had envisaged), Steel dismissed it out of hand, insisting that:

he did not regard [the resolutions] of any great significance, the fact was his parliamentary colleagues would come to an agreement in due course....their resolution was in fact nonsense as it was not in the government's gift to legislate, they could only bring forward proposals (NA, PREM 16/1400: notes of a meeting, 21 April 1977).

There was some justification for Steel's comment that the NEC resolutions were 'nonsense', the Labour government was not in a position, neither politically, nor in terms of the parliamentary timetable, to pass the legislation on Direct Elections before the end of the current Session, and thus not before the Pact was to be reviewed. However, Steel's dismissal of his own NEC's unsolicited attempt to bolster his negotiating position highlights an underlying dislocation between the Liberal party leader and the party's Executive. Steel only attended four of the monthly NEC meetings during

the lifetime of the Pact, and according to Hugh Jones, a more collegiate approach from Steel, with more regular attendance at the NEC meetings, would have ensured a more constructive working relationship with the elected officials. A closer working relationship may also have allowed Steel to explain, with greater clarity, his decision to prioritise in his negotiations with Labour the longer term aim of 'realignment', rather than the more specific policy issues such as devolution or electoral reform. Without this appreciation of Steel's strategy movement on both issues became increasingly important to the NEC membership.

Steel responded to the NEC's demand for STV by confirming that it was the parliamentary Liberal party's intention to press the case for STV, but tellingly emphasised that 'it would be unreasonable to abandon the Agreement if it were only possible to secure...regional list PR which itself could represent a breakthrough in changing the electoral system' (Liberal Party Archive, LLP 1/9: note of a NEC meeting, 20 May 1977). The archive evidence is instructive in this regard; while Steel did emphasise in his meetings with Callaghan that Single Transferable Vote was the preferred option of the Liberal party, there is no evidence in any of their negotiations, either during the Lib-Lab discussions in March 1977, subsequent discussions on renewal of the Pact, or in negotiating the terms of the European Direct Election Bill, that Steel pressed for STV to be the method employed in either the devolved Assemblies of Scotland and Wales, or the European parliament.

Steel's decision not to demand STV seems to have been based on his preconceived notion of what would, and would not, be acceptable to the parliamentary Labour party, and thus what might act as an impediment to forming, renewing or sustaining the Pact. His conclusion that STV was not attainable seems to have emanated from his discussions with Callaghan during the inter-party talks on devolution in early March 1977. As highlighted earlier in this thesis, Callaghan had stated at this time that the Cabinet was sceptical of STV but somewhat more amenable to the Regional List system (NA, PREM16/1297: notes from meeting, 3 March 1977).

As with other aspects of the negotiating process a subsidiary factor in Steel's stance seems to have been his discussions with William Rodgers prior to the Lib-Lab negotiations. Rodgers had conveyed to Steel, in their discussion on 20 March 1977, the Cabinet's positive reaction to the Regional List system, whereas 'the STV system was little known and little understood by the Cabinet' (Rodgers, 2000:171). As noted previously, Rodgers had previously promoted, with some success, the Regional List in Cabinet as a PR system which would be of electoral benefit to the Labour party in the European elections. Rodgers used Michael Steed's published analysis to highlight that under a plurality system, Labour was predicted to lose a significant number of its current dual-members in the European Assembly. (The dual-member system enabled sitting Westminster MPs to be nominated by their respective party as their representatives in the European Assembly).

Rodgers also highlighted to Cabinet colleagues that there were some administrative issues which made the Regional List system preferable to STV, most notably that the latter would require boundary changes which would necessitate delaying the date of the European election to late 1978. This was not the case with the regional list option. Thus, by adopting the regional list method, the government would be seen by European colleagues to be undertaking its 'best endeavours' to meet the deadline of May/June 1978. (NA, CAB 125/195/10 White Paper Direct Elections to the European Assembly, 31 March 1977).

This Chapter has reviewed the opposition to the Pact from within both the Labour and Liberal parties, the last section has examined the response of the organs of the Liberal party, it has been noted that Steel's dismissal of the Liberal NEC initiatives in April 1977 was emblematic of his decision to emphasise formal cross-party co-operation above 'cast iron' policy outcomes, and to maintain a largely unilateral negotiating strategy. This approach had a number of consequences for intra-party relations within the Liberal party, particularly the subsequent development of intra-party conflict. The next chapter and subsequent chapters will focus on the dynamics of this intra-party relationship with regard to the implementation, renewal and demise of the Lib-Lab Pact .

Chapter Eight

First period of the Pact: March-July 1977

Under the terms of Lib-Lab Agreement, it was agreed that the Pact would terminate at the end of the current parliamentary session, after which both parties would review their positions. Initial internal discontent with the Pact within the Labour party had almost totally abated by the summer, and at a meeting of the Cabinet, held at Chequers on 26 June 1977, the renewal of the Pact was unanimously approved, subject to pending Liberal submissions being agreeable. With the Labour Cabinet taking such a consensual approach, and almost no opposition to their decision emanating from the wider labour movement, this chapter will focus on the Liberal party's attitude to the renewal/renegotiation of the Pact. It will be divided into two sections: first, a review of the Liberal party's attitude to the government's fulfilment of key policy areas outlined in the Pact, with particular emphasis on the Direct Elections to the European Parliament Bill; second, there will be an analysis of how the renewal process was undertaken by the Liberal party, and specifically the extent to which David Steel acted unilaterally to ensure that the Pact was renewed.

In stark contrast to the Labour party, and much to David Steel's frustration, all levels of the Liberal party were subsumed in discussing the terms under which the Pact might be renewed almost from the moment it was announced. In April 1977, Steel had made it clear both to his parliamentary party and the press, that the Pact would be renewed unless the Liberals could 'blame the Labour party for its failure' (Steel, 1980:63). However, as with other aspects of the Lib-Lab Agreement, terminology was of critical importance, in this case, the Liberal leader's precise definition of 'failure' deviated somewhat from how it was understood by some of his parliamentary party and party activists.

As noted in chapter 6 The Lib-Lab Agreement as constructed by David Steel was primarily build around a consultative mechanism, however, consultation was, in turn, dependent on the maintenance of three policy pillars: evidence of the government's economic competence, albeit

under the rather vague terminology of 'economic recovery'; reintroduction of the Devolution Bill; the introduction of the Direct Elections Bill with an explicit acknowledgement of the Liberals' preference for PR. As the renewal date approached, serious issues impacting on each of these policy areas and had the potential to make renewal unlikely, or in theory could have been used by the Liberal leadership as justification for not renewing the Pact.

On 14 June 1977, two of the three pillars noted above came under severe scrutiny. Michael Foot finally conceded that the devolution legislation would not be passed in the current parliamentary session. On the same day, the economic competency of the government, and its ability to maintain the discipline of its MPs, were seriously threatened when Jeff Rooker and Audrey Wise, Left-wing Labour members of the House of Commons Finance Committee, voted with the Conservative party to raise the levels of income tax allowances and partially index them against inflation, thereby incurring an additional cost to the exchequer of £450m.

While the loss of the devolution legislation naturally frustrated the Liberals' negotiating team, led by Russell Johnston, and might in theory have destabilised the Pact, discussion remained constructive and there was little prospect that the Pact would end as a consequence of an administrative delay. Moreover, from a Liberal perspective, Foot's announcement ensure that the Nationalist Parties maintained their official opposition to the government, thus ensuring the Liberal support remained critical to the government's survival, and consequently, in theory, strengthening the Liberals negotiating position *vis-à-vis* the forthcoming renewal of the Pact.

The actions of Wise and Rooker were altogether more serious for the stability of the government and in theory the maintenance of the Pact. *The Economist* commented that 'only two British governments this century have been subjected to pressures and uncertainties comparable to those recently experienced by Mr Callaghan's ministry – neither saw out their term of office' (*The Economist*, 18 June 1977).

Throughout his discussions with Callaghan, David Steel had stressed that the Pact, and therefore its renewal, was based on evidence of the government's economic competence. Implicit in this demand

was the need for evidence of unanimity within the Parliamentary Labour Party in supporting the government's economic policy. Therefore the actions of Wise and Rooker had the potential of destabilising one of the key tenets of the Lib-Lab Agreement (NA, PREM 16/1401: letter from Kenneth Stowe to John Stevens, 8 July 1977). Liberal frustration with the actions of Wise and Rooker was exacerbated by the fact the Liberal party had agreed to vote with the government on all aspects of the Finance Bill, in exchange for the reversal of the increase in Petrol Tax, announced in the Budget, as noted in Chapter 6, thus John Pardoe, a fellow member of the committee was compelled to vote with the government on policy rejected by two of its own MPs. Pardoe, subsequently declared, he saw no point in continuing the Pact under such circumstances (Pardoe, 2010. Personal communication).

David Steel likewise stressed, in a Party Political Broadcast later that week, that 'if the Labour party do not pull themselves together, we may have to have an election in the autumn' (Michie and Hoggart, 1978:109-110). However, in contrast to Pardoe's characteristically more impulsive response, Steel chose not to act on this threat, and continued negotiations with Callaghan over the renewal to Pact. Steel highlight the more 'sobered' response of the Parliamentary Labour Party in parliament in the subsequent weeks as justification for his decision (Steel, 1980:60). This episode exposed one of the weaknesses of Steel's position, while the Liberal leader might threaten to end the Pact and bring down the government, in practice, his decision to emphasise strategy over short term policy influence meant that bringing down the government was not compatible with his strategic aims. To do so would, of course, have ended the Pact and in Steel's estimation discredited 'co-operation' and 'realignment' as a viable strategy.

A threat to the Pact on economic grounds also arose on 6 July 1977, when both the Transport and General Workers Union and the National Union of Miners voted against the previously declared TUC decision to abide by the government's pay policy (Phase III). A Treasury Minister later described the notion that pay policy was being adhered to as 'ridiculous', and stated that the actions of the unions

undermined the government's entire economic strategy (Holmes, 1985:110). The Liberal Manifesto in 1974 had highlighted the need for a mechanism of wage constraint. John Pardoe and Richard Wainwright had repeatedly stated that the retention of Phase III was of critical importance in exhibiting the government's economic competence, and thus should be considered a deciding factor in whether the Pact should be renewed (Pardoe, 2010. Personal communication).

In spite of pressure from colleagues, Steel chose not to make the apparent collapse of Phase III a breaking point in the renewal process. Again, Steel's desire to retain the Pact, his own inclination to listen to reasoned argument, and the terminology and phrasing of the original Agreement were a factor in his actions. Under pressure from Callaghan, who noted that the Pact only demanded the government strive for 'national recovery', and who stated that he would 'not give an inch' on his economic policy', Steel chose to reassure the Prime Minister that the Liberals would scrutinise the government's 'pay policy', but that the Agreement would be renewed, 'so long as inflation was controlled'. Given this was the primary economic objective of the Chancellor at this time this can hardly be considered an arduous, or Liberal orientated demand. To an increasingly incredulous parliamentary Liberal party, Steel argued this was still compatible with the aim of 'economic recovery' (NA, PREM 16/1401: notes of a meeting, 7 July 1977).

Steel's reluctance to base the initial agreement on specific economic targets which, as noted in chapter 4, had been outlined in the original Liberal communiqué (22 March 1977) frustrated Liberal MPs such as Russell Johnston, Emlyn Hooson, Richard Wainwright and John Pardoe. However, as with other aspects of the Lib-Lab negotiations, they did not feel they were in a position to compel Steel to demand specific policy concessions. Crucially, having not demanded specific economic policies in the original Joint Agreement, Steel was not in a strong position in July 1977 to start demanding specific economic policies as part of the renewal negotiations. Furthermore, it seems likely that had he done so, Callaghan would have rejected renewing the Pact under such terms. (Liberal Party Archive, LLP 13/37: Steel statement on local election results, 6 May 1977; Steel, 1980:71; Maor, 1998:122; Pardoe, 2010, Personal communication; Cole, 2011a:176; NA, PREM

16/1794: notes of a meeting, 21 December 1977).

In the event, while not reaching a formal agreement with the government on pay norms, the TUC did reaffirm the '12 month rule', i.e. that pay increases would only be reviewed on an annual basis, however, this agreement was not in fact reached until after the Pact was renewed.

Steel's decision not to make the breakdown of pay policy a 'breaking point' of the Pact, and his acceptance that the government would reintroduce the Devolution Bill in the next session, meant that the Liberal party, particularly Liberal activists, increasingly focused on the progress of the Direct Elections legislation as a benchmark of the effectiveness of the Pact, and a determinant for its renewal. The significance of the Direct Elections legislation to the maintenance of the Pact was intensified by the fact that key aspects of the legislative process coincided with the renewal process in June-July 1977(NA, PREM 16/1400: Consultative Committee meeting, 15 June 1977).

As highlighted earlier in this thesis, the 'principle' of a Direct Elections Bill was a hugely contentious issue within the Labour Cabinet, and also across the wider Labour party. The internal conflict within Labour resulted in repeated delays in the publication of the Bill. By making the enactment of the Direct Elections Bill a prerequisite of the Pact, the Liberals had ensured the passage of the legislation. Although equally Callaghan was compelled to legislate for Direct Elections, not because of the Pact, but because to do otherwise would have resulted in him reneging on a commitment made to European counterparts in September 1976, and would almost certainly have resulted in the Conservative party tabling a censure motion. Furthermore, even allowing for a free vote for Labour MPs, support from Conservatives and Liberals would ensure the Bill would comfortably pass its Second Reading without the imposition of the terms of the Lib-Lab Agreement.

Paradoxically, in terms of the Pact's status as a mechanism to hasten a realignment in politics, by ensuring that the legislation was enacted it strengthened Callaghan's hand against a belligerent anti-EEC left-wing. It might indeed be argued that, without the Pact, the Labour party would have split on this issue and thus hastened realignment (Barnett, 1982:128). Certainly this scenario was a genuine

concern of Callaghan, as expressed in numerous Cabinet meetings in 1976 and 1977. Internal conflict was such that Callaghan had twice threatened to resign if the party did not support its implementation. On 14 June 1977, (the same day as the Rooker-Wise incident and Foot's announcement on devolution noted above), he was compelled to break with the convention of 'Cabinet responsibility' by allowing a free vote for Ministers on the principle of the Bill (NA, CAB 129/61 CM (77): Cabinet Conclusion, 17 February 1977; Benn, 1990:120, diary entry for 28 April 1977).

Although the Liberals were frustrated by Callaghan's capitulation on this point, rather than making this an area of inter-party conflict they, and particularly David Steel, were sympathetic to the Prime Minister's predicament. The White Paper published on 1 April 1977 unusually for a White Paper was largely a consultative document, Oonagh Gay describes it, 'a white paper with green edges' - on the basis that the government had already conceded that it could not pass the legislation before the end of the parliamentary session, and at this time legislation could not be carried over (Gay, 1998:5).

This 'first draft' delineated four possible options with regard to the electoral system to be employed, albeit without making a recommendation. As highlighted earlier in this thesis, most Liberal activists expected Steel to lobby for, and indeed achieve, a formal commitment from the government in favour of some form of PR, preferably the Single Transferable Vote method, on the basis that under the terms of the Pact, the government promised to 'take account of Liberal Party commitment' [to PR]. Discussions on the terminology of the re-drafted Bill and those related to the renewal of the Pact were undertaken almost exclusively within the Callaghan-Steel axis of the consultative mechanism, they took place over June-July 1977 and will be the focus of the next section of this thesis.

The Lib-Lab discussions on Direct Elections took two strands: first, establishing the extent to which the re-drafted Bill would explicitly accede to the Liberal preference for a regional list voting system; second, how this 'recommendation' should be incorporated into the Bill *vis-à-vis* the first past the

post option, the dual mandate options outlined in the original White Paper being disregarded at this stage.

The significance placed on this issue by the Liberal party, with particular reference to the renewal process, is exemplified by Steel's comments to the Prime Minister on 3 May 1977 in what, according to Steel, was the most bad-tempered meeting between the two party leaders. It also highlighted the extent to which Liberal grassroots opinion had by this stage permeated the process. While Steel had been disparaging of the actions of his own NEC in April 1977, he now felt compelled to stress to Callaghan that;

Liberal party attachment to PR for the European Elections was so strong that if they did not get it, they could not go on with the agreement with the government in the next session. He personally would like to carry on in the next session but the party activists were committed on this issue and he could not go on without his party's backing (NA, PREM 16/1400: note of a meeting, 3 May 1977).

In reply, Callaghan was adamant that while he acknowledged the Liberal leader's difficulties, he was sure the Parliamentary Labour Party would not vote for PR, and to attempt to force the Cabinet to vote for it would undoubtedly lead to resignations, when he was actually trying to 'hold his party together on this issue'. Given this apparent impasse, how did the two men establish an accord that both could agree on, and thus renew the Lib-Lab Pact?

Lib-Lab negotiations of the Direct Elections to the European Parliament Bill, May-June 1977

Despite warning to Callaghan that Liberal grassroots desire for proportional representation might break the Pact, Steel nonetheless accepted Callaghan's assessment that the Labour party was emphatically opposed to PR, to the extent that any form of compulsion to vote for it would split the Cabinet and the party. Steel also accepted the Prime Minister's contention that, given the Lib-Lab Pact had explicitly offered a 'free vote' on the voting system to be employed and that on that basis the Liberal party could not now demand that the Parliamentary Labour Party be compelled to vote for PR. Steel reassured the Prime Minister that, from his personal perspective, the central justification for forming the Pact, and its subsequent renewal, was to establish 'cross-party consultation'. On this basis it was not his intention to demand, what he acknowledged to be 'unachievable assurances, on electoral reform'. Furthermore, the Liberal leader agreed with Callaghan that 'there was mass indifference in the country on this issue and it would be a great pity if the agreement fell apart because of it' (NA, PREM 16/1400: notes of a meeting, 7 June 1977; Steel, 2010, Personal communication).

Steel was nonetheless mindful that his party needed evidence of some form of government concession on this issue, as a symbol of 'acknowledging the Liberal Party views' *vis-à-vis* the Agreement. On this basis, Steel demanded that the Bill should be amended to ensure that the government explicitly supported the adoption of a proportional voting system by 'commended' this system to the House. This had been the original Liberal position as outlined in the communiqué sent to the Prime Minister 21 March 1977, (Appendix 1). It was at this stage that Steel specified that he wished the government to favour the use of the Regional List system - as has been noted earlier in this thesis, there is no evidence in the archives that Steel even suggested the STV system should be employed.

To recap, 'commending' a Bill simply demanded that the government express a preference - there was no compulsion for Labour MPs to vote for the commendation, and thus the 'free vote' was retained. In Steel's opinion, this was as much as could reasonably be demanded from the Labour leadership. He reasoned, if this concession could be achieved, it would show the merits of 'consultation' as a mechanism to achieve policy concessions. Furthermore, despite increasing evidence to the contrary, such as an article in *The Times*, 16 May 1977, Steel was still hopeful that about 100 Conservative MPs would support PR, and thereby secure a parliamentary majority.

The Callaghan-Steel discussions on Direct Elections in the period May-July 1977 also address intra-party concerns held by both leaders. In this regard, through the mechanisms of the Pact, Steel achieved some notable, if somewhat peripheral, concessions. The Liberals were deeply concerned that if a vote on the electoral system took place in the current parliamentary session the PR option would be defeated. In such circumstances, even though the Bill would not be enacted and in the session and thus would fall, a precedent would be set making it less likely that parliament would vote for a proportional system when the Bill was reintroduced in the autumn.

Similarly, Steel was keen to ensure that the vote on electoral systems was still 'in play' at the Liberal Assembly to be held in Brighton in autumn 1977. Documents held in the National Archives show the extent to which both Labour politicians, such as Foot and Merlyn Rees, and also some Whitehall mandarins, liaised to ensure that Steel's demands on this issue were met. Kenneth Stowe, John Stevens, (the Permanent Secretary to the Lord President's Office), and John Hunt (the Cabinet Secretary), together with Parliamentary Council, were engaged in this endeavour. The civil service intervention on this issue was such that Stowe, Callaghan and Rees, who as Home Secretary was designated to present the Bill to the Commons, were mindful that they should not be seen to be 'too clever by half' in their manipulation of parliamentary timetabling to avoid the vote on the electoral system before the recess. (NA, PREM 16/1259: letter from Kenneth Stowe to James Callaghan, 16 June 1977).

The timetabling of the Bill was also choreographed to maximum political advantage for both Steel and Callaghan. In Steel's case, Michael Foot was instructed by Callaghan to confirm to the House of Commons on 17 June 1977 that the re-drafted Direct Elections Bill would be introduced before the summer recess. This ensured that next day, at the Scottish Liberal Conference, Steel was able to show a 'Pact dividend' (NA, PREM 16/1259: notes from meeting, 7 June 1977). It is important to note that while both the concession over the process of the Bill and the timing of the first reading were tangible concessions to the Liberals, they had no impact on the legislative process *per se*. They were easily accommodated by the government, and were primarily motivated by Callaghan's own political need to retain Liberal support.

Moreover, Callaghan had his own motives for influencing the timetabling of the Bill. First, he wished to ensure that the redrafted Bill was published before a meeting of the European Council on 31 June 1977, whereupon he could show that the government was pursuing its 'best endeavours', after the loss of the original Bill. Second, under pressure from anti-marketisers within the Parliamentary Labour Party, Callaghan wanted to ensure that the progress of the Bill did not coincide with meetings of the PLP. At a PLP meeting on 16 June 1977, he reiterated to MPs the importance of proceeding with the Bill as crucial in maintaining the deal with the Liberals, thus utilising the Pact to mitigate internal dissent to the Bill. In the event, whereas previously there had been serious discontent within the PLP and the Cabinet, by May 1977 there was 'a general recognition [in the Cabinet] that the proposed solution was ingenious' (NA, PREM 16/1259: notes from meeting, 7 June 1977; NA, CAB 128/61 CM (77): Cabinet Conclusions, 26 May 1977; NA, CAB 128/61 CM (77): Cabinet Conclusions, 26 May 1977).

There then followed intense inter-party discussions as to how the reintroduced Direct Election Bill would be drafted to ensure that the House of Commons did vote directly on whether or not the Regional List should be adopted (there was concern that the Conservative party, through a supply-day debate or a 'wrecking motion,' might attempt to pre-empt the vote on electoral systems). In this

process of inter-party discussions the Consultative Committee took an active role. As such, Jeremy Thorpe, on behalf of the Liberals, argued that the most obvious solution was to exclude any reference to other voting options. He argued that 'to include first past the post as an alternative to PR, whilst not against the terms of the Agreement, did run counter to the spirit of the agreement...he felt it put the renewal of the present accord with the Liberals in jeopardy' (NA, PREM 16/1401: consultative committee, 14 June 1977; NA, PREM 16/1259: letter from Bob Morris to Kenneth Stowe, 15 June 1977).

