


Stand by to Repel Coalition - Press-gangs

Summary



Sterling is more vulnerable than ever, and the possibility of a serious run on the pound caused by Healey's electioneering economics cannot be ruled out. If such a run occurred, Callaghan would be tempted to exploit it by trying to dragoon the Conservatives into a coalition - this would kill two birds with one stone. First, he would create a counterweight to the Labour Left, thereby giving himself unprecedented freedom of manoeuvre. Secondly, he would seriously weaken and possibly split the Conservative Party, undermining Margaret Thatcher's position in either case.

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It is therefore imperative that the party leadership be prepared in advance for this eventuality. This entails producing contingency plans. The best counter-blow could be struck in advance by issuing proleptic counter-proposals for a common programme of national recovery which would appera reasonable to the public in general and Conservative supporters in particular, while being totally unacceptable to Labour's Left.

This common programme would have to be strong on measures which enjoy popular (some would say populist) support, not least among Labour voters, but which are anathema to the Labour Left.

It would include economy measures such as tightening
① up on social security payments, particularly to young
people and students, a cut in university intake,^② action
③ regarding social-security payments to strikers, repatriation
? of foreign workers in unskilled or semi-skilled jobs;
redundancy dismissals in Labour's reservations (Shipbuilding,
steel, rail) closure of the Arts Council and other such
excrescences, particularly those with archetypally far-
out Bohemian staffs, a moratorium on index-linking to
pay the pensions in what is anachronistically called the
public service,

The programme would entail certain marginal restrictions on trade union behaviour in restraint of production. It would also call for some de-politicisation of trade unions. With the Tory's national programme unacceptable to his parliamentary part, Mr. Callaghan would then face a worsened run on the pound - since talk of coalition warns sterling-holders of its seriousness - and no chance of a coalition containing all or most of his own MP's and any more than a handful of Tory defectors. By this time, an election would have been made even more potentially catastrophic for the pound and his party. His only alternative to total collapse would be a coalition of part of his PLP together with a Conservative Party united under Mrs. Thatcher as ever before - holding the whip hand and a doctor's mandate.

The vulnerable volatile Pound

As Jock Bruce-Gardyne's paper *shows, the Pound is more vulnerable and volatile than ever. The North Sea bubble has been pricked and prospects of continued fall in world oil prices - further reduces the value of the NSO crutch from week to week.

*(Appendix A)

IMF support has become a double-edged weapon. Any serious deviation from previous undertakings or from their spirit brings rebukes from the IMF staff - which does not share Schmidt's commitment to British Labour's survival, insofar as Schmidt's good will survives Callaghan's importunity.

Rumblings in the IMF in turn stampede foreign sterling holders. The money supply is already rising faster than it should and seems set to continue doing so, as Healey tries to appease the TUC. (Money supply increase has a greater inflationary effect than is fully appreciated, since it relates only to the private-sector GDP and not the whole GDP - for reasons I can elaborate if required.)

Mr. Healey is in a cleft stick. If he continues his present sectoral policies, including massive make-work, without increasing the money supply faster than IMF guidelines would permit, he strangles the private sector and causes massive increases in unemployment.

If he cuts his massive doles to the public sector and
make-work, he has the TUC and Labour left up in arms.
If he prints more money to satisfy everyone, he alerts
the IMF and Sterling-holders, prices rise, imports are
sucked in. In short, he is between the devil and the
T.U.C. The sudden drop in the pound which followed his
budget and hints of a July budget is an indication of what
could happen if his electioneering enthusiasms got out of
hand.

Between the devil and the T.U.C.

When the Run Comes

A run on the pound can be like nuclear fission: once it passes a critical point it becomes self-perpetuating. Every previous decline, every previous false hope of stabilisation - IMF, NSO, "steady-as-she-goes Jim at the tiller" - discounts the value of successive promises to go straight.

Once the run begins, the very efforts made to cope with it can set off further runs. This holds good for political steps too. Having put off elections till now, Callaghan would be advised against calling an election when the pound was under pressure, not simply from fear that it might go through the floor during three or four weeks of hard-hitting electioneering by the Tories, but because he feared a Tory landslide. He does not wish to go down to history as the man who put both the pound and the PLP through the floor simultaneously.