Steel likewise wished to ensure that the Bill would be framed to show clearly that the government favoured the regional list PR above the plurality option. With protracted political discussions on this issue continuing throughout May and June 1977, John Hunt took the pragmatic decision to draft two parallel Bills, one placing the first past the post option as a clause within the Bill, the other placing it as a schedule to the Bill. In this regard, the civil service were clearly reacting to the needs of the Liberal party as much as the needs of the government on this issue (Steel, 1980:51; NA, PREM 16/1259: briefing note from Kenneth Stowe to Callaghan, 16 June 1977).

The eventual structure of the Bill placed the Regional List PR in the body of the proposed legislation, and the first past the post option as a clause to the Bill, to be inserted should the PR option be rejected. The rationale ran thus: An as yet undesignated Labour MP would be instructed to table an amendment, prior to the clause on the voting system being debated, calling for the Regional List option to be struck from the Bill. This was procedurally important in two regards: first, it avoided the prospect of a Conservative amendment being tabled, preventing an explicit vote on PR taking place. Second, it ensured that, if the amendment failed, the government would proceed with legislation employing Regional List option. Conversely, if the amendment was passed, the plurality system would be seamlessly inserted. This mechanism 'was probably unprecedented in British parliamentary history'. Steel admitted to Callaghan that he did not fully understand how the mechanism ensured the House of Commons would vote on whether or not to adopt PR, but nonetheless he assented to

the procedure on the assurance of the Prime Minister that 'he would get his vote' (Steel, 1980:51; Michie and Hoggart, 1978:111).

It might be concluded that Steel, through the negotiations mechanisms of the Lib-Lab Pact, had achieved a tangible concession from the government, namely, that it would 'commend' the regional list proportional voting system. Nevertheless, there were those such as David Owen, Christopher Mayhew and Michael Steed, each of whom had condemned Steel for the terms under which he agreed the original Pact, who reasserted their observation that Steel should have, in these discussions and as part of a renewal document, held out for at least the 'pay-roll' vote (*Liberal News*, 28 December 1977; Lippiatt, 2008; Steed, 2010. Personal communication).

More fundamentally, and crucial to the subsequent conflict which arose on this issue within the Liberal party, many Liberals, such as Christopher Mayhew, had become convinced that Steel's rationale on the voting intentions of Conservative MPs on this issue was flawed, and that Steel should have been aware of this problem before agreeing to the 'commend' compromise. Mayhew reasoned that without a prescriptive requirement for the Parliamentary Labour Party to vote for PR, it was no longer an achievable goal. The inability of Steel to achieve more than 'commending PR' fundamentally changed the focus of Liberal opposition to the Pact, away from a minor disagreement over co-operation strategy, as had largely been the case in March 1977, to a more fractious assault on Steel for agreeing to a Pact without achieving 'cast iron' commitments on a policy, which many Liberals considered to be of fundamental importance. The progression of this discontent will be reviewed in the next chapter and chapters 10 and 11 (NA, PREM 16/1259: 'The Agreement and Electoral Reform' Mayhew, no date).

Chapter Nine

The renewal of the Lib-Lab Agreement

The wider political context

Before assessing renewal process it is important to place it in the context of the wider political events of summer 1977. National Archive records for this period show the Cabinet grappling with a congested legislative programme, as well as serious economic and political issues, the most notable of which was the attempt to maintain a credible economic policy in the face of Trade Union agitation. In response to the threat of the collapse of the government's pay policy, following the actions of the TGWU and NUM noted in the previous chapter, Callaghan concluded that a White Paper to be entitled *The Attack on Inflation*, was to be produced and published after 31 July 1977 (Cmnd. 6882 1977). In the event the paper was never published, but much of Whitehall bureaucracy and the Parliamentary Labour Party was for the period May-July 1977 centered on the protracted discussions between the Prime Minister, the Chancellor and the TUC, all of which took precedence over the Lib-Lab renewal. Indeed, it is important to remember when examining the Lib-Lab Pact that for Callaghan as he later commented (in his autobiography *Time and Chance*) it was economic issues, and specifically trade union negotiations, which took up most of his energy, and not discussions with the Liberal party (Callaghan, 1989:563).

Effect of by-elections at Stechford, Ashfield and Grimsby

The previous chapter noted the three main policy issues which threatened the renewal process, however, there were also political and electoral factors which affected the likelihood of renewal. The first electoral test of the Pact, if not necessarily a verdict on it, came soon after its formation, at the (Birmingham) Stechford by-election on 31 March 1977. Despite Steel's assertion that preparation for

Stechford had been the best since the Sutton and Cheam by-election, which had been won for the Liberals by Graham Tope in 1972, the Party lost its deposit, in fourth place behind the National Front (*Liberal News*, 8 March 1977). The Liberal candidate was sceptical of the Pact and complained that the whole campaign was a complete 'cock up' (*The Guardian*, 31 March 1977). The two other by-elections pending when the Pact was announced, in Ashfield and Grimsby, were held on 27 April 1977, and witnessed an average decline in the Liberal vote of almost 10%. It should be observed that these three by-elections while disappointing, did not significantly influence Liberal attitudes to the Pact. In part this was because they were set in the context of poor by-election performances since 1974, when the Liberal vote fell by an average of 5.5%. Nevertheless, Liberals were dismayed that there was no discernible evidence that either Liberal or Labour voters were demonstrably supportive of the Pact; nor did there appear to be any tactical voting taking place as a result of the parliamentary deal. More worryingly, an ITN poll showed that in Stechford a majority of both Liberal and Labour voters, who had switched to the Conservatives, cited the Pact as a factor in their decision (*The Guardian*, 2 April 1977).

Local Elections, 5 May 1977

The first national 'test' of the Pact was the local elections held on 5 May 1977. In what were the worst election results for the Liberal party in the ten years from 1972-81, over two-thirds of Liberal councillors (94) up for re-election lost their seats (Cook, 1998:165). The fact that the Liberals were defending seats won at the height of the Liberal revival in 1973 merely magnified the scale of the reversals. However, the most important aspect of the results for party morale was the fact that the scale of the Liberal party losses was completely unexpected (Steed, 2010. Personal communication).

Despite Hugh Jones and Tony Greaves (the latter an influential 'Pact-sceptic' representative on the National Council), arguing that the Pact was not a contributory factor in the results, many grassroots Liberals were in little doubt that the Pact had been an electoral liability, particularly where Liberals

faced Conservative opposition (*Liberal News*, 10 May 1977). This perception was exemplified by the results for Leicestershire County Council, where the entire 'sizable contingent' of Liberal councillors was defeated. Meanwhile, Denis Holt, a Liberal who left the party over the Pact, subsequently stood as an Independent and retained his seat (*The Economist*, 14 May 1977).

As a direct consequence of the local election results, the Association of Liberal Councillors, along with a number of Liberal National Executive members, came out decisively against the Pact (Hugh Jones, 2007:126). It was also in response to these results that the group 'Liberals against the Pact', under the leadership of John Pick and Andrew Ellis, was formed, although it remained a largely dormant group, it would later become a fulcrum for dissent (Steed Papers, 'Liberals against the Pact' pamphlet, 20 May 1977).

The magnitude of the Liberal local election losses was such that Chris Cook calculated that if they were repeated in a General Election the parliamentary Liberal party would have been decimated. He argued that Beith, Freud, Howells, Johnston, Pardoe, Penhaligon, Smith, Thorpe and Wainwright would all have lost their seats (*The Guardian*, 24 May 1977). On this basis there was significant disquiet from Liberal MPs, and while they felt obliged to remain publicly supportive of the Pact, a number such as Richard Wainwright, David Penhaligon and Cyril Smith now felt the Pact would not be beneficial to the party and there would come a time when differentiation strategy should be adopted. In many ways it was these poor election results and the Liberal MPs subsequent decision to renew the Pact which confirmed their suspicions that the MPs merely supported the Pact for personal electoral advantage, namely to forestall a General Election (Tordoff, 2008 Personal communication).

In response to these election results, Steel was contrite;

I accept that the agreement between the Liberal party and an unpopular government was bound to have some effect in the short term, especially because until now there have been no political gains from the agreement for Liberals to

point to (*The Times*, 6 May 1977).

He nonetheless remained resolute in his belief that the renewal process should not be derailed or ditched. Hugh Jones concludes that because Steel's primary interest and focus remained on national politics, he lacked empathy for the Liberal councillors who had lost their seats. According to Bartram, Steel did not view local councillors as central to his tactics or strategy, and as a result, he was less attuned to the opposition to the Pact which developed through 1977, and was unwilling to respond to the grievances that emanated from the Association of Liberal Councillors (Hugh Jones, 2007:116; Bartram, 1981:147).

It can be argued that it was reasonable, in May 1977, for Steel to note the unpopularity of the Labour government as a possible contributory factor in explaining the magnitude of the Liberal party losses. However, the assumption that the unpopularity of the Labour party had a negative effect on Liberal support perpetuated through the period of the Pact and largely became received wisdom since. David Steel later argued, 'the failure and unpopularity of the Labour government rubbed off on us. We were lambasted for simply keeping in office a government which had 'outstayed its welcome' (Steel, 1980:153; see also: Steel, 1989; Bartram, 1981; Hugh Jones, 2007; Lippiatt, 2008).

However, the facts do not support this hypothesis. The assumption was based, as Table 8.1 and graph 8.2 demonstrates, on the fact that the Liberal Party's record in by-elections and standing in opinion polls was quantifiably worse during the period of the Pact than it was either before its formation or after its termination. Indeed this was the case, the party's share of the vote fell by an average of -10.1% in by-elections during the Pact, compared with -5.5% before the Pact, and -6.0% after its termination (if the two results in Newcastle Central on 4 November 1976 and Liverpool Edge Hill on 29 March 1979, are discounted as anomalies attributed to 'community politics' (see: Lippiatt, 2008:23-27). The poor by-election results were compounded in the mind of many Liberals by the disastrous Local Election results in May 1977 and to a lesser extent May 1978.

The standing of the Liberal party in opinion polls for the period of the Pact also seems to corroborate

Steel's analysis. As graph 9.2 shows, from a high in February 1977 of 14%, Liberal support fell to an average 8% during the period of the Pact, between August 1978 and January 1979 this decline increased further, to a low of 6-7%. Liberal party support only recovered during the 1979 General Election campaign, returning to a final figure of 14% in the election result itself.

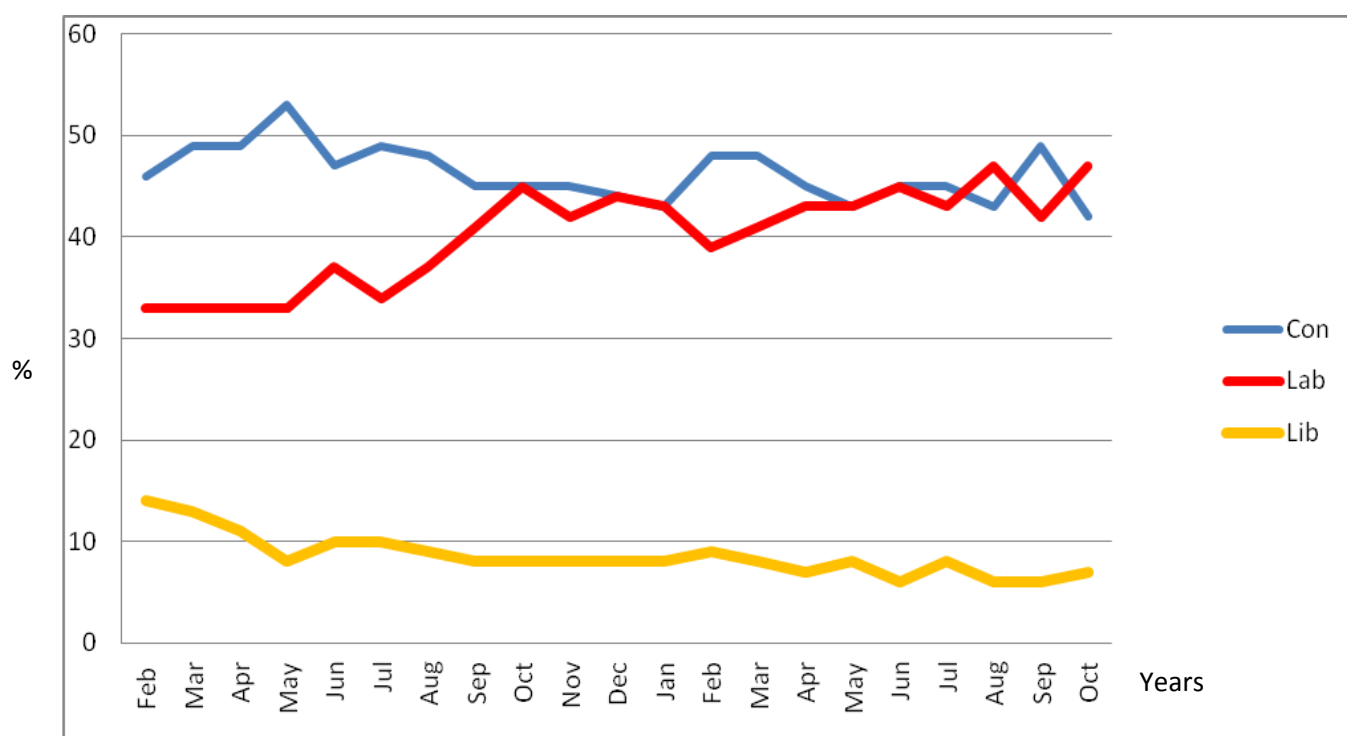
The decline in Liberal support in by-elections and opinion polls may be contrasted with the fact that most commentators welcomed the Pact at its inception, and concluded upon its termination that it improved the governance of the country - on balance it was a better outcome than a Conservative government in 1977. Meanwhile, opinion polls suggested that the Pact *per se*, and cross-party co-operation generally, was considered to be a 'good thing' by almost half the electorate (Penniman, 1981:164; *The Times*, 16 June 1977; *The Times*, 24 May 1977; Butler, 1978:111). On the basis of this evidence Liberals seemed justified in concluding that it was the unpopularity of the Labour party which caused a corresponding slump Liberal Party support.

Table 9.1 Swing in support of Labour Party and Liberal Party in 1974-1979 Parliament compared with General Election result October 1974. (Period of the Lib-Lab Pact highlighted)

Date	Constituency	Change in vote share Labour swing %	Change in vote share Liberal swing %	Election Result
26 June 1975	Woolwich West	-5.0	-9.0	Con gain
4 March 1976	Coventry NW	-4.2	-4.4	Lab hold
11 March 1976	Sutton, Carshalton	-10.4	1.7	Con hold
11 March 1976	Wirral	11.3	6.2	Con hold
24 June 1976	Rotherham	-13.9	5.5	Lab hold
15 July 1976	Thurrock	-10.3	-7.8	Lab hold
4 November 1976	Newcastle Central	-24.2	+17.3	Lab hold
4 November 1976	Workington	-10.4	-5.6	Con gain
4 November 1976	Walsall North	-27.85	-13.1	Con gain
24 February 1977	City of London and Westminster	-12.35	-5.64	Con hold
31 March 1977	Birmingham Stechford	-19.6	-6.4 (4 th place)	Con gain

28 April 1977	Ashfield	-20.2	-4.7	Con gain
28 April 1977	Great Grimsby	-0.2	-13.9	Lab hold
7 July 1977	Saffron Walden	11.36	-5.13	Con hold
18 August 1977	Birmingham Ladywood	-11.34	-8.49 (4 th place)	Lab hold
24 November 1977	Bournemouth East	-5.64	-11.85	Con hold
2 March 1978	Ilford North	-4.4	-11.62	Con gain
13 April 1978	Glasgow Carscadden	-5.5	Not contested	Lab hold
20 April 1978	Lambeth Central	-10.5	-7.2 (4 th place)	Lab hold
27 April 1978	Epsom and Ewell	-2.84	-13.84	Con hold
27 April	Wycombe	-2.31	-11.94	Con hold
31 May 1978	Hamilton	+3.5	-1.4	Lab hold
13 July 1978	Manchester Moss Side	-0.7	-9.24	Lab hold
13 July 1978	Penistone	-8.7	-0.2	Lab hold
26 October 1978	Berwick and East Lothian	+4.1	-2.3	Lab hold
26 October 1978	Pontefract and Castleford	-4.6	-5.4	Lab hold
1 March 1979	Clitheroe	-2.8	-14.2	Con hold
1 March 1979	Knutsford	-7.0	-10.0	Con hold
29 March 1979	Liverpool Edge Hill	-28.1	+36.8	Lib gain

However, closer analysis of Table 9.1 and Graph 9.2 highlights a more nuanced electoral position, namely that, in contrast to Steel's assertion that 'the Labour party had outstayed its welcome' – which was largely based on the subsequent unpopularity of the Labour government after the 'Winter of Discontent' – during the period of the Pact, Labour saw significant improvements in its electoral performance. This improvement was such that in August 1978, while the Liberal party saw no material improvement in its poll standing, the Labour party led the Conservative party in the opinion polls for the first time since April 1976. In response Callaghan contemplated calling an autumn General Election with the possibility of securing an overall majority.

Graph 9.2 Opinion polling during the period of the Lib-Lab Pact (Gallup)**(Butler and Butler, 1994:255)**

While the empirical evidence to some extent repudiates Steel's rational that it was the unpopularity of the Labour party which resulted in a corresponding drop in Liberal party support during the Pact, it is important to note, his assumption were nonetheless shared by many Liberal activists. In this regard, the Local Elections in May 1977 have been identified as a defining moment in the intra-party conflict over the Pact, after which time rank and file Liberal opinion changed to a more sceptical position. The link between electoral performance and the perceptions of the Pact would remain significance, helping sustain the Pact after Saffron Walden, July 1977, and threatening the longevity of the Pact after Bournemouth October 1977 (Steed, 1983:94-97).

In contrast to the Liberal party's negative response to the local election results, the Labour Party - which also fared extremely badly, losing over 450 councillors, as well as control of Greater London Council - was far more circumspect. Ron Hayward did not regard the Pact with the Liberals as a factor in the result, citing the country's ongoing economic difficulties, combined with 'mid-term

blues' (Ron Hayward quoted in *The Times*, 6 May 1977; Rasmussen, 1981:159). This difference in attitude to disappointing election results and subsequent by-election results is instructive. Liberal activists, despite Steel's attempts to focus on long-term strategy goals, focused extensively on the impact on the party of the overarching 'co-operation/Pact strategy'. In contrast, the Labour party almost immediately accepted the strategy of co-operation as a pragmatic *short-term* parliamentary necessity, and thus totally disregarded the 'Pact' in both its election campaigning and in its longer-term strategy.

Build up to the renewal of the Pact

The Liberal Council, despite the magnitude of the losses in the local elections, and the fact it number included a large number of defeated local councillors, voted overwhelmingly (on 21 May 1977) to continue the Pact. Like their party's MPs, they accepted that there was little alternative to do otherwise. Nevertheless, and in the context of the renegotiations Steel was pursuing at Westminster, the Council once again attempted to press for a more assertive policy with regard to what should be sought from agreeing to a renewal. The Council demanded that the government commit to a proportional voting system for the Direct Elections to the European parliament, and concluded that without such an undertaking, the Liberal party should not renew the Pact. According to Michael Steed, in the wake of the local election result, there was a sense that the party wanted to see an acknowledgment from Labour that they at least acknowledged Liberal feelings on this issue (Steed, 2010. Personal communication).

The Liberals' growing sense of frustration with the Labour party's attitude was articulated by Geoff Tordoff, a strong defender of Steel's strategy up to this point, in a speech to the mid-Oxfordshire Liberal Association he argued:

we must insist that they [the government] produce a Bill including PR and we must insist that they put the full weight of their pay-roll vote in the Commons behind the Bill...I warn the government solemnly that unless they are prepared to put that level of commitment into the Euro-elections Bill then David Steel will find it impossible to continue to hold the party in the country fully behind him. For Liberal activists this is the crunch issue....one certain way to make it impossible for us to continue, is for the government not to live up to the spirit as well as the letter of the Agreement in the matter of PR for Europe (Liberal Party Archive, LLP 13/37: transcript of Tordoff speech, 14 May 1977).

Tordoff also articulated a perception among Liberals that the Labour party had acted in partisan way in its reaction to the whole direct election legislation process. Average quorums for debates on Direct Elections were between 40-60 MPs, and much of the filibustering which had delayed its enactment had been orchestrated by Labour MPs. Both Jeremy Thorpe and Russell Johnston were concerned that Labour were not taking full account of 'Liberal attitudes on this issue' consequently the demand for the government to fulfil the 'spirit of the Agreement' would become increasingly important to Liberals, with (NA, PREM 16/1400: consultative committee, 15 June 1977).

Tordoff's statement also reveals an important shift in the strategy of Liberal activists - rather than simply calling for the introduction of a Direct Election Bill with STV, as had been the case in the NEC resolution passed in April and May 1977, the demands now shifted to calling specifically for the Parliamentary Labour Party to back Regional List PR. The reason for this change in emphasis was rather nuanced. Tordoff, (and others), believed that Steel's assumption, on which his whole negotiating position with regard to the direct election legislation was based, namely, that at least 100 Conservative MPs would vote for PR and thus the Labour party could be offered a free vote, was critically flawed. The Conservative party had very quickly concluded that if they were to vote against PR they might destabilise the Pact. The Conservative party's opposition to PR was formally confirmed in a letter from Willie Whitelaw to David Owen on 24 July 1977. Whitelaw stated, Margaret Thatcher had 'stiffened the Tory party considerably over opposition to the Regional List system'. In Whitelaw's judgement this change meant 'it could not be carried' (NA, PREM 16/1632: letter from David Owen to James Callaghan, 3 August 1977).

Under such circumstances, a House of Commons majority in favour of PR could only be achieved with the support of almost the entire Parliamentary Labour Party, an extremely unlikely outcome without a level of compulsion being imposed on Labour MPs; and given no such compulsion had not been written into the original Lib-Lab Agreement. Liberal activists, under the leadership of Christopher Mayhew, Chairman of the Liberal Action Group for Electoral Reform (LAGER), argued

that Steel, having being out-manoeuvred by Callaghan and Foot in the Lib-Lab negotiations, should now demand a firmer commitment from the Prime Minister as part of the renewal negotiations (NA, PREM 16/1259: 'The Agreement and Electoral Reform' Mayhew, no date).

For Mayhew, and others such as Michael Steed, the 'renewal' process should in fact have been a *renegotiation* process, on the basis that the Labour party was as yet not in a strong enough position to jettison the Liberal party and either govern as a minority government or call a General Election (Smith, 2010. Personal communication; Pardoe, 2010. Personal communication; Steed, 2010. Personal communication). Critically however, David Steel took the view that renewal was simply an opportunity to ratify Liberal support for the government's legislative programme; to outline 'shared objectives' but without discussion on specific policies. He considered it might extend to outlining minor policies which might be included in the Queen's Speech, and achieve some administrative modifications to the functional mechanics of the Pact (NA, PREM 16/1401: notes from meeting, 7 July 1977).

Steel reasoned that he had achieved all the policy concessions he could feasibly expect from the Labour government in the original negotiations. His objective in entering the renewal process, as with the discussion on Direct Elections, was not to try and demand 'unacceptable' legislation from the Labour party, but to arrive at 'some sensible arrangements' whereby a legislative programme could be agreed between the two parties (Steel, 1980:64; NA, PREM 16/1400: note of a meeting, 21 April 1977).

In retrospect, Steel is more conciliatory to his detractors in the Liberal party, expressing the view that,

there was not enough discussion about this at the time, it was simply not on the parliamentary party's radar. We took the view that the question was merely whether the agreement should be continued. Perhaps I was too close to the day-to-day

business of the Pact in parliament to have the necessary perspective to rethink the whole basis of the agreement (Lippiatt, 2008:23-27).

There was also disagreement within the Liberal party over when the decision to renew should be made and who should make that decision. Michael Steed argues that Steel might have deferred renewal until the autumn to allow the wider party a say, this might also have resulted in the Liberal Assembly being used as leverage in the matter of the forthcoming reintroduced Direct Election (European parliament) Bill (Lippiatt, 2008:23-27). However, Steel insisted that the Pact should be renewed before the end of the parliamentary session to avoid uncertainty and that, as it was a parliamentary agreement, it should be the preserve of the parliamentary party whether, and under what terms, the Pact should be renewed. Therefore, as with the original negotiations, Steel actively sought to retain control of the renewal process and to prevent Liberal activists, either during the summer recess or at the Liberal Assembly in September to unpick his deal (Michie and Hoggart, 1978:129).

Despite Steel's insistence that the parliamentary party should decide on the renewal process, the Liberal Party Council, meeting on 21 May 1977 (a full two months before the end of the parliamentary session), attempted to influence the renewal process by passing a resolution outlining what it considered should be included in a renewal agreement. In addition to the demands outlined in the original agreement, it proposed what might be considered a 'shopping list' of measures. In total the Council outlined over 40 measures were to be considered for inclusion in a renewal document, including: the repeal of the Official Secrets Act; the introduction of a minimum income wage through tax credits; a national minimum wage; closure of the Polaris submarine bases and removal of nuclear weapons from the UK. (Liberal Party Archive, LLP 2/3: Minutes from meeting of the Liberal Party Council, Birmingham, 21 May 1977).

The Council then resolved that a Steering Committee be established to review what specific policy areas should make up 'Pact II'. Much like the Council resolution, the conclusions of this committee

might be characterised as a list of Liberal ‘hobby-horses’, demanding government concessions in over fifty areas of policy (NLW, Hooson Archive: Liberal Policy Steering Committee report, no date; Liberal Party Archive, LLP 25/1: Steering Committee report, 9 May 1977). As with other aspects of the intra-party positioning during the Pact, Steel’s ‘pragmatic’ approach to negotiating meant that, during discussions with the Prime Minister, he once again took no notice of any of the party Council or Steering Committee recommendations.

Formal discussions within the Parliamentary Liberal Party as to the form that renewal should take commenced in June 1977. Steel concluded that, ‘naturally’ as the Pact was a parliamentary agreement, the Liberal Peers, while able to contribute to the discussions, should be prevented from voting on the final decision. Steel regarded them as ‘a weird bunch and a rum lot’ (Steel, 2010. Personal communication). The Liberal Peers, Nancy Seear, Desmond Banks, Eric Lubbock and Frank Byers, each of whom had taken an active role in the ‘shadow administration’, complained that they were being treated as third class citizens. The contradiction between the role of the Peers as active members of the ‘shadow administration’ but the decision of Steel to prevent them voting on the policy and strategy of the parliamentary party contrasts the rights of a ‘Cabinet’ Minister to vote on policy. As with other aspects of the Pact, this anomaly highlights one of the administrative problems of conducting a Pact without a formal working paper in place. It might be concluded that while Steel claimed in *A House Divided* that the issue of Peers’ rights came ‘out of the blue’, better planning would have avoided the internal conflict which arose out of his unilateral decision-making (Steel, 1980:69).

Meeting of the parliamentary Liberal party, St Ermin’s Hotel, 26-27 June 1977

The formal process reviewing the Pact and establishing under what terms it might be renewed took place began with the meeting of the Liberal parliamentarians at the St. Ermin’s Hotel, Westminster on 26-27 June 1977. Coincidentally, on the same day, the Labour Cabinet was meeting at Chequers to

discuss the Labour Party's approach to renewal. In contrast with the acquiescence of the Labour Cabinet, noted above, the Liberal discussions were robust.

Michie and Hoggart, in their book *The Pact, the inside story of the Lib-Lab Government*, outline in detail the course of the Liberal MPs' discussions. They point out that Cyril Smith was the most vociferous opponent of renewing the Pact. Although he had been supportive in March, by the summer he argued that circumstances had changed. He now argued that 13 MPs was too small a number to administer such an arrangement, and furthermore, 'he could not win votes in Rochdale through it...whatever they decided he would not be supporting it'. In an attempt to mitigate Smith's influence on proceedings, Steel placed Smith to his immediate left in the discussions, thereby ensuring that Smith would be the last contributor, thus avoiding the prospect of an anti-pact sentiment developing (Smith, 2010. Personal communication; Michie and Hoggart, 1978:130).

In the event Smith was joined by Grimond and Penhaligon in opposing the renewal Pact. Grimond felt that direct elections and devolution were still 'non-issues' and this was a 'bad old government'. But once again Grimond accepted the majority decision to continue with the Pact but resigned his post as Energy spokesman, this decision was not announced until after the Liberal Assembly in September 1977. David Penhaligon remained sceptical of what the Pact could offer the Liberals, but remained loyal to the project. He voted with the majority to maintain the Pact and even though he was suffering from viral pneumonia, subsequently took on the Energy portfolio relinquished by Grimond, later acquiring the Employment portfolio of Smith after the latter's formal resignation in September 1977 (Penhaligon, 1987:135-6).

The remainder of the parliamentary Liberal party agreed to continue the Pact, this was in spite of the fact that by June 1977 few of the MPs believed the Liberal party would gain from their continued involvement in it. Emlyn Hooson perhaps encapsulated their thinking commenting, 'we must hang together, we were on a hiding to nothing before the Agreement, and the only difference now is we are on an even bigger hiding to nothing' (Michie and Hoggart, 1978:131).

Over the two-day conference, each Liberal MPs compiled an list of demands, this totalled 46 clauses. While there was inevitably some overlap with the Standing Committee demands, there were also areas of policy in which the Liberal MPs had a specific interest. Two such examples were Steel's desire for a profit-sharing scheme (Employee share ownership in private sector businesses), and Geraint Howells proposal of a Land Bank. Howells had chaired a Liberal committee on this policy which had sat for over a year and reported back to the standing committee in February 1977 and Michie and Hoggart concluded that the proposals were 'probably workable, would genuinely have helped farmers and would have received all Party support' (Michie and Hoggart, 1978:138-9). Nevertheless, the Land Bank policy was rejected by Steel, in preference for his own profit sharing policy, on the grounds that the government legislative timetable was already too congested.

Indeed, with regard to the issue of policies to be included in 'Pact II', it was Steel's self-styled 'pragmatism' which again prevailed. He argued that it was unrealistic to expect the government to adopt an extensive list of demands in mid-term, and instead proposed a more 'manageable' list of 10 policy areas. It should be emphasised that the resultant document was designed as a discussion document, and that the parliamentary Liberal party, while they voted on the continuation of the Pact did not formally endorse a renewal agreement *per se* at the St. Ermin's meeting. When the list of 10 proposals was leaked to the press, allegedly by Cyril Smith in an attempt to destabilise the Pact, they were caricatured as the '10 Commandments' (Pardoe, 2010. Personal communication; Johnston, 2008. Personal communication)

1. Tax reform involving tax cuts
2. Employee Profit- Sharing
3. Help for small businesses and the self-employed
4. Reform of the Official Secrets Act
5. Grants for first time buyers

6. A national efficiency audit
7. A youth employment programme
8. Better consumer protection by strengthening the Monopolies Commission
9. Assemblies for Scotland and Wales with PR an option
10. Progress on European elections, also by PR if possible

While accepting the 10 policy areas outlined above, the MPs also demanded that there should be further renegotiated in 12 months, rather than accepting Steel's preference of 18 months. Steel expressed his view that the Parliamentary Labour Party should formally endorse the Pact (NA, PREM 16/1400: letter from Kenneth Stowe to John Stevens, 8 June 1977). On this latter point, Callaghan accepted that in terms of legitimacy, this might be desirable, and discussed the matter with Michael Foot and Kenneth Stowe. Stowe advised the Prime Minister 'this may not be the best move tactically', on the basis that the intra-party consultation process would be contrasted with the Lib-Lab Agreement, and that it might be referred to the NEC where, it was anticipated, a more strident approach to cross-party co-operation would be taken. As such, the PLP was only ever 'informed' of the renewal of the Pact, and no formal vote took place. Steel was to conclude later that this was a structural weakness of the Pact which allowed Labour MPs to snipe from the sidelines, and thus undermine the Pact (NA, PREM 16/1401: Note from Kenneth Stowe to James Callaghan, 8 July 1977; NA, PREM 16/1794: note from meeting, 7 May 1978).

Following the leaking of the '10 commandments' the Liberal MPs' list of demands was criticised by a significant section of their own party. The document was considered too vague in tone, offering 'something for everyone', and indeed many of the issues raised would have gained all-party support (Bartram, 1981:159). Callaghan's response to the Liberal demands is instructive in this regard - he accepted all the suggestions but equally 'did not feel compelled to act', pointing out that the government had already legislated on issues such as youth unemployment, first-time buyers and

official secrets. Steel, in a response indicative of his emphasis on consultation rather than policy, concluded that although on issues such Official Secrets Act his party was committed, he himself was fairly ambivalent (NA, PREM 16/1401: notes from meeting, 18 July 1977). It might be noted that Steel's desire for action on Profit-Sharing meant that he pressed for this policy to be specified in the renewal document, and as will be discussed later in this thesis, included in the Queen's Speech, in the Finance Bill 1978 and eventually enshrined in legislation.

In addition to the policy areas outlined above, Steel suggested a number of 'improvements' in the mechanics of the Pact, such as more secretarial support and more office space to accommodate the new demands placed on the Liberal party. Despite some concerns that other parties, and the Labour Left might object, secretarial assistance and office space were made available to the Liberal leader in September 1977, administered through the Lord President's Office (NA, PREM 16/1401: notes from meeting between Michael Foot and David Steel, 29 July 1977). Steel also sought an increase in 'Short money.' In the context of the rise in inflation since its introduction in 1975. Stowe confirmed to Callaghan that, regarding the increase, 'this was not unreasonable' (NA, PREM 16/1400: note from Kenneth Stowe to James Callaghan no date). According to Stowe, all of this amounted to a 'substantial change in gear in the management of the Agreement' (NA, PREM 16/1400: letter from Kenneth Stowe to John Stevens, 4 July 1977).

In the intervening period, between the St Ermin's meeting on 26-27 June 1977 and the end of the parliamentary session in July, a number of issues had combined to make it more likely that the Liberal MPs would support the renewal of the Pact. As discussed above, the revised Direct Election Bill had been published, with the inclusion of the government's assurance that it would commend PR. Russell Johnston, the Liberal Party's key negotiator on devolution, was largely content that discussions with the government on this issue were continuing on amicable terms. The Chancellor's

mini-budget, held on 15 July 1977 (which circumvented the need for the White Paper on pay policy noted above), removed the immediate threat of a public sector pay explosion. Healey also announced a number of measures designed to appeal to the Liberal party, such as a 1% cut in income tax, as well as confirming the reduction in petrol tax that had been agreed with the Liberals as part of their agreement to support the Finance Bill (Holmes, 1985:110). Steel meanwhile attempted to show his colleagues the 'dividends of the Pact', one such example was a private meeting with Len Murray, General Secretary of the TUC, organised by Callaghan, which according to Steel was well received by Liberal MPs. (Steel, 1980:72).

While the Local Elections in May 1977 had threatened the longevity of the Pact, the case for renewal was aided by the positive result for the Liberals at the Saffron Walden by-election, held on 7 July 1977. In a seat in which the Liberals had previously finished second with 30% of the vote in October 1974, there had been conjecture that if the Liberal vote collapsed on a scale comparable to Stechford and Ashfield or the council elections, the unrest among party activists would be such that David Steel would be unable to persuade the Liberals to endorse renewal of the Agreement at the forthcoming Liberal Assembly. The Liberal electoral machine, such as it was, had swung into full gear at Saffron Walden, with visits to the constituency made by most MPs, a process welcomed by Andrew Phillips the Liberal candidate (Phillips, Private Papers, electoral literature, July 1977).

Phillips was a strong supporter of the Pact, and as such had written to *The Times*, denouncing Fredrich Hayek's early criticism of the Agreement (*The Times*, 2 April 1977). In the event, the Liberal vote fell but only by 5%, the best result of any by-election throughout the lifetime of the Pact. Buoyed by this outcome, Steel asserted that if others followed Phillips' lead, in positively promoting the virtues of the Pact, electoral support would be forthcoming (Phillips, 2010. Personal communication). The Labour candidate, in third place, witnessed a collapse of his vote which gave the Liberals hope – albeit not subsequently fulfilled - that the Pact would lead to more tactical voting. *The Economist* suggested, rather optimistically, that if repeated at a General Election the Liberals

might win 30-40 seats in the next parliament (*The Economist*, 16 July 1977). The Saffron Walden result undoubtedly strengthened Steel's position and much of the antipathy towards the Pact within the Liberal party abated.

Renewal of the Lib-Lab Pact: inter-party negotiations, June-July 1977

Inter-party negotiations after the St Ermin's conference focused on how the Liberal's 10 demands might practicably be incorporated in the government legislative programme. The negotiating and decision-making aspects of this process was restricted to the Callaghan-Steel axis of the consultative framework and was conducted on Privy Council terms. Mindful that the Pact might not be renewed, Stowe had advised Callaghan that there should not be discussion on forthcoming legislation in the Lib-Lab Consultative Committee, he informed government Ministers and Permanent Secretaries respectively not to 'involve themselves in discussions with Liberal spokesmen on Bills for the next session' adding that 'although I have not told David Steel that obviously' (NA, PREM 16/1400: note from Kenneth Stowe to James Callaghan, 23 May 1977).

Discussions on the '10 Commandments' did take place between Liberal spokesman and Cabinet Minister within the spokesman-Minister axis, Callaghan called on all colleagues to pursue these discussions 'with vigor and good sense' (NA, PREM 16/1401: letter from Kenneth Stowe to John Stevens, 4 July 1977). However, spokesman-Minister discussions were largely unproductive, and Stowe, who collated their findings regarded the conclusions as 'woolly'. He also noted with some concern that 'the number of policy areas under discussion has mushroomed to about 30' (NA, 16/1401: note from Kenneth Stowe to James Callaghan, 8 July 1977). Although, Stowe also pointed out to the Prime Minister that 'strategically this is helpful, in that it demonstrates the complexity of the subject...not even the Liberals can expect specific answers on the 10 areas of policy before the Agreement is renewed' (NA, PREM 16/1401: Note from Kenneth Stowe to James Callaghan, undated).

The involvement of Kenneth Stowe was critical to the administration of the renewal process; he produced an advisory note for the Prime Minister on how the renewal process might proceed. Stowe

envisaged that the renewal process would run as follows: Cabinet was to be consulted in the penultimate week of the session; parliament would be informed on 28 July 1977, both leaders were to speak on the floor of the House, from the same 'note in [their] pockets', otherwise 'there was a real danger of Steel upping the stakes' (NA, PREM 16/1401: briefing note from Kenneth Stowe to James Callaghan, 8 July 1977). Stowe asserted this timetable would ensure that the parliamentary session ended 'on a positive vote of confidence' (NA, PREM 16/1401: note from Kenneth Stowe to James Callaghan on 'renewal of the Liberal Agreement, 8 July 1977; NA, PREM 16/1401: note from Kenneth Stowe to James Callaghan, 21 July 1977).

Steel, for his part, envisaged a similar situation to that which had occurred in March 1977, namely, the Prime Minister would formally present a 'Joint Document' to parliament. Callaghan in response to both Stowe and Steel's submissions was particularly assertive: he did 'not want another piece of paper' that would be 'mulled over' (NA, PREM 1401: handwritten note from James Callaghan to Kenneth Stowe on letter from Stowe to Callaghan, 8 July 1977). Steel eventually complied with the Prime Minister's wishes, accepting that the renewal should only be signified by a Liberal party letter to the Prime Minister outlining areas of common interest with a corresponding note from the Prime Minister acknowledging continued Liberal support.

As with the original inter-party negotiations in March 1977 Steel chose to negotiate the renewal process alone, reporting back to his colleagues intermittently. As such, in a meeting of the parliamentary Liberal party on the 26 July 1977, which in theory was intended to act as a final opportunity for MPs to decide whether or not to renew the Pact, Steel presented his colleagues with a pre-drafted letter to the Prime Minister confirming the renewal as well as the terms under which it was agreed. Not surprisingly, when Steel presented this to his colleagues halfway through their discussions on the merits of the Pact, there was incredulity from some MPs. David Penhaligon objected that 'they were supposed to be debating whether the agreement was worthwhile, but this was a *fait accompli*' (Hoggart and Michie, 1978:135). Despite Penhaligon's objections, and his

subsequent vote against the renewal (in which he was supported by Cyril Smith), the remaining MPs acquiesced to their leader's assertive and rather presumptive actions, agreeing to renew the Pact. The MPs seemingly shared John Pardoe's view that 'it was his prerogative as leader...we could hardly do otherwise' (Pardoe, 2010. Personal communication). The Liberal NEC meeting the next day, and for all its previous protestations over the terms which should be agreed, specifically with regard to their demand that the government 'pay roll' should be compelled to vote for PR for the direct elections to the European parliament, they also accepted the actions of their leader, again largely on the basis that there was little alternative. A resolution formally 'paid tribute to the leader, the Chief Whip and the parliamentary Party in conducting the renegotiation' (Liberal Party Archives, LLP 1/9: notes from NEC meeting, 29 July 1977).

The formal exchange of letters took place on 27 July 1977.

The renewal of the Lib-Lab Agreement: The exchange of letters, 27 July 1977

:

Dear Prime Minister,

On 23 March the parliamentary Liberal party agreed to work with the government for the remainder of the parliamentary session in the pursuit of economic recovery. Having reviewed the operation of this Agreement, we have decided to continue co-operation into the next session of parliament for so long as the objectives set out in the Chancellor's statement of 15 July are sustained by the government.

We are agreed that the fight against inflation and unemployment is of paramount national importance, and stress the need for both the 12-month gap between pay increases and a limit of 10%. The Liberal Party has already supported the government in both Houses to secure the passage of the Price Commission Bill.

We understand that in the next session of parliament:

- The government in tackling unemployment, which must be a top economic and social priority, will place particular emphasis on the problem of school leavers, and the potential for increased unemployment among small businesses. The government has undertaken to investigate urgently further short term measures to reduce teacher unemployment. We have urged the government to initiate an all-party appeal to employers and Trade Unions to use the employment opportunities which are currently offered to them to help young people, with emphasis on apprenticeship and other forms of training.
- The government has agreed to consider ways of encouraging the creation of schemes for profit-sharing in private industry with a view to legislation.

- So far as is permitted within the economic strategy there should be a shift within the overall level of taxation away from taxes on income, while providing a level of public expenditure that will meet social needs.
- The government will reintroduce the European Assembly Elections Bill and use its best endeavours to secure its passage through all stages in time to meet the Community target date for holding such elections.
- New legislation for devolution to Scotland and Wales will be promoted in accordance with the statement by the Lord President on 23 July.
- The government will introduce legislation to provide help for first-time buyers, on the lines suggested in the government's Green Paper on Housing Policy.
- The government will bring forward proposals for a more effective competition policy and for greater consumer protection.
- The government will continue its consultation with the Liberal party, already begun, with a view to determining the priorities in the Queen's Speech, and on such other matters as the provision of legal assistance at major public enquiries, stricter scrutiny of public expenditure and reform of the Official Secrets Act.

Yours sincerely,

David Steel

In an informal exchange between the two leaders, Steel thanked Callaghan 'warmly for his patience and understanding during what has been a rather novel constitutional experiment'. Callaghan's reply was little more than an affirmation of government policy, 'welcoming of Liberal support', but emphasising 'the independence and integrity of each of our parties' and concluded by emphasising

the 'parliamentary stability' rather than 'constitutional' nature of the Pact (Steel, 1980:75-76).

Assessment of the renewal document

In assessing the merits of the renewal agreement it is hard to demur from Michie and Hoggart's observation that out of the original '10 points,' only a few were retained and even then the language used was less assertive than the original Liberal document: government commitments to devolution; Direct Elections; only a vague commitment to school leavers; help for small business; and profit-sharing (a personal favourite of Steel). Most 'left a great deal of fuzziness around the edges' (Michie and Hoggart, 1978:131-134). The terminology used, calling on the government to 'place emphasis'; 'to undertake an investigation'; 'to agree to consider'; and 'so far as is permitted', would enable the government to fulfil the agreement without legislating or in some cases making any significant progress in this direction at all (Bartram, 1981:159).

As with previous examples of his negotiating strategy Steel argued the concessions achieved were all that was possible within the constraints of a parliamentary agreement. He ascribed particular importance to the fact that there was no defined end date to the Pact; instead its continuation was based on the government maintaining its industrial and economic policy as presented by Healey in the mini-budget, in this way, in theory the Liberals could continually hold the government to account (Steel, 1980:72). In practice this was hardly an onerous demand, for if the pay constraints, which were central to the government's industrial policy, were broken it would have serious consequences for the Labour party aside from the Lib-Lab Agreement, as indeed it did in autumn 1978.