He would therefore seek to stampede the Conservatives into a coalition. This would give him a new lease of life, keep his left in check, put the Conservative party at sixes and sevens and improve his electoral chances.

(It should not be forgotten that the Labour Left have, for the most part, become professional politicians. Those with safe seats would eat fire all the way. The many in marginal seats would be prepared to swallow quite a lot to avoid having to go back to earning their living, be it in pit or polytechnic. The idea of a government of national unity would be enough to salve quite a few consciences, provided the programme itself did not stick in their throat. It would be our job to ensure that the programme did so.)

The pressure on the Conservative leadership to join such a national unity government would be very great, much greater than some people at the centre of politics realise. For our grass-roots Tories are not for the most part political animals. For them, party is at best a necessary evil. For them, the Conservative Party means the picture of Her Majesty on the wall, making sure that a gentleman is returned as MP, social meetings to offset the feeling of isolation in a long-haired world.

For many Conservatives, the prestige of the party leadership has declined since Churchill's days, and it would take a successful period in office under Margaret Thatcher to restore it.

The idea of national unity in face of external danger - the world position of sterling can easily be presented in this light - would appeal to many. They have been persuaded in many cases that the party system has degenerated into party bickering, that the best men in all parties together with a few non-nonsense businessmen and the more decent union chaps might do more good.

It should be noted that a good deal of the propaganda in favour of proportional representation emanating from inside or close to the Conservative Party in fact goes much further than negating the present electoral system. It implicitly condemns and rules out the traditional government-opposition system together with many staples of the Conservative approach into the bargain.

A substantial part of the Conservative PR Lobby would support the coalition idea. So would the inveterate anti-Margareteers, and those who hanker after a party of the centre. Media pressures on the Conservative Party to accede would be strong, in part from genuine belief in Centrism, etc., in part from the consideration that it would undermine Margaret Thatcher's leadership.

The pro-coalition Tories would be able to claim patriotism, pragmatism, new line-up of "moderates", "unideological men of good will against both extremes," "ahr national interest," etc. This would produce powerful pressures. Yet for the Party to join such a coalition would be fatal. Callaghan with patronage and political initiatives in his hands would become de facto leader of both parties, able to play off individuals and factions inside the Conservative Party against one another.

To produce a powerful enough entrenched position from which to foil Callaghan's coalition bid, and not only to foil it but turn it back against him, the Party leadership must strike first, fight coalition gambit with coalition gambit.

We must be in a position, when the run starts and Callaghan appeals for Dunkirk coalition spirit, to say, in effect, "yes, of course, we have been of this opinion for some time - it is all laid down in our proposed common programme for national recovery.

This programme is the programme behind which our party is united and which all men of good will can accept."

(Appendix B)

But this would be unacceptable to the Labour Left. Hence, Mr. Callaghan would be in a position where he could neither advance nor retreat.

He would not be able to call an election, the pound having slid more and his prestige with it, while he tried the coalition-game, while the Conservative Party stood united on a recovery platform. He would not be able to go on governing as total confidence crumbled. He would have seriously to face the prospect of a coalition without his leftwingers, in which Tories outnumbered Labour, with all the consequences and implications.

He might then either continue as Premier, with the real power in the hands of his Conservative deputy (with the block vote), or recommend the sovereign to call on Margaret Thatcher, while promising to provide her some form of working majority for a given period to halt the run and stabilise things sufficiently to make an election possible (if necessary extending beyond Oct. 1979). This should be long enough.

Some Labour men would join just to ditch the Labour Left, whom they personally dislike. Some, whose age leaves them only one or two parliaments before retiring, would happily support a "coupon-coalition"; a few might even do so to save the country.

The Socialists are still haunted by the Macdonald episode, No one wants to go down in history as a Macdonald. Yet with their deep strain of massochism and pessimism, many cannot escape the feeling that history is bound to repeat itself and they cannot avoid acting it out again.