The most important political issue in the 1970s for successive governments, be they Conservative or Labour, was evidence of competence in economic and industrial policy. Through the late 1970s a clear division was emerging between Keynesianism and Monetarism, the Liberal party had its own economic strategy based on a shift from direct to indirect taxation. While as noted earlier in this thesis Callaghan was strongly averse to allowing Liberal input on economic policy, the Liberal

demands might be considered excessively vague. All that was demanded was for the government 'as far as permitted within the economic strategy', to commit to moving fiscal policy away from direct to indirect taxation. This terminology clearly allowing Healey the opportunity to argue that Liberal proposals were not compatible with the current economic cycle, without jeopardising the Pact. The vagueness of this clause particularly frustrated both John Pardoe and Richard Wainwright (Pardoe, 2010 Personal communication; Cole, 2011a;153).

Steel's decision not demand implementation of specific policies in the renewal process was a deliberate tactic to ensure that there was little possibility of a breakdown of the Pact on any specific policy disagreement. As previously, in framing the renewal document in such terms he placed his own long-term strategy goals, to persuade politicians and the public of the virtues of cross-party consultation, ahead of utilising the Pact as a mechanism to increase Liberal policy influence.

The extent to inter-party cooperation which took place in the formation of the renewal document is also worthy of note. In *A House Divided*, Steel acknowledges that the renewal letter was written in consultation with Kenneth Stowe, (Steel, 1980:73) However, Stowe's own notes (in the National Archive) highlight a much more collaborate exercise took place. Consultation extending to a large number of government Ministers including Denis Healey, Albert Booth, Joel Barnett and Peter Shore. The extent of this influence of Labour figures is noted by Stowe, the passage on consumer protection was 'Roy Hattersley's own words' (NA, PREM 16/1401: handwritten note by Kenneth Stowe on a letter from David Steel, no date).

As we have seen, it was in the political interests of both the Labour and Liberal parties to renew the Lib-Lab Agreement in July 1977. Both had suffered significant losses in the local elections in May 1977, and the political situation was such that a General Election in autumn 1977 would probably have resulted in the return of a Conservative majority government. Meanwhile, the Labour government was still dependent on Liberal parliamentary support to remain in office, at least until the Devolution Bills could be reintroduced in autumn 1977. This chapter has noted that, in the build

up to renewal process, when the government's position was precarious, most notably on 14 June 1977 when all three policy pillars of the Pact - economic competence, devolution and Direct Elections were under threat of collapse. It has been observed that David Steel, despite pressure from his own party, chose not to make policy a breaking point in the renewal negotiations. Furthermore, Steel negotiated on a bilateral basis with the Prime Minister, with significant input from civil servants, but without substantive input from his own colleagues, often deliberately circumventing both the parliamentary Liberal party and the wider Liberal party.

On the key issue of the voting system to be employed in the Direct Elections to the European Parliament, Steel did achieve a concession, namely, that the government would 'commend' the Regional List proportional voting system, however, this was less than either the party Council or the National Executive resolutions demanded, furthermore it is evident that Steel did not at any stage promote his own party's manifesto preference for the single transferable vote system in either the European or devolved Assembly elections. It has further been observed that other Liberal figures had become increasingly concerned that Steel's political strategy on this issue was flawed. The following section will examine how this divergence in opinion between David Steel and an increasingly large sections of the Liberal party, over the purpose of the Pact and the potential of achieving specific policy aims, threatened the internal unity of the party, the position of David Steel as leader, and ultimately hastened the end of the Lib-Lab Pact.

Chapter Ten

The second period of the Pact, July 1977-August 1978

An overview

The next two chapters of this thesis will focus on the period from the renewal of the Lib-Lab Pact in July 1977 to its end in August 1978, focus will be placed on two areas, internal discontent within the Liberal party, and policy implementation after the renewal of the Pact in July 1977. This chapter will examine the reasons for the discernible shift against the Pact within the Liberal party which took place through this period. Drawing on recently released archive material, emphasis will be placed on three specific events in explaining this process: the Liberal Assembly held in Brighton in September 1977; the subsequent meeting of the Liberal Council held in Derby in November 1977; and the House of Commons' decision not to endorse the adoption of Regional List (RL) PR for the European elections. New perspectives will be drawn on how Liberal intra-party conflict was articulated; assessing the affect this internal party conflict had on the leadership-grassroots dynamic, the extent to which it threatened to undermine the leadership of David Steel, and finally how it influenced subsequent Liberal Party strategy.

Intersected in this analysis is a review of two aspects of cross-party consultation and policy implementation, which occurred through this period, but largely fell outside the consultative mechanism discussed in chapter 6. The first case study focuses on the cross-party discussions surrounding the content of the government's forthcoming legislative programme 1977-78 (The Queen's Speech 1977). Second addresses the discussions which preceded the 1978 Budget and the subsequent negotiations on the Finance Bill. Emphasis is placed on how preparation and negotiation strategy differed to these examples when compared with the case study into the 1977 Budget, in Chapter 6 of this thesis. Through this process new perspectives are drawn on the changing attitudes to cross-party negotiations as the Pact developed and then drew to a close.

The wider political context

The Labour government entered the summer recess of 1977 in buoyant mood. Callaghan enjoyed success on the world stage, hosting the visit of US President Jimmy Carter and the World Economic Summit, as well as leading the national celebrations of the Queen's Silver Jubilee (Morgan, 1997:572-4). In economic terms, the latter half of 1977 saw significant improvements, unemployment fell, the FT 30 index hit a record high in September, and by October, the balance of payments yielded in surplus. The Government's industrial policy was also largely back on schedule, and while the TUC had voted to formally end the 'social contract' on 6 July 1977, it nonetheless drafted an agreement with the government in August over 'pay norms' whereby the TUC agreed to endeavour to keep pay increases below 10%, and for pay to be set for 12 months.

The parliamentary security offered by the renewal of Lib-Lab Pact, and the continuation of the agreement with the Ulster Unionists, which was still in place, coupled with an assurance from the SNP and Plaid Cymru that they would not instigate a vote of confidence against the government on the basis that the devolution legislation would be reintroduced, ensured that the Labour party was in a stronger position in late 1977 than at any time since it had lost its overall majority in April 1976. The economic improvements, and a more benign political environment, translated into higher approval rating for Callaghan personally, and by October 1977, the Labour party was level with the Conservatives in the opinion polls. The Conservative party research unit noted with concern that: 'There was a surprising amount of euphoria about the country's economic prospects, and Labour and Mr Callaghan seem in calm control of events' (Beckett, 2009:415). All of which combined to enable Callaghan to speak confidently of calling an election, at a time of his choosing but perhaps not until 1979 (Donoghue, 2008:235).

In contrast, the summer of 1977 was a period of growing internal discontent within the Liberal party. The parliamentary party, while heartened by the economic recovery, was concerned that the

consultative mechanism had not resulted in the level of policy influence envisaged. There was also frustration that the renewal document had not contained more specifically-Liberal policies, and there seemed little prospect of this position being rectified in the forthcoming Queen's Speech.

Meanwhile for the Liberal grassroots, while superficially interested in the Westminster-centric issues outlined above, two inter-related issues were of particular concern; the poor standing of the party in the opinion polls which had barely improved since the May local elections, averaging between 6-8% a figure Hugh Jones considered was the Liberal 'bedrock'. Many activists complained that the Party on the ground was 'bleeding to death' (Butler and Butler, 1994:254). The problem was for some attributable to the second issue the media's unwillingness to give credit to the Liberal party for forming the Pact with Labour and enabling, in activists eyes, the economic recovery and stability outlined above. The press had largely maintained the view that the Liberal MPs had formed the Pact to avoid an election, and in the absence of specific Liberal economic policies, the improving economic conditions simply showed they had 'backed the right horse' (Pardoe, 2010. Personal communication). These factors combined to ensure activists were inclined to place increased significance on the impending House of Commons debate and subsequent vote on the voting system for the Direct Elections to the European parliament, as a means of showing the media and the public a policy dividend from entering and renewing the Pact (Tordoff, 2008. Personal communication).

Liberal Party Assembly, Brighton, September 1977

As has already been noted, David Steel had been eager to ensure that the renewal of the Pact was finalised before the Liberal Assembly convened in Brighton at the end of September 1977. Nevertheless, as might be expected, given the historic significance of the Pact for the Liberal party, it formed the main topic of discussion both inside and outside the conference hall. Accordingly, the Assembly debated, and ultimately voted on, the Lib-Lab Pact. It might be noted that the Liberal grassroots' desire to debate on the strategic decision to form the Pact was in stark contrast to the attitude of the Labour party Conference, held at the same location a week later. Labour delegates

broadly took the view that, as a wholly parliamentary agreement, there was no requirement for the conference to adopt a formal position, and certainly not to debate the strategic significance of a deal which they saw as a unique event.

In the knowledge that the debate and vote on the Pact had been timetabled to take place on the third day of the Assembly, and in an attempt to obviate any prospect of anti-Pact sentiment developing, frame the subsequent debate, Steel chose to break with tradition deciding to address delegates both at the final day, (the traditional rallying cry speech), and unusually, on the first day of the Assembly. In his opening speech, Steel attempted to highlight the successes achieved thus far., In hindsight, Steel considered this approach to be ill-judged, not least because the party did not view Steel's main 'achievement', namely, consultation with Ministers as a key 'success'. Steel also failed to articulate, what he considered his key announcement at the Assembly, the government's decision to adopt the Liberals' demand for legislation on profit-sharing in industry (Steel,1980:81).

Steel also took the opportunity at this time to address what he saw as a issue hindering his negotiating position, the repeated interjections in the process of Liberal activists threatening to terminate the Pact if certain conditions were not met, some of these have been noted earlier in this thesis. Quoting Lloyd George from 1931, he stated, 'We are in a position of a body of men whose sole sanction to enforce their behests is capital punishment. There are two objections to that. You cannot inflict capital punishment for minor offenses; and you can only inflict it once for any offence' (Steel, 1980:81). In response to Steel's protestations, an increasing number of Liberals argued that while they acknowledged Steel's point, in their view by not identifying a specific issue on which the Pact might be terminated unless Liberal demands were met materially weakening their negotiating position (Johnston, 2008. Personal communication). Moreover, for some the allusion to the Lloyd George period revived memories not of a successful coalition which facilitating a Liberal revival, but rather a period which had almost destroyed the Party as a national force (Smith, 2009. Personal communication).

As was indicated above, the Lib-Lab Pact was formally debated on the third day of the conference, and although none of those contributing to the debate overtly criticise Steel or his decision to enter the Pact, a resolution was tabled by Bill Pitt, who represented the Association of Liberal Councillors (ALC), (Pitt was later to be the Liberal MP for Croydon North West), that criticised the terms under which the Pact had been renewed, and called for its renegotiation. Cyril Smith, in the first public expression of discontent towards the Pact emanating from within the parliamentary Liberal party, spoke in support of the resolution, stating that he was not an anti-coalitionist *per se*, but he was ‘an anti coalitionist unless you have enough MPs to guarantee your identity within the coalition’.

In response to the debate the mood of the conference was largely one of ambivalence - summed up by one delegate’s assertion that ‘we are very few of us in less than two minds about this agreement’. Notably however, speeches of Pitt and Smith did little to change this position, according to *The Times* each receiving only a ‘lukewarm’ response (*The Times*, 29 September 1977; *The Economist*, 1 October 1977).

Nevertheless, when David Penhaligon declared that ‘if we don’t get what we want out of the Queen’s Speech, we come out’, he seemed to have won the support of the conference hall. According to *The Economist*, the subsequent intervention of John Pardoe was crucial. He made it clear that Steel regarded a defeat for the Pact as a vote of confidence, and persuaded delegates to ‘give David Steel the support that he deserves’. The ALC amendment was duly defeated by 716 votes to 385, with Pardoe’s intervention influencing the margin, if not necessarily the result. Cyril Smith immediately resigned from his position as employment spokesman, and was replaced by Penhaligon (*The Economist*, 1 October 1977).

According to Bartram (1981:161) David Steel placed particular significance on the margin of the Assembly vote in favour of the Pact, interpreting it as a formal approval of his decision to enter and then renew the Pact, and thus an endorsement of his wider strategy of co-operation. He also felt some satisfaction that the wider party now assumed some responsibility for its continuance.

However, as at Llandudno a year earlier, Steel misinterpreted the prevailing mood of delegates. The Brighton vote was not an unequivocal endorsement of Steel's co-operation or Pact strategy, as revealed by subsequent events. While delegates did not demure from Steel's assertion that, in order for the Liberal party to achieve office, co-operation was inevitable, their endorsement was as much based on an acceptance (which they shared with many of their parliamentary colleagues) that to end the Pact in September 1977 would potentially instigate a General Election which would almost certainly see Liberal losses. Again like the MPs they too concluded that it was Steel's prerogative as leader to enter and renew the Pact.

This thesis has noted the concern, expressed by the organs of the Liberal party, that the Lib-Lab deal as agreed, and then renewed, might not secure PR for the European elections without formal compulsion exerted on the Parliamentary Labour Party, (not present in the Lib-Lab Agreement). By autumn 1977, this hypothesis was being articulated by a number of leading Liberals, most notably Christopher Mayhew in his role as Chairman of the Liberal Action Group for Electoral Reform (LAGER) (*Liberal News*, 24 May 1977). Thus, at the Liberal Assembly, in an attempt to 'strengthen Steel's hand' in the subsequent negotiations with Callaghan, before the reintroduction of the Direct Elections Bill in November 1977, Mayhew intended to table a resolution demanding that 'a majority of 100 Labour MPs' vote for PR. In keeping with previous attempts by the party organs to interfere in the Lib-Lab negotiations Steel resisted this intervention. Consequently, Mayhew withdrew this resolution.

Steel's intervention was based on a number of factors: first, he did not welcome the interjection of the Liberal Assembly on a parliamentary deal; second, he considered the terms demanded by Mayhew both unreasonable and unobtainable; third, he still believed that regional list PR for the European elections was an achievable goal, without the necessity for Mayhew's resolution (Steed, 2010. Personal communication) Steel had concluded, having made 'very careful enquires in the House', that MPs were evenly divided in their support or opposition to Regional List (RL) PR. The last

of these points would greatly influence both how Steel approached his subsequent negotiations with Callaghan, and how he responded to the subsequent interventions in this process by the Liberal grassroots, as will be shown later in this thesis (NA, PREM 16/1632: note of a meeting, 2 November 1977).

Having acquiesced to Steel's request to withdraw the demand for '100 Labour MPs' to vote for PR, Mayhew tabled an alternative resolution, calling for a 'substantial majority' of Labour MPs to vote for PR. Steel let it be known he remained appalled that conditions should be imposed on his negotiating position. The resolution was carried, notably with the support of Gruffydd Evans (the Party President) and Geoff Tordoff. During the debate, Evans struck a strident tone (not endorsed by Mayhew) stating that if the Labour party did not support PR, the ' [Liberal] party should consider pulling out of the Agreement and be on a war footing for a General Election' (*Liberal News*, 11 October 1977).

The fact that Mayhew's resolution was adopted by the Assembly, against the wishes of Steel, was emblematic of a growing division between the Liberal party mass membership, which primarily sought definable policy objectives from the Pact, and their leader's strategic focus on 'national recovery' and cross-party consultation. As will be discussed shortly, this division would deepen as the vote on Direct Elections approached.

The historiographic analysis of Mayhew's actions and motives warrants some attention as it is the assertion of this thesis that Mayhew has been misrepresented in the literature on the Pact. Michie and Hoggart suggest that Christopher Mayhew's actions highlighted the fact that it was his intention to end the Lib-Lab Pact, they further argue that 'activists tried to find ways of making the MPs break off the agreement. They were led by Christopher Mayhew' (Michie and Hoggart, 1978:150). However, this is to misrepresent Mayhew's motives, both at Brighton and subsequently. He was not attempting to break the Pact, but articulating the view that 'it was possible to be a warm supporter

of the Pact...but instead of asking for vague assurances...demand one or two specific items of importance' (*The Times*, 29 September 1977).

Meanwhile, Chris Cook, in his *'Short History of the Liberal Party 1900-1997'*, has condemned Mayhew's tactic in demanding 'a substantial majority of Labour MPs' to vote for PR as being 'naïve politics', pointing out, quite correctly, that the Parliamentary Labour Party had already expressed significant hostility to PR in the devolution debates early in 1977 (Cook, 1998:165). However, Cook also misrepresents Mayhew's core motives at Brighton. As highlighted earlier in this thesis, Mayhew was convinced that, if compelled to do so, a majority of the Labour party would vote for (RL) PR, a position that, this thesis has established, was shared by Callaghan, and some others in the Cabinet such as David Owen. On the basis of this evidence it seems plausible that including a form of compulsion on Labour MPs into the Lib-Lab Agreement may have lead to a majority of the 'pay roll' if not the PLP voting for Regional List PR.

Furthermore, Mayhew did not assume that his resolution calling for 'a substantial majority' of Labour MPs to vote for PR would result in a House of Commons majority for PR, as Cook's assertion implies. Mayhew had reluctantly concluded that the Pact, as negotiated, could not deliver PR. He assumed, correctly, that the Conservative party would vote against PR in an attempt to hasten the end of the Pact. He also believed that the Labour party, having been offered a free vote, would not vote in large enough numbers to offset the Conservative opposition (NA, PREM 16/1632: letter from David Owen to James Callaghan, 3 August 1977).

On this basis Mayhew reasoned that the Liberal party's 'breaking point' could not be whether PR was delivered, but only 'whether the government has tried hard enough to get PR'. Mayhew argued that the Liberal party should gauge in empirical terms whether the government had fulfilled its 'best endeavours' on this issue, and to 'make sure Labour knew' these terms of reference, prior to the vote. The party could then judge whether to continue the Pact if, and when, the Liberal party's terms were not met. He further reasoned that this course of action would ensure that, even if PR was not

achieved, the House of Commons would vote in 'substantial numbers' in favour of PR for European elections, and that this would act as a bridgehead to hasten future electoral reform. (NA, PREM 16/1259: Report by Mayhew, 'Agreement and electoral reform', undated). In this regard, Mayhew's position was nuanced, rather naive, as claimed by Cook.

At the end of the party conference season parliament reconvened and the next issue addressing the Pact was the content of the government's legislative programme for 1977-78, The Queen's Speech. The next section will be a case study review of this process reviewing Liberal negotiating positions and consequential policy influence.

Consultation in practice: Case Study 2: The Queen's Speech 1977

Labour intra-party discussions on the content on the Queen's Speech (the legislative programme for 1977-1978) commenced in March 1977. In theory because the Lib-Lab Pact was scheduled to terminate or be reviewed at the end of July 1977 there was no compulsion for government Ministers to involve Liberals in this process, however, the government quickly acknowledged the importance of retaining Liberal party support for its forthcoming legislative programme whether the Pact was renewed or not and as such and on 7 April 1977, Kenneth Stowe advised the Prime Minister that the Queen's Speech 1977 should include 'policies attractive to the Liberals' (NA, PREM 16/1395: note from Kenneth Stowe to James Callaghan, 7 April 1977). Consequently, numerous discussions took place between Callaghan and Steel concerning the content of the Queen's Speech throughout June and July 1977 concurrent with negotiations on the renewal of the Lib-Lab Pact. During this process, as was discussed in chapter 9, Steel emphasised that his priority was to achieve an understanding based on 'shared objectives'.

Discussion between Liberal spokesmen and government Ministers did not formally commence until the autumn 1977, on the basis the Pact was only renewed at the end of the previous parliamentary session. Nonetheless, when these meetings did take place they were both extensive and largely cordial. Indeed some Minister's attempted to use these meetings to their advantage; promoting their own policy and departmental objectives with Liberals, in the hope that Liberal support might improve the prospect of these policies being included in the legislative programme. Meanwhile, Callaghan, concerned that the Liberal party might break the Pact over frustration that they had not achieved more concrete policy objectives, advised Ministers to covertly put forward policy proposals which might be 'adopted' by the Liberal party (McNally quoted in Oaten, 2008:184).

One consequence of the informal structure of the consultative mechanism was that while these inter-party discussions progressed well, Liberal spokesmen, largely negotiated alone with

government Ministers. This process led some Liberal MPs to obtain a distorted impression of the likelihood their policy proposals would be included in the Queen's Speech. As such, Pardoe, Beith and Hooson, discussing the legislative programme in the Consultative Committee on 18 and 26 October 1977 assumed a series of Liberal-inspired measures related to, Education, agriculture policy, and economic policy were to be included. Steel, via his bilateral discussions with Callaghan had by this stage largely confirmed with the Prime Minister the extent of Liberal influence on the Queen's Speech, was compelled to assuage them of their views. This episode clearly highlights the difficulties of intra-party communication under the structure of the consultative mechanism as formulated by Steel.

As has been noted, Steel chose not to explicitly demand specific policy concessions in the renegotiation process in July 1977, he retained the belief that a programme based on 'shared objectives' was the most pragmatic approach to take when discussing with Callaghan the contents the Queen's Speech in autumn 1977. However, there were a number of other factors influenced his thinking in this matter. The 1977-78 legislative programme contained a large number of policies which the Liberal party could support. For example, the Direct Elections Bill and Devolution Bills were to be reintroduced these were clearly central to the demands outlined in the terms of the Lib-Lab Pact. Similarly, more minor policies enjoyed Liberal party support, such as, consumer protection; assistance for small business; a Bill to regenerate the Inner Cities; assistance for first-time buyers, and amendments to the Official Secrets Act (presented by Clement Freud as a Private Members Bill).

While the Liberal party did attempt to gain some credit for the inclusion of such legislation, linking them to the renewal document, without evidence of 'compulsion' from the Liberal party on the government to legislation in these areas, they were unable to gain any traction either in the media or the public. In this sense, structural weaknesses of the Pact and the policy proximity between the Labour party and Liberal party inhibited the Liberals from exhibiting significant policy influence (Liberal Party Archive, LLP 19/1: 'Liberal achievements since the start of the Lib-Lab Pact' May 1978).

As with other aspects of the consultative process, Steel acted as the final arbiter on whether Liberal proposals were presented for consideration to be included in the legislative programme. In a number of instances Steel reasoned, often correctly, that policies presented by his colleagues for inclusion in the Queen's Speech were poorly drafted, and thus not in a position to undergo parliamentary scrutiny. Examples of policies rejected by Steel included: a Land Bank, Education reforms, Tax reform, and devolution for the English regions (Steel, 1980:91; Pardoe, 2010. Personal communication). In some cases, Steel simply chose not to promote particular policies, for example, an Efficiency Audit of Whitehall. This would have been relatively cost neutral and taken up very little parliamentary time, yet, Steel concurred with Callaghan that 'he found the whole subject unutterably boring' (Steel, 1980:91).

Similarly, Steel did not press the case for Clement Freud's Private Member Bill for reform of the Official Secrets Act. Steel confided in Callaghan, 'while his colleagues would press for a Bill, he would be content with a White Paper'. Most Liberals considered this issue a good 'Liberal' cause and certainly more important than Steel's own policy priority for profit-sharing. Indeed, support for the measure within the parliamentary Liberal party was such that following opposition to the proposal from within Whitehall, Foot observed that 'it could bust the Lib-Lab Pact'. In the event, the Bill enjoyed cross-party support, securing its second reading and was only lost when the government fell in March 1979 (Burton & Drewry, 1979:; Steel, 1980:170; Donoghue, 2008:225).

The most important factor which limited the Liberals' influence on the 1978 Queen's Speech was the parliamentary timetable. Once Devolution (Scotland and Wales); Direct Elections for the European parliament, and essential financial and legal Bills were set aside, there were less than 15 days available for all other legislation. Despite Liberal MPs objections, Michael Foot and Freddie Warren were able to argue that the primacy of the three constitutional Bills militated against greater Liberal input on the content of the legislative programme. Consequently, the Labour party, with the approval of the civil service, explicitly offered Steel the chance to choose *one policy* for inclusion in

the Queen's Speech. Crucially, Foot specified this was to come from the various Liberal priorities, rather than the alternative whereby a Liberal proposals might have been explicitly selected as a replace to government priority. Although clearly, giving time to a Liberal proposal did prevent Labour Minister's having their own policy objectives realised there was no objection to this process from within the Cabinet (NA, PREM 16/141: note from John Stevens to Anthony Battishill, 28 September 1977).

It was indicative of the leader-led nature of the Liberal negotiating position that faced with this choice Steel prioritized 'over all other possible legislation' a Bill which he had championed during the renewal process, namely, profit-sharing. He now sought a government commitment to 'bring forward legislation' so that it might be included in the Finance Bill (NA, PREM 16/1400: note of a meeting, 26 September 1977). There was some justification for Steel's strategy; profit-sharing had been a policy objective of the Liberal party as far back as the 1929 *Yellow Book*. It was also the primary reason why David Penhaligon, among others, had joined the Liberal party (BBC Parliament, 2009b:[Accessed 2009]; BBC Desert Island Discs, 2012c [Accessed 12 May 2012]).

Nevertheless, the extent to which Steel's focus on profit-sharing resonated with the wider Liberal Party might be questioned, it was not discussed at the Liberal Assembly in either 1976 or 1977(Steed papers, 'Proposals for debate at the Liberal Assembly', September 1977; *The Times*, 23 September 1977). Equally, it could not be considered, within the context of the economic and political situation in the late 1970s, a key priority for much of the public. Significantly, nor was it considered a significant concession by Government Ministers. Chief Secretary to the Treasury, Joel Barnett, concluded, the government was not ideologically opposed to the policy. Barnett concurred with Harold Lever's observation that it was 'little more than a puny little scheme' (Barnett, 1982:139).

Clearly, a Liberal party of 13 MPs could only demand the implementation of a policy which was guaranteed to gain support, or at least ambivalence, from the Labour government. As such Barnett's observations make profit-sharing a reasonably choice. However, the opportunity afforded to the

Liberal party to have a specific policy included in the government's legislative programme suggests an intriguing scenario. As an alternative to profit-sharing Steel might have urged the Cabinet to introduce a policy on the sale of council houses. This policy, which subsequently was to encapsulate the reforms of the Thatcher governments of the 1980s, had in fact been part of the Labour manifesto in 1974. Although it was subsequently vetoed at the Labour party Conference in 1976. Yet, the Labour government 1974-1979 had previously acted, against the wishes of the Party Conference, (most notably with regard to the IMF inspired spending cuts) Therefore with regard to the sale of council houses, it could have made the case that it had previously supported it and it was compelled to act in order to retain Liberal support. Callaghan had indeed employed this strategy in Cabinet discussions with regard to legislating for Direct Elections. Bernard Donoughue of the No. 10 Policy Unit had championed the sale of council houses as a possible policy and Callaghan was supportive of the idea. He had personally suggested to Tom McNally, in 1976, that it should be considered for inclusion in future legislation.

From the Liberal Party perspective, the proposal had been included in a policy document produced by David Steel in 1975 entitled *Strategy 2000*, and a policy of selling council houses had already been implemented by Liberal controlled Liverpool Council. As such, it is not inconceivable that had the Liberal party suggested this policy for inclusion in the Queen's Speech 1977, as part of the Lib-Lab Pact, the Liberals would have enjoyed the support of the Prime Minister, the Policy Unit, the social democrat wing of the Parliamentary Labour Party, and it must be presumed, the Conservative party. In such circumstances, the government could have legislated on this issue with impunity and in so doing a tangible benefit from the Pact for the Liberal party would have been achieved; on a policy which subsequently proved so popular with the electorate (Morgan, 1997: 514; Morgan, 2007:364; Bartram,1981:125; Bogdanor, 1983:264).

The 1977 Queen's Speech again highlighted the limitations of a small contingent of Liberal MPs to influence government policy through the mechanism constructed to implement a parliamentary Pact.

It further emphasised the predominant position of David Steel as the final arbiter of Liberal policy and strategy. It highlighted the extent to which the Liberal leader largely acted with impunity in administering the Pact; consulting colleagues when required, but acting largely independently of his parliamentary party via his bilateral communication with Callaghan. The following chapter will return to the chronological narrative reviewing how Steel's strategic focus on 'consultation' rather than policy influence, and his miscalculation with regard to the parliamentary vote on PR, led to significant intra-party conflict within the Liberal party a process which ultimately led to the termination of the Pact in August 1978.

Chapter Eleven

Political overview

Buoyed by the endorsement of the Pact by the Liberal Assembly in September 1977, Steel's attention for the remainder of 1977 was focused on events at Westminster. Two issues took particular precedence, the inter-party discussions on the Queen's Speech, which we discussed in the last section, and the passage of the Direct Election legislation, of particularly importance was the impending vote on PR, scheduled to take place in December 1977. Steel's decision to prioritise Westminster meant that the Liberal leader was attuned to the level of internal discontent, most notably from within the Association of Liberal Councillors, and the Liberal National Council which developed in the period after the Assembly.

Liberal Council Meeting at Derby, 26 November 1977

Michie and Hoggart assert that the Liberal grassroots' attitude to the Pact can be categorised as a divided between the membership, who largely supported the Pact, and party activists who were more inclined to oppose the 'co-operation strategy', and by extension the Lib-Lab Pact. Hugh Jones refutes this analysis, suggesting that in such a small party most members who expressed an opinion were by definition 'activists'. Yet, there is little doubt that by the autumn of 1977, a distinction can be drawn between two if not wholly distinct groups. While the Liberal Assembly (in which the membership were in the majority) had supported the Pact, an increasing proportion of the National Executive Committee, and more particularly the Liberal Council (in which the activists proliferated), were hostile to the continuation of the Pact (Michie and Hoggart, 1978:158; Hugh Jones, 2007:113).

The extent of opposition to the Pact within the party's structures was crystallised when the National Executive and the National Council met on concurrent days in Derby on 25-26 November 1977. The membership of both organisations was in sombre mood because, on 22 November, the House of

Commons had voted to reject PR for the Scottish Assembly, by a majority of 183. While not connected to the Direct Elections (PR) vote, the size of the defeat disheartened the Liberals. Meanwhile, on the morning of the NEC meeting, the Bournemouth-East by-election result was announced. In a seat where the Liberals had hoped to attain a strong second place, they only managed a poor third, with their vote reduced to almost half that of the October 1974 result. The Thorpe scandal had returned to national media attention, and there was also dismay that the Queen's Speech, delivered on 7 November 1977, had not contained as many Liberal-inspired measures as many activists had hoped.

According to Hugh Jones, the NEC meeting went 'reasonably well' although there was regret that no Liberal MP was in attendance (Hugh Jones, 2007:123). David Steel, who had attended only one meeting of either the NEC or National Council since the formation of the Pact, chose not to attend the Derby meeting. This was a deliberate act; the Council was due to deliberate on a series of resolutions related to the parliamentary vote on Direct Elections, and whether to impose conditions under which the Lib-Lab Pact should continue. Steel calculated that his non-attendance would undermine the Council's authority and any decision reached. Speaking in Rochdale Steel asserted:

pay policy and not Direct Elections was the key to the future of the Pact. A failure of a part of the Labour party to respond to PR would certainly weaken the calm way in which this agreement has worked, but there would be no question of our pulling out on a vote of that kind (ITN News Archive, <http://www.nfo.ac.uk/>, 25 November 1977[accessed 20 May 2012]).

However, in assuming that the primary grievance of the Liberal Council members meeting at Derby was the demand for PR, Steel misunderstood the level distain some Council members had for the entire 'pact strategy'. The anti-Pact sentiment at Derby had a variety of causes: there was concern that specific Liberal policies, most notably but not exclusively PR, could not be delivered; there was frustration at the Liberal leader's apparent disregard of the Party Council's views, both on policy

orientation and party strategy. His high-handed statement had only intensified some members' determination to send a message to their leader. Some, especially those who were Liberal councillors, were angry at Steel's apparent lack of empathy for their personal predicaments, having either lost their seats in May 1977, or fearful they might lose theirs in the future. There was also concern that the Pact strategy had not been articulated effectively to party members and supporters, and a worry that the party on the ground was 'bleeding to death'. Many Liberals, most notably local councillors, were frustrated with the negotiating ability of Steel, and believed that they 'could have done a better job' in negotiating with Callaghan (Liberal Party Archive, LLP 2/3: note of a Liberal Party Council meeting, 26 November 1977; Steed, 2010. Personal communication; Foote-Wood, 2012 Personal communication).

The broad hostility towards the Pact was exemplified in a resolution, tabled by John Smithson, a member of LAGER, which made no mention of PR but expressed...

extreme concern...at the lack of Liberal inspired initiatives in the Queen's Speech and the continued and persistent dilution of the terms of the Agreement particularly with respect to wage policy and considers that the time has now arrived for the Agreement to be completely renegotiated and failing satisfactory terms, for it to be terminated forthwith (Liberal Party Archive, LLP 2/3: note of a Liberal Party Council meeting, 26 November 1977).

This resolution was only narrowly defeated by 76 votes to 71. Even given the list of the grievances outlined above, the narrowness of this vote was a surprise to many of those present, and was a portent of things to come (Hugh Jones, 2007:122; Steed, 2010. Personal communication). In a testy atmosphere, a resolution tabled by Michael Steed, on behalf of Christopher Mayhew, was then debated. The resolution demanded that '[if as a result of the failure of] a substantial majority of the Parliamentary Labour Party to support [PR], and the House of Commons failing to pass the Regional List System of PR for Direct Elections to the European Parliament, a Liberal Special Assembly should

be held to discuss the future of the Pact'. This resolution was passed. Although no voting figures are given in the Council minutes, the seemingly ironic phrase, 'a substantial majority' is used (given the wording of the resolution in question) (Liberal Party Archive, LLP 2/3: note of Liberal Party Council meeting, 26 November 1977).

As with Mayhew's earlier resolution at the Liberal Assembly, the 'Steed-Mayhew' resolution was intended to act as a mechanism to 'strengthen Steel's hand' - it was not intended to destroy the Pact; rather, it was envisaged that should PR be lost, the resolution would enable the whole Liberal party to discuss in a reasoned and timely fashion future tactics and strategy.

Steed and Mayhew had worked together on electoral reform throughout the 1970s, and had recently stood against each other for the position of President of the Liberal party, with Steed prevailing. Importantly, in campaigning for the presidency, they had reached an understanding that neither should stand as an 'anti-Pact' candidate. Indeed, according to Steed, neither were anti-Pact or pro-Pact, they simply wanted to 'improve the Pact', but both were 'vehemently pro-PR' (Steed, 2010. Personal communication).

Mayhew had stated in the *Liberal News*, prior to the Derby meeting, 'I am a supporter of the Agreement, but that support is conditional on PR, I think that is a widely held view within the party'. Certainly there was significant support for the Steed-Mayhew resolution among the constituency parties, and over 100 members of the Association of Liberal Councillors wrote to the *Liberal News* prior to the Derby meeting, affirming their support for the resolution (*Liberal News*, 22 November 1977).

However, while Steed and Mayhew may have wanted to 'improve the Pact, Steed also concedes that his tactics at Derby were 'overtaken by events'. He had not detected a significant 'anti-Pact' feeling at the Liberal Assembly in Brighton, recovering from a bout of Bell's palsy, he was 'out of touch with activist opinion'. He was therefore unaware that, an anti-Pact faction in the Liberal Council had co-

ordinated their opposition, and then utilised the Steed-Mayhew resolution as a catalyst for a 'direct assault on the Pact'. Steed concludes that 'there is no doubt that those voting for our motion at Derby were doing so in an attempt to break the Pact' (Steed 2010. Personal communication). However, Steed believes that David Steel's absence from Derby was decisive in the result. Indeed, he concludes that Steel's decision to stay away was 'bad leadership' – had Steel attended the Derby meeting, he could have 'defended the Pact, confronted the wider concerns of the party, and most probably would have defeated the resolution' (Steed, 2010. Personal communication).

Steel himself viewed the actions of the Liberal Council as naïve, and a direct attack on both his leadership and political strategy. Accordingly, he resolutely refused either to change policy, or be seen to appease the grievances of the Liberal party Council. Consequently, Steel did not utilise the 'Steed-Mayhew' resolution, as had been the intention of its authors, as a bargaining tool in his subsequent discussions with Callaghan. Instead he firmly maintained his erstwhile position that the Lib-Lab Pact was formed primarily to: assist 'national recovery'; to achieve political stability; to show the virtues of 'co-operation'; to hasten the realignment of British politics. Therefore, in Steel's view, for the Liberal Council to attempt to destabilise the cross-party Agreement, for short-term political advantage, was inimical to the avowed longer-term strategic aims of the Liberal party (Steel, 2010. Personal communication).

Parliamentary vote on electoral system to be employed in Direct Elections to the European Parliament, 13 December 1977

The Steed-Mayhew resolution, passed at the Liberal Council, obviously made the issue of the parliamentary vote on PR one of extreme significance for the Liberal party. It should also be remembered that the reintroduction of the Direct Elections Bill on 10 November 1977, and its second reading on 24 November 1977, also re-opened old divisions within the Labour party. Michael Foot, still very much an anti-marketeer despite his support of the Pact, warned Callaghan that,

unless the Parliamentary Labour Party was offered a free vote on the principle of Direct Elections, as they had been in July, 'two or three resignations' from the Cabinet were possible (NA, PREM16/1632: letter from Michael Foot to James Callaghan, 20 October 1977). Callaghan's reply was adamant in tone; 'I would be very sorry if any of them resigned but I think we should have to accept that, and I do not think there would be much sympathy for those who did' (NA, PREM 16/1632: letter from James Callaghan to Michael Foot, no date).

The Prime Minister reasoned that in supporting the Queen's Speech, Labour MPs had endorsed the Bill. Furthermore, the Bill, which was only being re-introduced because of parliamentary procedure, was almost unaltered from the previous version, which had been timed-out at the end of the last parliamentary session. In fact there were only two substantive changes: the first (Clause 3) was the Cabinet-endorsed decision to 'commend' the list system of PR, on which there was a free vote in any case. The second change (Clause 8) was a concession to anti-marketeers, henceforth, parliament would be required to endorse all treaty changes. As such, Callaghan imposed a two-line whip on the second reading of the Bill, but in an acknowledgement of the divisions which existed within the Labour party and the Cabinet, collective responsibility was again suspended. Callaghan chose to overlook the fact that in the subsequent vote 74 Labour MPs opposed the Bill, and over 90 abstained, including Cabinet Ministers: Foot, Benn, Orme, Shore and Silkin. (NA, CAB 128/62 CM (77): Cabinet Conclusions, 17 November 1977).

The Bill passed its Second Reading by 381 votes to 98. While it might be argued that the anti-marketeer Labour MPs were able to act as they did in the sure knowledge that the Bill would still progress; the vote clearly showed the extent of the division within the Labour party on the question of Europe. Furthermore, the vote on Second Reading acted as a clear signal to the Liberals of the sentiment of the Parliamentary Labour Party, especially when the House of Commons majority of 183 in November 1977 against PR for the devolved assemblies was taken into account. It should be further noted a Labour party whip was imposed on this occasion at the behest of Michael Foot. It

therefore became increasingly evident that it was extremely unlikely that a 'substantial majority' of the Parliamentary Labour Party would vote in favour of Regional List PR.

As has been highlighted earlier in this thesis, as part of the original Lib-Lab Agreement Callaghan had privately confirmed to Steel that 'late in the day' he would let it be known that he would vote for (RL) PR. However, before the Prime Minister could inform his parliamentary colleagues of this decision, his intentions were inadvertently made public by Emlyn Hooson. Without consulting Steel, Hooson sent a letter to ten government Ministers enquiring of them whether, given Callaghan's private support for (RL) PR, they too would vote in favour. Only the Attorney General, Samuel Silkin, replied - in the affirmative - before Kenneth Stowe hurriedly intervened, instructing other Ministers not to respond. A furious Steel described Hooson's actions as 'so stupid it was not true' (NA, PREM 16/1632: note from Kenneth Stowe to James Callaghan, 11 November 1977; NA, PREM 16/1632: letter from Samuel Silkin to Emlyn Hooson, 9 November 1977).

For Callaghan, Hooson's actions were further confirmation of the possible problems of cross-party co-operation; both he and Stowe had repeatedly expressed their concern at the 'leaky Liberals' (NA, PREM 16/1794: note from Kenneth Stowe to James Callaghan, 7 July 1977). While the Hooson letter caused some embarrassment for both Steel and Callaghan, in fact the Prime Minister had already informed the Labour party NEC of his intention to vote for PR, with little negative reaction, largely because (in contrast to Steel's assumptions in March 1977) the membership of the NEC had concluded his actions would have little effect on the result.

The Committee Stage of the Direct Elections Bill began on 1 December 1977, and on the 13 December 1977, clause 3 concerning the question of which electoral system was to be adopted, was finally debated. As with the timetabling of the original Bill, discussed in Chapter 7, both the Labour and Liberal parties hoped that the timing of the vote would benefit their respective political ambitions. Steel had sought to delay the vote until late in December for a number of reasons, he envisaged that this would increase the likelihood of a positive vote for PR – this way if the plurality

system was adopted, elections could not be held before the agreed deadline of May 1978 because of the need for a boundary commission review. In theory such an outcome would mean Callaghan would have reneged on his commitment to 'best endeavours' to meet the May 1978 deadline.

Conversely, Steel was mindful that, if the outcome was not favourable, a vote so close to the Christmas recess would make it impossible, for reasons of practicality, for a Special Assembly as demanded by the Mayhew-Steel resolution, to be convened before late January 1978. Steel further hoped the intervening period this would dissipate anti-Pact sentiment which might have developed, and thus improve the prospect of him winning the ensuing vote on the Pact at the Assembly (NA, PREM 16/1259: briefing to the Prime Minister, 15 June 1977). (Steel, 2010. Personal communication; NA, CAB 128/61 CM (77): Cabinet Conclusions, 26 May 1977).

Paradoxically Steel's strategy to delay the vote had a number of unintended consequences which undermined the prospect of Liberal success, each factor combined to ensure that the Labour Party was less dependent on Liberal party support, and therefore Labour MPs had less compulsion to vote for PR than might have been the case earlier in the year: By December 1977 the Labour party had re-established its position in the opinion polls; the SNP, following the reintroduction of the Devolution Bills, had confirmed that it would support the government in votes of confidence; the UUUC-Labour 'Pact' was still in place.

Furthermore, Steel's desire for delay was hardly a concession which could not easily be accommodated; indeed, it corresponded with Callaghan's own preferred timetable. Convinced that PR would be defeated Callaghan wanted the vote to 'still be in play' when the European Heads of Government meeting took place on 6 December 1977. Callaghan was also content that via this timetable he could argue 'it was the parliament and not the Labour party' who would be seen as the cause for the delay, and so he would not be blamed by his European counterparts (NA, PREM 16/1632: extract from meeting, 15 September 1977; Norton, 1980b:300; NA, PREM 16/1632: note of telephone conversation between James Callaghan and Michael Foot, 29 November 1977).

Although publicly Callaghan still claimed that the government would employ its 'best endeavours' to meet the EEC deadline for elections - in theory increasing the prospect of government Ministers' voting for Regional List PR - he had in fact confided to Emilio Colombo, President of the European Assembly, that in his estimation, the PR vote would be lost. Colombo 'did not dissent' and confirmed that this would 'not necessarily cause concern' (NA, PREM 16/1632: minutes from meeting between James Callaghan and Emilio Colombo, 26 November 1977). Callaghan had also received the assurance of Italian Prime Minister, Giulio Andreotti, that if elections were postponed until 1979, 'it would be very unfortunate, but not the end of the world' (NA, PREM 16/1632: notes of a meeting between James Callaghan and Giulio Andreotti, 22 September 1977). As such, there was little compulsion for either Labour MPs to vote for PR, or for Callaghan to compel them to do so as a consequence of pressure from Europe.

On 13 December 1977, Merlyn Rees, the Home Secretary, presented the Direct Elections Bill on the floor of the House of Commons on behalf of the government, and although he had spoken in favour of the plurality system in the Cabinet discussions in May 1977, Rees had since been convinced of the merits of the Regional List system, but only on the grounds that it was electorally advantageous for the Labour party. As noted earlier in this thesis, in a clear concession to the Liberals, and in consultation with Parliamentary Council and the Speaker's Office, before Rees presented the government's position on Clause 3, in an orchestrated move, backbench Labour MP Fred Willey tabled an amendment calling for a vote to strike out the government preference for (RL) PR and replace it with the plurality system, already in place as a schedule to the Bill.

To recap, this procedure was employed to ensure that the Conservative party could not table its own amendment. It was anticipated that a Conservative amendment would have been subtly different from Willey's, pre-empting the debate on PR, and demanding simply that the plurality system be employed without reference to any PR system, on the basis that it was utilised in all other UK elections. If an amendment of this sort were carried, it would have prevented a debate, and a

subsequent vote on a proportional voting system and largely nullified the significance of the government 'commendation' for (RL) PR, and. In such a scenario, the terms of the Lib-Lab Agreement would clearly have been breached, and it would almost certainly have ended forthwith.

Once the Wiley amendment was tabled, the Home Secretary outlined the rather convoluted procedures which had been written into the Bill (to include a plurality option as part of the schedule to the Bill) and how the government would consequently respond to the outcome of a vote for or against PR. In the interests of clarity, it is worth reviewing his statement;

If the amendment is carried, the Committee will no doubt agree to the consequential amendments removing all references to the regional list system from the Bill. If the amendment is defeated, the government will table amendments to remove from the Bill the last six words of Clause 3(1) and the whole of Clause 3(2), as well as Schedules 1 and 2. This will provide for the elections to be held on a regional list system and will remove the procedural device for switching to the simple majority system by resolution.

The procedural device in Clause 3(Schedule 2) was introduced solely to enable the two electoral systems to be set out in the same Bill. The Committee can, therefore, make a choice between the two systems. The government favours the Regional List system, but government supporters will have a free vote on the issue (Hansard, HC Deb vol 941 cc 299-422, 13 December 1977).

During the ensuing debate, Rees presented the case for (RL) PR on the grounds that it was more representational, a position endorsed by Liberal spokesman Jeremy Thorpe. However, in his concluding remarks Rees revealed the underlying reason why he supported this policy, stating, 'the government's recommendation for (RL) PR was solely to ensure the election could take place before May 1978' (Hansard, HC Deb vol 941 cc 299-422, 13 December 1977)..

The Willey amendment in support of the plurality voting system was passed by 321 votes to 224, with 85 abstentions, yielding a majority of 98. A breakdown of the figures highlights that the Labour party voted 147 for PR (including 60 Ministers) to 122 against; 46 Labour MPs abstained. 25 government Ministers either voted against PR or abstained.. Given that a large section of the PLP had previously expressed their opposition to PR during the Scotland and Wales devolution debates, the level of support for PR for Europe was significant. (NA, PREM 16/1632: official record of revised figures of vote on European Election Bill, Clause 3, Amendment 24, 14 December 1977).

Callaghan himself of course, as per the Lib-Lab Agreement voted for PR, as did Michael Foot. Foot's vote is of particular note given his unequivocal opposition both to the principle of the Bill and to the principle of PR, as noted above. His actions were consistent with his erstwhile support for the Lib-Lab Pact, and also an explicit example of his loyalty to Callaghan, and the Labour party. His selflessness in this regard was noted with admiration by party colleagues and media commentators alike. His loyalty on this issue was to be a contributory factor in Foot's subsequent successful bid for the leadership of the Labour party (Barnett, 1982:128).

It is not possible to ascertain if the actions of Christopher Mayhew, at the Liberal Assembly and at the Liberal Council at Derby, had any effect on the final result. Michael Foot, however, was dismissive of the actions of Mayhew in influencing the voting intentions of Labour MPs, deeming them to be 'not a decisive factor, one way or the other' (NA, PREM 16/1632: letter from Michael Foot to James Callaghan, 20 November 1977). According to one Labour MP, rather than being influenced by pressure from the Liberal party or any 'loyalty' to the Lib-Lab Pact, the vote was 'a big thank you to Jim for getting us through the last year and a half...the party wouldn't have done it for anyone [else]' (Michie and Hoggart, 1978:156).

David Steel's assumption that over 100 Conservative MPs would vote in favour of PR (a calculation upon which he had conceded a 'free vote' for Labour MPs as part of the original Lib-Lab Agreement)

proved grossly inaccurate. The Conservative party, as predicted by William Whitelaw in July 1977, had moved decisively against PR, largely in the hope that its rejection by the House of Commons would destabilise the Pact. The imposition by Thatcher of an unofficial 'three line whip' only cemented the Conservative party's anti-PR vote; only 61 Conservatives voting in favour. The abstention of the SNP, contrary to Steel's original expectations, worsened the defeat, but was ultimately inconsequential to the result.

There was some discussion between Labour whips, civil servants and the two party leaders as to whether the issue of PR might be revived at the Report Stage on the Bill, but neither Steel or Callaghan were convinced of the merits of this course of action on either procedural or party-political grounds. There was also a forlorn hope among Liberals that the House of Lords would vote in favour of PR, and thus demand that the House of Commons revisit the issue, however this was not pursued with any conviction, and (RL) PR was rejected in the Upper House by 123 votes to 68 (NA, PREM 16/1632: note from Philip Wood to James Callaghan, 14 December 1977).

Liberal party reaction to the parliamentary vote on proportional representation for the European parliament

From a Liberal perspective, the result was devastating - the issue which for many was the sole reason for maintaining the Pact had been defeated. Furthermore, while it had become clear prior to the vote that the House of Commons would almost certainly vote against (RL) PR, a breakdown of the Parliamentary Labour Party's voting figures exacerbated Liberal feelings that the Labour party had not acted in good faith. While the vote in favour might be considered substantial in the wider political context of a large anti-PR faction in the Labour party, as noted above, the fact remained only a minority of Labour MPs had supported PR, 11 Ministers had opposed it; there was not even unanimity in the Cabinet, with four Ministers voted against, namely Benn, Shore, Orme and Booth.

In the aftermath of the vote, a series of intra-party and inter-party meetings took place, beginning immediately after the announcement of the result and concluding only when parliament commenced its recess for Christmas on 16 December 1977. The parliamentary Liberal party met late on the evening of 13 December 1977, and again in two meetings on 14 December 1977, when it debated at length the consequences of the vote, and more pertinently what affect it had on the future of the Pact. Concurrently, and in a continuation of the leader-centric focus of the Pact, Steel alone conversed with the Prime Minister.

Steel now faced a parliamentary Liberal party in ferment, for while they had little expectation of wining the vote on PR, there was nonetheless significant anger at the level of Labour opposition. John Pardoe, in characteristically forthright fashion, stated on television that 'If the Labour party is incapable of continuing the Pact like this, it is incapable of running the country and should be turned out immediately' (Michie and Hoggart, 1978:154-5). The parliamentary Liberal party subsequently voted on whether to terminate the Pact forthwith. Only Russell Johnston and Geraint Howells were in support of its continuation. However, rather than confirm immediately that the Pact was to be terminated, following an intervention by Jo Grimond it was agreed that Steel should meet with Callaghan to establish if some other as yet unspecified policy concessions might be attainable, and thereby maintain the Pact. Grimond, who as has been noted was sceptical of the merits of the Pact, argued that the public would not understand if the Liberal party ended the Pact because they had not achieved PR for European elections, an issue Grimond reasoned was for most people a complete 'non-issue'.

The bilateral discussions between Callaghan and Steel, in contrast to the meeting of the Liberals MPs, were cordial, insomuch as Steel was wholly in agreement with the Prime Minister's assertion that he had fulfilled both the 'letter and the spirit of the agreement' by securing the support of a majority of Labour MPs (if abstentions were disregarded) (Callaghan, 1995:508; Steel, 1980:113). Steel had earlier stated, with regard to the support given by the Prime Minister and the Lord President, that,

'He had no complaints whatsoever, the [the government] had fulfilling its side of the bargain, they had been first class' (NA, PREM 16/1794: notes of a meeting, 16.15, 8 December 1977). Callaghan, while respectful of Steel's approach to the discussions, had been left 'indignant' at subsequent comments by some Liberal MPs. Cyril Smith had condemned the Labour party in an interview on *World at One*. Callaghan's response to Steel was terse, 'the Liberals would have to decide if they were going to face reality rather than act as though they were living in an Oxford college' (NA, PREM 16/1794: notes from meeting, 16.05, 14 December 1977).

Callaghan was neither willing nor able to offer any meaningful concessions to the Liberal party as a means of sustaining the Pact. Clearly concerned that his colleagues would again reject the Pact when the Liberal party reconvened at 6pm, Steel attempted to call their bluff, stating (erroneously) that 'Callaghan was going to the Palace, there would be an election'. According to Michie and Hoggart, 'some of them went white - it did the trick'. (Michie and Hoggart, 1978:155; Steel, 2010 Personal Communication). Steel then laid down an ultimatum, namely, that 'we should press on with the Agreement and fight for it in the Special Assembly, if they wish to break it off then they can fight the next election on a different strategy and with a different leader' (Steel, 1980:113).

Therefore, in what amounted to a vote of confidence in Steel's leadership, the Liberal MPs voted again on whether to maintain the Pact, whereupon it was agreed that the Pact should continue, albeit only by a majority of five votes to four: Beith, Howells, Johnston, Ross and Grimond, in favour; Smith, Penhaligon, Wainwright and Hooson, against. Thorpe and Pardoe abstained. Freud for reasons which are unclear was absent).

Those who sought the termination of the Pact based their view on a number of factors. Penhaligon commented that in his view voting for the Pact 'would be like turkeys voting for Christmas' - the first recorded use of the phrase (Penhaligon, 1989:141). Richard Wainwright, had harboured serious reservations as to the merits of the Pact since the local election results in May 1977 but in loyalty to Steel had kept his own counsel, he now rejected the Pact on the grounds that the government no

longer showed 'good faith in the agreement' (Cole, 2011a:179). Emlyn Hooson, noted the same objection he had articulated in 1965 and 1974, in rejecting both the Grimond-Wilson and Thorpe-Heath negotiations, namely that the Liberal party was losing its identity by maintaining the Pact.

With Jeremy Thorpe and John Pardoe abstaining, the casting vote was thus that of Jo Grimond. The former Party leader had been the longest-standing sceptic of the merits of the Pact, but he now argued that 'loyalty was the order of the day however much they disliked it'. As such, he felt continuation was the only pragmatic option, because to end the Agreement, and perhaps initiate a General Election on the issue of the voting system for the European elections, would result in '[the Party] being murdered, the public just wouldn't understand' (quoted in Oaten, 2008:18). A furious Smith announced on television that his colleagues were 'chicken livered' (*The Economist*, 17 December 1977).

Tellingly, this episode revealed the level of disillusionment within the parliamentary party with both the Pact and to some extent Steel's cooperation strategy. A majority of the parliamentary Liberal party had originally decided not to sustain the Pact when voting on its own merits. It was only when faced with an ultimatum from Steel that if they rejected the Pact he would resign that a majority in favour was achieved. Steel later comment is prescient, 'the Pact remained intact on the most tenuous basis' (Steel, 1980:113).

Steel subsequently informed Callaghan of the parliamentary Liberal party vote. Callaghan was relieved, he had been concerned that Pardoe was manoeuvring to mount a challenge to David Steel's leadership, following a 'tip off' from a contact of Gavyn Davies' (a member of the No. 10 Policy Unit) 'in the city'. As such, Callaghan specifically asked if Pardoe had voted to end the Pact, to which Steel confirmed that he had abstained (NA, PREM 16/1794: note of a meeting, 18.00, 14 December 1977; NA, PREM 16/1794: note from Tom McCaffrey to James Callaghan, 14 December 1977)..

Callaghan remained concerned for the political position of Steel, the mutual respect which had

developed between the two leaders was exemplified in a particular exchange at this time. Steel informed Callaghan that if the, now inevitable, Special Assembly rejected the Pact then he would resign as leader. The Prime Minister responded with the suggestion that if that did occur 'he would like him to join the Cabinet'. Steel duly thanked Callaghan, but immediately rejected the offer. This exchange is outlined in the minutes of a meeting in documents held in the National Archive. Steel chose to omit this exchange from his 1980 book on the Pact, *A House Divided*, on the basis it would have destabilised the party at a time when there was a prospect of a genuine realignment of British politics. He did refer to the exchange in his 1989 autobiography, *Against Goliath*. He concluded, 'it was quite out of the question...Infuriating though I sometimes found them, I simply could not desert my fellow Liberals and I would stay loyal to whatever the party decided' (Steel, 1989:166-7; Steel, 2010. Personal communication; NA, PREM 16/1794: note of a meeting, 19.30, 14 December 1977).

The fact that less than a 'substantial majority' of the Parliamentary Labour Party supported PR made a Liberal Special Assembly inevitable, and after some delay, Blackpool was chosen to host the meeting on 21 January 1978. Steel was vehemently opposed to the concept of a Special Assembly convened expressly as a result of the defeat on the PR vote; an issue he had explicitly stated should not cause the termination of the Pact. He drafted a 'letter to candidates', in which he stated that if the Assembly voted against the Pact, and by implication against his 'co-operation strategy', he would resign as leader. Alan Beith, concerned that the party would not take kindly to such an ultimatum, (the same one he had given the parliamentary Party), persuaded Steel to withdraw this direct threat. Steel nonetheless made his intentions and opinions clear asserting that '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' (Steel, 1980:114; Liberal Party Archive, LLP 19/2: letter to candidates, 16 December 1977).

The period between the House of Commons' rejection of PR, and the Liberals' Special Assembly, saw a series of intra-party discussions at both the elite and activist level. As Steel had hoped, the delay in

convening the Assembly did allow for a cooling-off period in which intra-party tensions at the elite level, at least, partly abated. Of those MPs who had voted against the Pact, or abstained on 14 December 1977, Penhaligon, Thorpe and Hooson each agreed to support their leader 'with varying degrees of enthusiasm' (Liberal Party Archive, LLP 19/2: press statement by Stephen Ross, 16 December 1977; Steel, 1980:118). John Pardoe, in a clear example of loyalty, and in contradiction of the 'tip off' received by Gavyn Davies, confirmed to Steel and the wider party that, 'No one should assume that if David Steel resigns, I shall pick up the pieces, my aim is to ensure that David will not resign' (Steel, 1989:169). Michie and Hoggart correctly note the significance of Pardoe's actions, had he chosen to oppose the Pact at this juncture, he would have ensured its immediate demise, and significantly undermined Steel's authority as leader (Michie and Hoggart, 1978:163).

Richard Wainwright, while still privately opposing the continuation of the Pact, displayed admirable loyalty to his leader at this time. The Liberal Standing Committee was charged with the responsibility of drafting the resolutions to be tabled at the Special Assembly, as Chairman Wainwright argued in defence of a demand from Steel that, while he accepted that delegates should be given the opportunity to vote to end the Pact immediately, a resolution should be tabled explicitly stating that the parliamentary party should be given the final discretion over the exact date of termination. Under Wainwright's influence, together with that of Steel's chief aide, Archie Kirkwood and Chief Whip Alan Beith, the committee endorsed Steel's preference by 8 votes to 6 (Cole, 2011a:179-180).

The support of other senior Liberals was also important in consolidating Steel's position prior to the Assembly. Party officials, Hugh Jones, Gruff Evans and Geoff Tordoff working together as the 'heavy mob' to 'unofficially' compel activists to support Steel (Hugh Jones, 2007:123, Brack, 1998:365). Steel was also assisted by the support emanating from Welsh and Scottish Liberal parties. Largely on the basis that the Pact had led to the re-introduction of legislation on devolution, both conferences (meeting in early January 1978) voted to support the continuation of the Pact; in the case of the Scottish Conference by a margin of 212 to 12 (Liberal Party Archive, LLP 8/37: resolution of Scottish

Liberal Assembly, 14 January 1978). These results were an important impetus for Steel, and increased the momentum behind the Liberal leader in the run-up to the Special Assembly (Steel, 1980:120).

The Prime Minister also sought to strengthen Steel's position. While he had hitherto deliberately avoided commenting on the intra-party dispute within the Liberal party, in an interview on *The World this Week* on 1 January 1978, Callaghan observed that, while the Liberals were quite entitled to take whichever decision they thought appropriate,

There are a number of things in the letter that I agreed with Mr Steel in July, if anyone cares to read it, including the members of the Liberal Council, which have been carried out....the Liberals of course have an impact and David Steel has exercised it with discretion and good sense (Bodl., MS. Callaghan, Box 113, file 2741: transcript of interview, 1 January 1978).

While senior Liberals rallied to Steel's defence, the anti-Pact faction attempted to mobilise support among the grassroots against Steel's resolution. The 'Liberals against the Pact', organised by John Pick and Andrew Ellis, having been formed after the local election results in May 1977, by January 1978 listed over 500 'active Liberals' among their ranks (Steed Papers, 'Liberals against the Pact' pamphlet, January 1978). An examination of this list confirms Michie and Hoggart's assumption that the makeup of the anti-Pact faction was heavily activist-centred. The list contained the names of over twenty prospective parliamentary candidates, numerous elected office holders, and two former presidents of the party (*Liberal News*, 13 January 1978; Steed Papers 'Liberals against the Pact' press release 6 January 1978).

Meanwhile, the radical Liberal newspaper *Liberator* was adamant that the Liberal party must find a way of getting out of the Pact. The editorial expressed deep frustration both with the wider 'co-operation strategy' and Steel's leadership style; 'the problem in all this, of course, is to ensure that

David Steel listens to the party, rather than blindly pursuing his obsession with coalition'. Meanwhile, Alan Sked writing in 1978 suggests that 'it seemed the party in the country was about to desert the parliamentary party' (*Liberator*, December 1977- January 1978; Sked, 1978:204).

Activist resentment at Steel's Pact strategy was articulated most forcefully at a special meeting of the Liberal NEC on 13 January 1978, the day before the Scottish Conference, and thus made up of exclusively English representatives. According to Hugh Jones, it 'ran out of the chairman's control' as members of the NEC affiliated to the Association of Liberals Councillors, and the *Radical Bulletin*, directly accused Steel of destroying the party by his 'autocratic pursuit of the Pact'. Hugh Jones relates, 'it was a vicious attack, descending at times into bedlam as members sought to shout each other down'. David Steel, who had been persuaded to attend, kept his cool, but left angry and depressed (Hugh Jones, 2007:123; Steel, 1980:119).

Concerns, raised in the Liberal Council meeting at Derby in November 1977 concerning how the Pact had been presented to party members and Liberal voters were reiterated. Those members of the Executive, such as Tony Greaves, who had experienced success with 'community politics', argued that Steel's Westminster-centric approach meant the 'leader's strategy had yet to be translated into an effective ground-strategy'. Party workers were unable to defend either the Pact or the wider strategy at a local level. According to Greaves this led to a lack of enthusiasm for Steel's strategy. It is instructive to note that the most widely distributed pamphlet promoting the Pact to Liberal party workers entitled '*Putting over the Pact*' was not published until February 1978. Even then there were significant editorial mistakes; for example, it was repeatedly stated that the Pact was formed in 1976 (Tony Greaves, 2011 Personal Communication; Liberal Party Archive, LLP 1/9: note of a meeting of the Liberal National Executive, 13 January 1978; Liberal Party Archive, LLP 19/1: '*Putting over the Pact*' Pamphlet, no date).

Liberal Party Special Assembly, Blackpool, 21 January 1978

Over 2,500 delegates attended the Liberal Special Assembly on 21 January 1978, making it the largest gathering of Liberals in a generation. In the same way that the Christmas recess had engendered a pragmatic acceptance within the parliamentary Liberal party that the Pact must be retained, by the time of the Special Assembly it was broadly acknowledged among Liberal activists that it would not be possible to re-open the PR debate. Furthermore most delegates understood that a vote to end the Pact would result in Steel's immediate resignation. This result would almost certainly result in a schism in the Liberal party with the possibility that it would then be forced to quickly mobilise in order to fight a General Election.

Faced with such a scenario, most delegates at Blackpool, while adamant that the Pact should not continue indefinitely, were pragmatic in their response, being prepared to agree to Steel's compromise resolution: Pact would definitely come to an end, but at the parliamentary party's discretion after consultation with the party officials. The atmosphere of compromise was evident in the various amendments submitted to the Assembly Standing Committee, which comprised Gruff Evans, Geoff Tordoff and Michael Meadowcroft. Of the 71 amendments received, over three-quarters demanded either that the parliamentary Liberal party should decide the termination date, or that there should be no specified date, whereas only six amendments submitted for consideration by the committee called for an immediate end to the Pact. (Liberal Party Archive, LLP 8/37: report by Peter Knowlson, no date).

A conciliatory stance was also adopted by the two Liberal MPs who spoke at the conference against Steel's proposal, Cyril Smith and David Penhaligon. While Smith sought an immediate end to the Pact 'to maintain the independence of the Liberal party', his speech prioritised the need for party unity, following the result he stated that he would 'burn the hatchet' [sic] and give Steel his full support. Similarly, David Penhaligon advised that 'after we had gone through 10 months of misery' the Liberals should now continue their support for the government until the Budget in April and then

support Labour on an issue by issue basis akin to a 'confidence and supply' understanding (ITN News Archive, <http://www.nfo.ac.uk/>, 21 January 1978 [accessed 20 May 2012]).

The resolution presented to the party at the Special Assembly was prefaced by a preamble to which there was unanimous support:

This Assembly recognises that the Agreement between the Liberal MPs and Labour government has been in the national interest because it has strengthened the economy at a time of grave danger, has ensured that the Government maintains the attack on inflation, and had changed the direction of what had previously been doctrinaire socialist government; deplores the fact that many Labour MPs have undermined this constructive approach to the country's problems, for example by co-operating with the Conservative leadership to frustrate democratic reform and European ideals.

The assembly was then given a choice between two alternatives, either the immediate termination of the Pact, as proposed by Andrew Ellis, or:

[this Assembly] expects that by the time the Finance Bill 1978 is enacted, the Lib-Lab parliamentary Agreement will have successfully achieved its immediate purpose for the good of the country and believes that the agreement should continue only until, in the light of this resolution, the leader of the party, in conjunction with the senior officers of the party, and with the parliamentary party, decide to end it (Liberal Party Archive, LLP 8/37: resolution presented at Liberal Party Special Assembly, 21 January 1977).

Richard Wainwright, sceptical of the merits of the resolution but in a further display of loyalty to his leader, formally presented the second motion to the Assembly. Steel envisaged that Wainwright's greater affinity with the grassroots would mean that he could 'reach out as far as possible to radicals

with passion and humour' (Cole, 2011a:180). Steel summed up the debate himself and in an effective expression of humility, spoke from the rostrum rather than the speaker's box, as would have been usual for the party leader at a Liberal Assembly (Steed, 2010. Personal communication). He nonetheless struck a defiant tone. Confident that the Assembly would support his resolution, he emphasised, to what he considered a largely unreconstructed or even politically naïve audience, that 'I have to place on record that the Prime Minister delivered exactly what he undertook to deliver on PR', to which some delegates cried 'rubbish' (*The Times*, 23 January 1977). He then actuated a defence of his decision to enter the Pact:

You know I never said as party leader that this was going to be easy, I think there would be grounds for complaint if I had misled the party on this issue, but I am on record time and time again that if you pursued the strategy that I wanted, that it was going to be difficult. I *warned you* specifically that it would be difficult at first, that we would lose members, and I still hold that I had your support after I had given all these warnings (ITN News Archive, <http://www.nfo.ac.uk/> 21 January 1978 [accessed 20 May 2012]).

Not for the first time, Steel misunderstood much of the intra-party opposition to the Pact, because as this thesis has shown, while a minority of Liberals did oppose all notions of cross-party co-operation, for most delegates, hostility towards the Pact was based, not on a doctrinal opposition to co-operation *per-se*, but on frustration that, in agreeing the original terms and renewing the Lib-Lab Pact, Steel had 'sold the Party too cheaply', and placed too much emphasis on his own long-term strategic aims, at the expense of securing significant policy objectives.

The Steel-Wainwright resolution was passed by 1,727 votes to 520, a result which Steel saw as vindication of his policy, on the basis that it exhibited a larger majority, on a larger vote, than seen at the Blackpool Assembly in September 1977. He concluded that his original scepticism about the holding of an Assembly had been misplaced. The Special Assembly had enabled grievances to be

aired, and while strong opinions were expressed by both sides, none of the speakers attacked David Steel directly. Indeed, he judged it to have been a cathartic experience (Steel, 1980:122). Even so, Steel was left in no doubt that there was no prospect of the Pact continuing indefinitely.

With confirmation that the Pact would come to an end (probably) before the end of the summer recess 1978, most anti-Pact sentiment dissipated, in part because the period between January and July 1978 saw the zenith of Liberal influence on government legislation, namely, budgetary concessions, the government legislating on profit-sharing and the devaluation of the 'Green Pound' – an important issue for many rural constituencies, these issues will be outlined further in the next sections.

The 'Liberals against the Pact' continued under the banner 'Liberals against the Strategy'. The strategy was defined as being David Steel's attempt to 'bounce the party' into cross-party agreements. John Pick claimed that 'it will take us 20 years to get over Steel's wrong-headed pragmatism'. The *Liberator* lamented that 'the Special Assembly showed that getting radicals elected to positions within the party does little or no good if the majority of the constituency workers are prepared to come along to Assemblies and play 'follow my leader'' (Steed Papers, 'Liberals against the Pact' report, May 1978; *Liberator*, February-March 1978).

However, devoid of parliamentary support, and with the wider party membership focusing on unity in preparation for a General Election, the anti-Pact movement gradually faded, and had little influence on Liberal Party strategy in the build up to the 1979 General Election.

The political consequences of the Liberal Assembly

The vote at the Special Assembly had sustained the Pact and secured David Steel's leadership, but of greater long term significance was its function as a think-tank session. On the assumption that a General Election would take place in the autumn 1978, aspects of policy, strategy and electoral

tactics were debated, and consequently a series of research and policy papers were produced by the Standing Committee, the Constitutional Review Committee, and individual members of the National Executive. According to Michael Steed, this was the first time since the leadership of Jo Grimond that such an extensive review had been undertaken. As such a series of potential strategy options were presented by, amongst others, Bernard Greaves, Michael Steed, Andrew Ellis and Peter Knowlson. (Steed Papers, strategy report by Gordon Lishman, 10 October 1977; Liberal Party Archive, LLP 3/37: policy document by Peter Knowlson, 21 January 1978).

Out of this process, a series of political and electoral strategic positions had been agreed upon. Consequently, the Liberal National Executive, in May 1978, resolved that henceforth, a cast iron assurance that legislation on electoral reform at Westminster would be prerequisite for any future cross-party deal. Steel was forced to retreat from his erstwhile electoral strategy of a 'narrow electoral front', focusing on winnable seats, a proposal, which had engendered such hostility within the NEC in 1970. As such, the Liberal party adopted a 'broad front strategy' to create a 'Liberal wedge' in the new parliament. The strategy papers emanating out of the Special Assembly also emphasised other issues which would be central to future Liberal party strategy: differentiation and equidistance, and an aspiration to secure the 'balance of power'. It was not the first time these issues had been discussed, but the Pact did crystallize Liberal party thinking on these matters and ensure a coherent political strategy was adopted for the 1979 General Election (Steed Papers, note of a meeting of Liberal National Executive, 13 January 1978; Liberal Manifesto, 1979: 'The real fight is for Britain':1-3; Steed, 2010. Personal communication).

The experience of the Pact fundamentally changed the Liberal party's attitude to the mechanisms through which coalition and cross-party cooperation might be achieved. While the 1979 manifesto did not state whether the party would be willing to form another parliamentary pact if the events of March 1977 were repeated, in practice there was widespread antipathy to this form of arrangement. Alan Beith, in his memoirs concludes that the most salient lesson he learnt from the Pact was that

the Liberal party should only enter into a cross-party agreement if it resulted in a formal coalition with a promise of Liberals in Cabinet. Chris Foote-Wood, a member of the Liberal Council in 1977 and Liberal Democrat candidate in the 2010 General Election, confirms that ‘we all remembered the Pact, the feeling persisted within the party that it was disinclined to agree to support a minority government on the basis of a ‘confidence and supply’ agreement’ (Beith, 2008:99; Foote Wood, 2012 Personal communication). As such, the Pact directly informed the thinking of the Liberal Democrat party in their decision to form formal coalitions in Scotland and Wales in 1999, and at Westminster in 2010.

The Lib-Lab Pact also directly influenced the constitutional structures of the Liberal Party and the Liberal Democrats. In October 1978, the Liberal Assembly resolved that any cross-party agreement would require the endorsement of both Party Conferences. This addressed a number of issues: first, the perception held by some activists that Steel had been too autocratic in administering the Pact; second, the belief that a more collegiate approach, involving input from experienced negotiators, would have achieved more tangible results; Third, there was also a perception, shared by Steel, that the Pact had been undermined because it was never formally endorsed by the Parliamentary Labour Party.

This demand for intra-party consultation was a forerunner of the ‘triple lock’, a mechanism imposed on the leadership of the Liberal Democrats in 1998 as means of curtailing Paddy Ashdown, following his overtures of ‘co-operation’ with Tony Blair. Under the ‘lock’ formal cross-party co-operation could only take place following the majority endorsement of the Parliamentary Liberal Party, the Federal Executive and a specially convened Party Conference. Moreover, Gordon Lishman, who drafted the so called ‘Triple Lock amendment’, adopted at the 1987 Liberal Democrat Conference, had been Director of Policy Promotion during the Lib-Lab Pact. Lishman explicitly drew on his experiences during the Lib-Lab Pact, stating he had been motivated by a desire to ‘improve intra-party consultation and avoid the Party being needlessly riven and split’ as had occurred in 1977-78

(Pack, 2011:64-68). The triple lock was not employed under Ashdown's leadership, but was enacted when the Liberal Democrat endorsement of the Con-Lib Dem coalition in 2010, and thus was an important legacy of the Lib-Lab Pact.

This thesis will now return to the chronological review of the Lib-Lab Pact reviewing the period between the Special Assembly in January 1978 and the termination of the Pact in August 1978. This process will begin with a case study of the Budget 1978. In the same way the Budget 1977 and the Queen's Speech 1977 were earlier reviewed emphasis will be placed on negotiations strategy and policy fulfilment.

Consultation in Practice: Case Study 3: The Budget 1978

The agreement reached in the Special Assembly that the Pact that, the Pact should be brought to an end (probably at the end of the parliamentary session) at the discretion of the Liberal leadership, meant when the parliamentary Liberal party returned to Westminster after the Christmas recess there was a renewed intent to securing policy influence before the Pact was terminated. The Liberal MPs had also, nearly a year into the Pact, acquired a greater understanding of the negotiating strategies required in order to achieve concessions from the government. As such the period January 1978-August 1978 was characterised by a more robust negotiating strategy and consequently significant concessions were achieved. These included a 3% increase in defence spending; blocking of further progress on Tony Benn's the Electricity reorganisation Bill and Dock workers regulations Bill; devaluation in the Green Pound. However, the most significant inter-party discussions through this period related to the content of the 1978 Budget.

As noted in chapter 6, the Liberal party gained one of its most significant policy concessions during the Lib-Lab Pact following the 1977 Budget, when it forced the government to reverse the intended increase in the levy of petrol. To recap, this concession was achieved as a consequence of a largely unintended political crisis, borne out inexperience of cross-party co-operation. The immediacy of the Budget *vis-à-vis* the formation of the Pact, and poor intra and inter-party communication were also contributory factors. By the time of the 1978 Budget, the Pact had been in place for over a year, as such, a mechanism of inter-party dialogue had developed, experience gained, and both parties were afforded time to formulate budgetary proposals. Consequently, the negotiating process in 1978 was a very different dynamic to a year earlier; it is therefore instructive that these later discussions also resulted in some important policy outcomes. The negotiating strategy employed and the policy concessions achieved in 1978 are therefore worthy of further analysis.

Many of the issues noted in chapter 6 with regard to the limits on Liberal policy influence on the 1977 Budget remained. They were not given prior notification of its content; in theory they were not compelled to vote for the Budget but not to do so might lead to the government calling a vote of confidence, something Steel still wished to avoid.

As was noted in chapter 6, Liberal economic spokesman John Pardoe's relations with Healey were often fractious, similarly, his interactions with the Treasury were bellicose, as such, much of the inter-party discussions prior to the Budget took place between Pardoe and Joel Barnett. While Steel regarded the often public disagreement between Healey and Pardoe with frustration, Pardoe embraced this combative negotiating style, he considered it the most productive way of achieving policy concessions, later commenting, 'I disagreed with the government's economic policy and I saw this as the one opportunity to show the Liberals could make a difference...to put money in peoples' pocket, if that meant annoying the Labour party so be it' (Steel, 1980:134; Pardoe, 2010. Personal communication).

Thus, throughout the period of the Pact, and in many ways in contradiction to Steel's 'co-operation' strategy, Pardoe deliberately orchestrated a series of mini 'crises' or issued ultimatums, in an attempted to achieve specific policy concessions. In July 1977, Pardoe had warned that the failure to implement Phase III of pay policy would lead to the termination of the Pact. Likewise, prior to the 1978 Budget, in presenting the government with his 'Liberal Budget proposals', he issued an ultimatum that unless his demand for a reduction in the standard rate of income tax were met, (to be paid for with an increase in the surcharge on employers' national insurance), the Pact would be under threat. Healey, in a characteristically forthright response, warned that if he could not pass his Budget resolutions the government would be compelled to call a General Election (NA, T366/1 'Liberal Budget proposals', no date; Donoghue, 2008:316-317).

Documents held in the National Archive which minute the subsequent inter-party exchanges suggest that Pardoe's strategy were largely unsanctioned by the Liberal leader. Steel complained to

Callaghan that 'he could not control Pardoe'. Equally, Callaghan was unimpressed with Healey's handling of his interactions with the Liberal party throughout the Pact, regarding him as being too quick to dismiss the Liberals and on occasion politically naïve (Donoughue, 2008:313). Callaghan was also concerned that Pardoe was attempting to use his conflict with Healey as a means to end the Pact. He confided in colleagues that 'Steel was playing it straight but he was being driven along by his colleagues'. He further speculated that 'Pardoe was on a kamikaze mission to destroy the Pact'. Callaghan reasoned this would force Steel to resign so Pardoe could assume the leadership of the Liberal party. In fact, as this thesis has shown, Pardoe remained loyal to Steel throughout the Pact and in assessing the different approaches of Steel and Pardoe a degree of 'good cop bad cop' may be at play with each playing to their political strengths (NA, PREM 16/1794: note of a meeting, 12.30, 26 April 1977; NA, PREM 16/1794: note from James Callaghan to Kenneth Stowe, 8 May 1978).

The parliamentary Liberal party agreed to endorse the 1978 Budget on the basis that they did not wish to undermine the government's economic strategy and would instead seek to achieve concessions at the Committee Stage of the Finance Bill. As Michie and Hoggart observe, by any measure the Liberals' did well in the negotiations over the Budget (Michie and Hoggart, 1978:169-171). The Liberals could at least claim partial credit for: the introduction of a new lower rate of 25% on the first £750 of taxable income; a reduction in National Insurance for the self-employed from 8% to 5%; a rise in the VAT threshold for business to £10,000; farmers' profits were to be averaged out over two years; free school milk for seven to ten year olds was reintroduced; legislating for a profit-sharing scheme was confirmed.

Significant amendments were imposed on the government in the Finance Committee, the standard rate of income tax was reduced by 1 pence, tax bands were amended reducing the rates for the highest paid. However, it should be noted each of these concessions were achieved on Conservative amendments and the Liberal party received very little direct credit in the media.

The requirement to reduce the standard rate of income tax was the first time in the twentieth century that a government had lost a Budget resolution on fiscal policy, yet, despite the parallel with Callaghan's threat in April 1977, that defeat on the Budget resolution (related to the increase in petrol tax) would require the government to call a General Election, noted in chapter 6; in April 1978 the government simply accepted the defeat. Healey subsequently announced that, in an attempt to recoup the £500 million lost through the changes to income tax he planned to increase the level of employers' national insurance surcharge by 2½ pence. Despite their earlier demand for a comparable increase in this tax, noted above, a strident parliamentary Liberal party, annoyed by the absence of consultation by Healey on this issue, and aware they could be more belligerent as the Pact was now drawing to a close, opposed the increase. The Conservative party were even more resolute, tabling a censure motion against the Chancellor.

Facing certain defeat, Callaghan reluctantly called a vote of confidence, under the terms of the Lib-Lab Agreement, the Liberal party agreed not to vote against the government, however, wishing to show their displeasure at Healey's actions, and in an example of the move towards disengagement, they abstained. The Labour government consequently prevailed by 287 votes to 282. In the subsequent Lib-Lab meetings convened to alleviate the impasse Liberal negotiators, Steel and Pardoe with occasional contributions by Richard Wainwright, secured a concession from the government that the increase in the National Insurance surcharge would be restricted to 1 ½ per cent, this was enacted on 29 June 1978.

The events surrounding the 1978 Budget are instructive to any analysis of cross-party co-operations. It showed the political difficulties of enacting finance policy on the basis of a cross-party understanding not predicated on 'confidence and supply'. Meanwhile, in the sure knowledge the Pact was coming to an end Liberal negotiators, on 25 May 1977 it was confirmed that the Pact would be drawing to a close at the end of the parliamentary session. As such this period of 'disengagement' was characterised by a more robust negotiating strategy from Liberal spokesmen. As noted in

Chapter 6 personalities became particularly important in the context of an agreement in which at the fulcrum was personal interaction between Liberal spokesmen and Ministers. Consequently Pardoe's and Healey's combative style contrasted with Steel and Callaghan's collegiate approach. The former can be seen as contributed to creating a political impasse over the increase in the National Insurance Surcharge. But equally this approach was crucial to securing tangible policy concessions.

This episode also corroborated Steel's observation when forming the Pact that 13 Liberal MP could engender limited influence on the legislative process. The reduction in the standard rate of income tax and the censure motion against the Chancellor, which facilitated the reduction in the employers' surcharge were initiated and enacted by the Conservative Party with the Liberal party simply endorsing their actions. This situation also underlined a recurring problem for the Liberal party, noted by Steel and Geoff Tordoff, namely, that even when the Liberal party pressed for policy change under the terms of the Lib-Lab Pact, they were often unable to claim credit either in the media or with the public for these changes.

The end of the Lib-Lab Pact, February-August 1978

Although most delegates at Blackpool assumed that the Liberal party had been explicit in its desire not to continue the Pact indefinitely when they voted for the Steel resolution, Steel chose not to specifically confirm that the Pact would end in the summer. He maintained that he would 'wait and see what the government can offer in the coming months' (ITN News Archive, <http://www.nfo.ac.uk/> 21 January 1978 [accessed 20 May 2012]). In his meetings with the Prime Minister over the ensuing months after the Special Assembly Steel variously commented that it may continue through to 1979. The Prime Minister advised Steel that, as Liberal leader he should break

the Pact in order to fight an election as an 'independent' party. He also confided in Steel that he would give the Liberal leader an appraisal of the 1978 Queen's Speech in July 1978, on the basis that 'if they agreed to support it, he would carry on, if they felt they could not he was mindful to call an election for October 1978' (NA, PREM 16/1794: note of a meeting, 7 March 1978).

Callaghan had variously suggested to Steel both 1978 and 1979 as possible dates for an election, however, by mid 1978 it seemed the Prime Minister had 'cleared his desk' in order to call a General Election, to be held in October 1978 (Donoghue, 1987:158), Steel and the Liberal party planned their electoral strategy accordingly. Callaghan subsequently decided against an October election, a decision which was to prove fateful for the Labour party, condemned at the time and on numerous occasions subsequently by Steel. The Liberal leader noting in *A House Divided* that 'the Prime Minister for some unaccountable reason threw away his position of equality in the opinion polls [in late 1978], did not call an election and was forced to go to the country when Labour was in a materially weaker position'. Steel's conclusion is that the Prime Minister 'muffed it' (Steel, 1980:155; Oaten, 2007:192)

Steel maintains that, had Callaghan called a General Election in October 1978, he might have achieved an overall majority, or alternatively Labour would have been the largest party in a Hung Parliament. He notes 'I explained to him later, the Pact worked well, we might have done a Pact II this time as a full coalition' (Steel, 2010. Personal communication).

Callaghan was unconvinced that an overall majority could be achieved in autumn 1978, but he reasoned one might be attainable in spring 1979. However, more significant in relation to Steel's rationale that a satisfactory outcome would have been a minority Labour government, Callaghan comments in his autobiography, *Time and Chance* 'I had no wish to undergo once again the frustration and uncertainty of no parliamentary majority'. A handwritten note in the Callaghan Papers held in the Bodleian Library confirms this stance, as he mused on the possible outcome of an

autumn election, he concluded: 'don't make any alliances' (Callaghan, 1987:516; Bodl., MS. Callaghan, Box No. 19, file 2743, handwritten note, no date).

As Labour party leader, it was incumbent upon Callaghan to only call a General Election when he perceived the outcome would be most advantageous for the Labour party. This was of course one of the primary reasons Callaghan formed and sustained the Lib-Lab Pact. It is therefore erroneous of Steel to denigrate Callaghan for his actions in autumn 1978. Rather it is the contention of this thesis that his decision not to call an election in autumn 1978 was entirely consistent with his actions in March 1977.

Callaghan's decision to postpone a General Election because of a dislike of coalition exposes a strategic weakness in Steel's Pact strategy. As has been noted throughout this thesis, Steel was collegiate and at times conciliatory in his negotiations and interactions with Callaghan. In part this was a pragmatic approach undertaken on the basis that, maintaining good cross-party relations would propagate, in the minds of Labour politicians, the virtues of cross-party co-operation.

Steel clearly could not influence the date of the General Election, and so his strategy was dependent on others accepting the virtues of a collegiate approach to politics. Callaghan was not as strident in his ideological position as some in British politics, such as Harold Wilson or Margaret Thatcher as we have noted in this thesis, but it was naïve of Steel to assume that Callaghan, or any party leader, would view with equanimity the prospect of a Hung Parliament when compared with achieving an overall majority.

Despite the desire of Steel – and it should be noted, that of John Pardoe too - to continue the Pact into the 1978-1979 parliamentary session, in May 1978, under pressure from both the parliamentary party and the Liberal Council, meeting in Peterborough, Steel put forward a forlorn request, in the hope that it might maintain the Pact, for the government to introduce a Bill on electoral reform at

Westminster. Callaghan stalled in replying to this demand as a way of ensuring the Pact remained in place until the end of the parliamentary session, but eventually and inevitably he rejected any prospect of the government enacting this legislation (NA, PREM 16/1794: note of a meeting, 10 May 1978; NA, PREM 16/1201: note of a meeting, 24 May 1978).

Following this rebuttal Steel was obliged, the next day, to confirm to the parliamentary Liberal party and the media that the Pact would be terminated before the summer recess. The Liberal leader's statement was followed by a reply by the Prime Minister thanking the Liberal party for their support in achieving 'national recovery'. While the decision to end the Pact was primarily David Steel's and was in accordance with the resolution passed at the Liberal Special Assembly, in fact, the Liberal Council's resolution in February 1978 that the it fight as an 'independent' party at the next election, meant that, given they assumed a General Election would take place in October 1978, in practice the Pact would have to be formally concluded before the summer recess in order to allow a period of differentiation (*The Economist*, 4 March 1978). Yet even now Steel maintained that the primary purpose of the Pact was to show that the Liberal Party could be constructive allies in a future coalition. As such, he ensured that the Agreement was not formally concluded until all significant government legislative was implemented.

Callaghan had insisted that the termination should be initiated by the Liberal leader with a polite response from the Prime Minister rather than a 'Joint declaration'. By this time, almost all political capital which the Pact had engendered for either party had dissipated. Steel agreed to this request, he was eager for a period of differentiation and assuming a General Election would take place in October 1978, he wanted to ended the Pact on an harmonious note, wished to fight the election on a platform centred on the premise that via the Pact the Liberal party had shown through constructive consultation a viable alternative to the traditional confrontation political system. Callaghan meanwhile, having ensured Liberal support to the end of the session, in a further example of his pragmatism commented to his Cabinet colleagues that the government could subsequently

return with confidence to their erstwhile position of 'benevolent neutrality', perhaps into 1979, on the basis that 'all minor parties were more or less up for auction'. (NA, PREM 16/1201: note of a meeting, 25 May 1978).

A formal letter was issued by Liberal Chief Whip Alan Beith to Michael Foot on 3 August 1978, confirming that no future meeting of the joint consultative committee would take place. Beith placed on record 'his appreciation of the manner in which these meetings have been carried out'. The Lib-Lab Pact was at an end (Liberal Party Archives, LLP 19/2: Beith Press Statement, 3 August 1978).

Conclusion

This thesis has been a chronological analysis of the origins, operation and consequences of the Lib-Lab Pact. Chapter 1 began by placing the Pact in a broader historical context, reviewing coalition politics in the United Kingdom during the period from 1945 to 1977, and noting the pre-eminence of the two-party system. The thesis then sought to address a principal claim made by Steel (1980 and 1989) and repeated in (Hoggart and Michie, 1978) and (Hugh Jones, 2007), that the Pact ‘came out of the blue’ and as such there was little opportunity for strategic planning. Two cases studies in 1964-5 and in 1974, when formal cross-party co-operation might have occurred, were assessed from the perspective of how these events impacted on the subsequent Lib-Lab Pact, and more pertinently it was concluded that, with greater forethought, these events might further have assisted the strategic position of the Liberal party in 1977.

The retrospective significance of the change in the leadership of both the Labour and Liberal parties in 1976 was then assessed. It was concluded that the Pact was effectively the creation of two men, Steel and Callaghan, and that it could not have been formed, or at least not under the same terms, had Harold Wilson remained Labour Prime Minister, had Jeremy Thorpe not been forced to resign as Liberal leader, had Jo Grimond chosen to stay through to a General Election, or had John Pardoe been elected to lead the Liberal party.

Within this context, the political philosophy of Steel was seen as a key contributory factor in the Liberals’ decision to enter the Pact for it was a corollary of his ‘co-operation strategy’. As such, it directly affected how both the Lib-Lab negotiations were conducted and how the subsequent agreement was administered. Finally, the broader political strategy of the Liberal party was assessed, further repudiating the claim that structural preparations could not have been made for cross-party co-operation, and responsibility for this failing was placed primarily with the Liberal leader.

Chapter 2 addressed parliamentary developments between 1974-77, reviewing the parliamentary arithmetic, the loss of the government's overall majority, by-election defeats, and the management failures of the Labour party, which culminated in the vote of confidence held on 23 March 1977. Access to archive material allowed new perspectives to be drawn on the significance of the inter-party discussions on the re-introduction of the devolution legislation, and on the subsequent negotiating strategy of Steel and Callaghan.

Chapter 3 looked at the period prior to the vote of confidence and first phases of inter-party negotiations, placing new emphasis on Callaghan's discussions with the UUUC and noting the significance of the subsequent formal understanding achieved. It was concluded that pragmatic necessity was the only reason Callaghan conducted substantive discussions with the Liberal party.

Chapter 4 was an in-depth review on the progression of the Liberal-Labour negotiations. Access to archive documents allowed for a new insight into the negotiating positions of the Labour party, the Liberal party, and a uniquely new insight into the role of the civil service. Steel's decision to negotiate alone, and his desire to construct a formal agreement based around 'consultation' rather than policy influence, was seen to be consistent with the Liberal leader's political philosophy noted in Chapter 2, but were also contributory factors in the subsequent Liberal intra-party conflict which was to characterise the later stages of the Pact, as was discussed in Chapters 7-9. Particular emphasis was placed on the negotiations as to how the Liberal party expected the Labour party would respond to the need to legislate on which voting system should be employed for the Direct Elections and the Devolved Assembly. Observations made in Chapter 3 regarding cross-party discussion on Devolution were seen to be especially significant in these later discussions. It was also observed that one of the fundamental weaknesses of Steel's strategy was noted, namely, his assumption that a majority of the Conservative party would support a move to PR. It was seen in Chapter 8 and 9 that Steel's retention of this assumption would prove to be critical to his

subsequent negotiating strategy and to his attitude to interjections on strategy by Liberal party activists.

In this context, the remainder of Chapter 4 addressed perhaps the most significant conclusions of this thesis, namely, that Callaghan considered it both expedient and politically practical to offer, in exchange for Liberal support, a commitment from the government that it would endorse a proportional voting system for the elections to the European Elections. This evidence repudiated one of the most enduring assertions made by Steel, namely, that the Liberal leader could not have achieved more than a free vote on this issue (Steel, 1980:155-156). The position of Michael Foot, as both loyal lieutenant to the Prime Minister and thus defender of the Pact, while simultaneously defending both the anti-marketeer and anti-electoral reform strands in the Labour party and thus acting as an obstacle to a government concession on these issues, was observed to be of particular significance through the period of the Pact. Foot's stance impacted on his relations with the Labour party Left-wing, particularly Tony Benn, and was a subsidiary factor in his subsequent successful election as leader of the Labour party.

Chapter 5 reviewed the Cabinet discussions which endorsed the Pact, and the significance of Callaghan's collegiate approach and adherence to Cabinet government were seen to be important factors. The role of Kenneth Stowe in this process was uniquely observed. The subsequent vote of confidence was reviewed. The strategic and tactical awareness of Steel was assessed within the context of the revelations discussed in Chapter 4, and it was concluded that, in parallel with the lack of preparation for inter-party discussions noted in Chapter 1, Steel failed to fully exploit intra and inter-party knowledge of the Labour party position on voting reform *vis-à-vis* the European elections.

Chapter 6 reviewed the origins, structure and implementation of the consultative mechanism. Particular reference was made to the significance Steel placed on 'consultation' above policy influence. The role of Kenneth Stowe in outlining a template prioritising government policy implementation above Liberal party influence was also observed. It was concluded that institutional

and structural issues were important limiting factor on Liberal policy influence. However, these limitations were exacerbated by structural weakness inherent in the consultation mechanism and the Lib-Lab Joint Agreement; financial and personal and attitudinal problems were noted. The role of the civil service and particularly Kenneth Stowe in constructing and implementing the Pact was noted, as were institutional difficulties related to Whitehall's response to the Pact.

Chapter 6 concluded with a case study analysis of Liberal policy influence on the 1977 Budget. It was observed that although this period saw significant policy influence, the instability affected subsequent intra and inter-party relations.

Chapter 7 examined the reaction to the Pact, first from within the Labour party and subsequently the Liberal party. The observation was made that discontent in Labour predominantly emanated from the Left-wing of the Parliamentary Labour party. While the clandestine actions by Benn against the Pact had the potential of resulting in his removal from the Cabinet, his contrition meant dissent was short lived, and the Pact was seen to be of little long term significance in the broader internecine conflict which characterised the Labour Party in the late 1970s.

This was contrasted with the Liberal party where dissent was largely grassroots-orientated, and increased as the Pact progressed, a process reviewed in more detail in Chapters 8-11. The significance of poor electoral performance, and specifically the Local Election results in May 1977, was noted marking a discernible shift in Liberal Party opinion, from ambivalence to a more antagonistic attitude towards the Pact. As such, it was observed that this period saw the first example of Liberal Party organs attempting to influence policy priorities; and the inter-party negotiations on renewal of the Pact were also observed.

Chapters 8 and 9 set to one side a largely 'contented' Labour party and focused on the increasingly fractious Liberal intra-party conflict over policy influence and the renewal process. The chronology of

the renewal process was reviewed, focusing on inter-party discussions on voting intentions on the Direct Election (European Parliament) Bill.

Chapter 9 reviewed the renewal of the Pact, noting the significance of the concession achieved by Steel that the Labour party would commend a proportional voting system when legislating for the Direct Election to the European parliament. Parallels were observed between the renewal process and the original agreement, namely, Steel's decision to conduct the leader-focused discussions, his emphasis on 'shared objectives' rather than policy influence, and finally, again presenting his colleagues with a *fait accompli*. The influence of Kenneth Stowe in the renewal process was noted for the first time.

Chapter 10 focused on the increased discontent within the Liberal party, specifically with a review of the resolutions tabled by Christopher Mayhew, first at the Liberal Party Assembly in Brighton, and then at the Liberal Council held at Derby. The hitherto misrepresented motives of Christopher Mayhew were reassessed, with the observation made that the nuanced position of Mayhew proved to be more accurate than Steel's assumptions, but was rejected by a Liberal leader intent on maintaining a collegiate approach rather than initiating specific breaking points.

In Chapter 10 and 11 we returned to the issue of the consultative process and Liberal policy influence first raised in chapter 6. Two further case studies were reviewed as part of the chronological assessment of the Pact. In Chapter 10, the Queen's Speech 1977 was assessed and in Chapter 11 the 1978 Budget. Again, the Liberal negotiating strategy and policy influence was assessed. In the first case and the priorities of David Steel for a collegiate cross-party understanding and his personal desire for legislation on Profit-Sharing were seen as significant. With regard to the 1978 Budget, a review of the more abrasive negotiating strategy of John Pardoe gave a different perspective to the inter-party discussions and policy fulfilment.

Chapter 11 also reviewed what was in many ways, the seminal moment of the Pact, the parliamentary vote on the electoral system to be employed in the European elections. The extent of dissent within the parliamentary Liberal party was noted, and the mandate Steel held was viewed to be critical to both the maintenance of the Pact and to his position as leader, this was especially true with regard to the loyalty shown by Pardoe, of whom it is concluded, had he chosen to act as a fulcrum for anti-Pact sentiment, could have destroyed the Agreement and compelled Steel to resign the leadership of the Liberal party. The fact that Callaghan offered Steel a place in government, should events conspire against the Liberal leader, noted in (Steel, 1989) was confirmed. The Liberal Special Assembly was reviewed and its significant in influencing subsequent Liberal and Liberal Democrat policy and strategy was noted. Finally, the period which saw the demise of the Pact was assessed, through to its eventual conclusion in August 1978.

Final thoughts

It is all too easy to be dismissive of the significance of the Lib-Lab Pact. It was a political anomaly. It was not the culmination of a broader shift to cross-party co-operation, indeed, it sat in juxtaposition to a period of increasing political polarisation, and neither did it act as a corollary to the subsequent centrist alliance between the SDP and the Liberal party.

However, this thesis has outlined how and why the Lib-Lab Pact was and remains an important example of cross-party co-operation in practice. It was observed in Chapter 1 of this thesis that even in a British political and party system, which was considered a stable two-party system, change can be rapid and unexpected. The advent of the Lib-Lab Pact highlighted the need for minor parties, but also governing parties and the civil service, to prepare and plan for political change. It was observed in Chapter 1 that the Liberal party might have, or perhaps should have formulated a strategic approach for co-operation or coalition. This might have been built around the experiences of 1964-5 and 1974. Furthermore, it has been argued that there were in fact indicators in 1976-77, such as the loss of the government's overall majority or the loss of the guillotine motion on devolution, which should have informed the thinking of the Liberal leadership that a strategy for how a cross-party agreement might operate might be required before the next General Election.

Without such planning, the Liberal party was at a material disadvantage in the negotiating process with Labour, which ensued on 20 March 1977. This affected the Liberal party in a number of ways. Most significant was the development of a leader-centric negotiation process. While it has been noted this converged with Steel's own desire to control the negotiation process, it also meant there was no mechanism whereby Steel could explain to the wider party his strategy and tactics. This in turn, as has been noted throughout this thesis, led to discontent between the leader and the other strands of the federal party.

A further problem which emanated from the lack of planning and communication was a further disconnect between Steel and the wider party as to the primary purpose of the Pact. Steel envisaged this was the fulfilment of a 'co-operation strategy' sections of the wider party emphasised policy fulfilment. Steel argued at Brighton in September 1977 and at Blackpool in January 1978, when addressing the Liberal Assembly, that he had made his position clear, most notably in Llandudno in September 1976. However, this thesis has noted that there remained a clear intra-party division on this issue.

The question of policy fulfilment was in part reviewed in the case studies undertaken on the Queen's Speech as well as the Budgets of 1977 and 1978, however, perhaps the key finding of this thesis, is that for key policy objectives to be achieved they need to be established and agreed upon by all sections of the party before negotiations commence, a negotiating strategy then needs to be agreed upon, with the aim of achieving those aims. In the case of the Lib-Lab Pact, the key policy objective of the Liberal party was the introduction of a proportional voting system for the European elections, preferably Single Transferable Vote. It has been observed that as a consequence of Steel's emphasis on a co-operation strategy and partly because of his decision to conduct leader-centric discussions, he did not achieve this objective. As noted in Chapter 5, a number of observers have concluded that Steel could have achieved this objective. More pertinently, documents held in the National Archive seem to corroborate this conclusion. This thesis therefore has established that Steel's desire for 'consultation' and the grassroots emphasis on policy fulfilment were not mutually exclusive in 1977.

Chapter 1 noted that the Pact was borne out of necessity, unlike the wartime coalitions or the National Government in 1931, which were formed out of impending political or economic disaster; it was purely a political creation. Its key trait was that of political pragmatism. James Callaghan intent on driving through his economic reforms and resolute that he should not to be considered a mere addendum to the post-war consensus his elevation to Prime Minister was crucial to the Labour party's decision to form a pact, Wilson almost certainly would not or could not have done so.

Callaghan led a moribund Labour party, compelled by parliamentary arithmetic, ineffective party management, and an impending vote of confidence he instigated cross-party negotiations, not from any desire for cross-party co-operation but solely in the attempt to secure a parliamentary majority, ideally with the Ulster Unionists, on an issue by issue basis, and only after this was deemed to be impractical to sustain the longevity of the government, with the Liberal party.

For the Labour party, the Pact was always regarded as no more than a temporary expedient, to be dispensed with as soon as circumstances allowed. Their assumption was that after a future election the traditional two-party system would be restored. While the Pact gave new vigour to an otherwise enfeebled Labour government, providing stability, certainty, and time for economic recovery. However, from a broader political perspective, these claims must be set against the fact that each of these might equally have been achieved with a General Election, and the formation of a majority Conservative government. Even for those who formed and sustained it, James Callaghan and Michael Foot, it merely reaffirmed their disdain of coalition government. As noted in Chapter 7, for the wider Labour movement the Pact was of little significance, it did nothing to marginalise the Left-wing of the Labour party, only forestalling their infiltration of the party until after the 1979 General Election.

Equally, the Pact did not precipitate any move by the social democrats within the Labour party, Shirley Williams; William Rodgers and David Owen, to leave the Labour party and form the SDP, these were wholly separate and unrelated events. The significance of the interactions which took place during the Pact only became significant later with the formation of the SDP-Liberal Alliance and even then only as an exemplar of cross-party cooperation in action.

The Conservative party had denounced the Pact as 'devious and shabby' (Cook, 1997:164). It only confirmed Margaret Thatcher's mind her dislike of coalition politics. In the event the Pact only forestalled the election of a Conservative government, and in retrospect Thatcher viewed the imposition of the Lib-Lab Pact as politically advantageous, hardening her resolve and intensifying her

desire to instigate radical political and economic change (Thatcher, 1995:327).

For all its defects, when assessed against its limited remit, the Pact did fulfil many of the primary objectives of its key protagonists. It was essentially an agreement between two men, Callaghan and Steel. For Callaghan, the stability it engendered gave time for his government's economic policies to bear fruit, and enabled the full implementation of its legislative programme for 1977-8 without its being compelled to jettison any measure it would otherwise have been able to enact. This in turn led to improvements in Callaghan's own standing as a respected and admired Prime Minister - the old naval man was seen to be guiding the ship of State with a sure hand on the tiller. By 1978 his personal rating, and the ratings of his Party, had recovered to such an extent that he was in the hitherto unimagined position to be able to call a General Election at the time of his choosing, with the prospect that he might secure an overall majority.

The Callaghan administration will forever be characterised in the popular consciousness with the political unrest of late 1978 and early 1979, and by extension the Lib-Lab Pact has been condemned as merely forestalling political change and the election of a Conservative party led by Margaret Thatcher, but the Pact should not be disparaged for events which occurred after its conclusion. Moreover, these events were no more inevitable in 1978 than the Pact itself in early 1977.

At the conclusion of the Pact, in August 1978, Steel could look back on events with broad satisfaction. He had achieved almost all of his personal objectives, within the confines of a parliamentary agreement. It enabled him, sooner than he ever could have imagined, to put his ideas of co-operation into practice. It educated his party of the realities of coalition government, and the difficulties of decision-making in office. It gave unprecedented exposure to himself and the Liberal party, at a time when they were considered little more than an afterthought in British political life and Thorpe scandal threatened to engulf them. Instead, media focus shifted, for the first time in a generation, to serious discussion on and exposure of Liberal political ideas and principles. While not

every aspect of this process had been successful, he regretted the intra-party dispute. Nevertheless, at the termination of the Pact, Steel could look expectantly towards a period of differentiation and a General Election; hopefully in autumn 1978. At that time he envisaged he could make a real case for co-operation leading a powerful 'Liberal wedge' in a 'balance parliament'.

Steel had regrets, the miscalculation over the voting intentions of the Conservative MPs in the vote on PR for the European Elections being chief among them. Similarly, he acknowledged that he had underestimated both the level of internal dissent to his actions, and the effect the Pact strategy would have on the Liberals' standing in the opinion polls, although attributing blame for this on the Labour Party was misplaced.

Steel's disdain for the tribalism and ideology, which he saw in the extremes of the Labour and Conservative parties, meant he often misunderstood the desire of those in his own party to see the implementation of 'Liberal' policies. This was most evident, but not exclusively seen, with regard to the failure to secure a proportional voting system for the European elections.

Look at the Pact from Steel's perspective it is important to note that he viewing the Pact not as an end in itself, but as a conduit for future realignment. This was based on the assumption that the 1980s would bring multi-party politics and consequently cross-party cooperation would return. It is in this context, that his actions should be judged.

However, it is the contention of this thesis that Steel's strategy was ultimately flawed. It was depend on other often more partisan politician, both in his own party and others, to subscribing to his political philosophy. Steel singularly failed to achieve this aim via the Pact. His own party had enacted procedures to preclude a repeat of the Callaghan-Steel negotiation process. Meanwhile Callaghan's decision not to call a General Election in October 1978 was in part based on his desire not to revisit the very cross-party alliance Steel sought. Steel would have done well to remember that the pragmatism Callaghan exhibited in 1978 to avoid an election was borne out of the same

desire to maintain a Labour government which forming the Pact in March 1977. It is ironic perhaps that if pragmatism formed the Lib-Lab Pact it also precluded from having a more substantive political legacy.

Appendix 1

Liberal Party Communiqué, 22 March 1977

Dear Prime Minister,

My colleagues have unanimously asked me to state that the Liberal party will be prepared to consider sustaining the government in its pursuit of national recovery on the following basis:

- 1) There would be set up a Consultative Committee between the two parties, possibly under the chairmanship of the Leader of the House. Other membership to be discussed. To meet as required, but at least once a fortnight during sitting of the House. In addition to informal contacts of the kind already established between ministers and appropriate Liberal spokesmen, these would attend this committee as and when the agenda so required. Any major departmental Bill, White Paper or policy statement under preparation could be referred for discussion to the Committee by either Minister or Liberal spokesman. The Liberal may also introduce policy proposals. This arrangement to last until the end of the present parliamentary session, when both parties will consider whether the experiment has been sufficiently fruitful to continue, in which case the proposals for the Queen's Speech in the next session would be considered by the Committee.
- 2) There will be an immediate meeting between the Chancellor and the Liberal economic spokesman before making this agreement to confirm that there is sufficient identity of view on an economic strategy based on the reduction of process and income increases and reduction in the burden of taxation on personal income.
- 3) The government will undertake the introduction and commend to the House a Bill for Direct Elections to the European Parliament based on a proportional system.
- 4) Progress will resume with legislation for devolution, taking account of Liberal proposals already submitted. In any future debate on proportional representation for the devolved assemblies, no government whip will be applied against it in either House.
- 5) The government will not proceed with the Local government Direct Labour Bill announced in the Queen's Speech, nor with 'proposals to ensure that banking and insurance make a better contribution to the national economy' foreshadowed in the manifesto. NO measures of nationalisation will be introduced.
- 6) The terms of agreement between us to be published as a formal exchange of letters.

Yours,

David Steel

Appendix 2

List of meeting of the Lib-Lab Consultative Committee

Date	Liberal attendants	Labour attendants	Civil Service attendants	Many Topics discussed
30 March 1977	Pardoe, Beith, Hooson	Foot, Cocks, Rees	Warren	Consultative Committee structure, legislative programme ¹
7 April 1977	Pardoe, Beith, Wainwright	Foot, Cock, Varley, (S of S DTI) Kaufman (Minister DTI)	Warren, R Williams (Dept of Industry)	Post Office Bill ²
20 April 1977	Pardoe, Beith, Wainwright, Smith, Hooson	Foot, Rees, Cocks, Varley Kaufman,	Warren, R. Williams	Post Office Bill ³
25 May 1977	Pardoe, Beith, Hooson	Foot, Cocks, J. Smith	Warren	English devolution, British Leyland, Defence spending, S. Ross Homeless PM Bill ⁴
15 June 1977	Pardoe, Beith, Thorpe	Foot, Rees, Cocks	Warren	Direct Elections Bill ⁵
18 October 1977	Pardoe, Beith, Hooson	Foot, Rees, Cocks	Warren, J. Stevens, C. Morrison	Queen's Speech ⁶
26 October 1977	Pardoe, Beith, Hooson	Foot, Rees, Cocks, S. Williams	Warren, J Stevens, C. Morrison	Education, Queen's Speech ⁷

¹ Steel, D. (1980) *A House Divided: The Lib-Lab Pact and the future of British politics* (Appendix 1)

² NA PREM 16/1400 minutes Consultative Committee 7 April 1977

³ NA PREM 16/1400 minutes Consultative Committee 20 April 1977

⁴ NA PREM 16/1400 minutes Consultative Committee 25 May 1977

⁵ NA PREM 16/1400 minutes Consultative Committee 15 June 1977

⁶ Steel, D. (1980) *A House Divided: The Lib-Lab Pact and the future of British politics* (Appendix 6)

Date	Liberal attendants	Labour attendants	Civil Service attendants	Many Topics discussed
7 December 1977	Pardoe, Beith, Hooson	Foot, Rees, Cocks	Warren, C. Morrison	Direct Elections Bill, Fire fighters strike, Pay Policy ⁸
18 January 1978	Pardoe, Beith, Hooson, Howells	Foot, Rees, Cocks, J. Silkin, J. Barnett	Warren, J. Stevens, C. Morrison	Green Pound ⁹
19 January 1978	Pardoe, Beith, Howells	Foot, Rees, Cocks, J. Silkin,	Warren, J. Stevens, C. Morrison	Green Pound ¹⁰
26 January 1978	Pardoe, Beith, Sears	Foot, Cocks, Booth	Warren, C. Morrison	Defence, Employment ¹¹
14 February 1978	Pardoe, Beith, Howells, Penhaligon	Foot, Rees, Cocks	Warren	Electricity Bill ¹²
20 February 1978	Pardoe, Beith, Howells,	Foot, Rees, Cocks	Warren	Electricity Bill ¹³
22 February 1978	Pardoe, Beith, Howells, Penhaligon	Foot, Rees, Cocks	Warren	Electricity Bill ¹⁴

Note

No further meetings of the Consultative Committee are recorded in the literature, although it was not officially disbanded until August 1978

⁷ Steel, D. (1980) *A House Divided: The Lib-Lab Pact and the future of British politics* (Appendix 6)

⁸ NA PREM 16/1400 minutes Consultative Committee 7 December 1977

⁹ Steel, D. (1980) *A House Divided: The Lib-Lab Pact and the future of British politics* (Appendix

¹⁰ Steel, D. (1980) *A House Divided: The Lib-Lab Pact and the future of British politics* (Appendix

¹¹ NA PREM 16/1294 minutes Consultative Committee 26 January 1978

¹² Steel, D. (1980) *A House Divided: The Lib-Lab Pact and the future of British politics* p.126

¹³ Steel, D. (1980) *A House Divided: The Lib-Lab Pact and the future of British politics* p.127

¹⁴ Steel, D. (1980) *A House Divided: The Lib-Lab Pact and the future of British politics* p.126

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