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AND WHERE NEXT?

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## About the author

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# The Liberal Democrat journey to a Lib–Con coalition – and where next?

Liberal Democrats and Conservatives sharing power in a coalition at Westminster is not something that many ever expected to see. In so far as people have ever talked about it being possible, it has usually been a jibe from Labour politicians who believe that their party has a monopoly on progressivism, despite there being vibrant radical (sometimes Liberal) traditions well beyond their own party. That it has happened has been extremely hard for some Liberal Democrats and Conservatives to come to terms with. Even though all political parties are broad churches, and in many senses contain paradoxical coalitions, there is much about the Lib–Con coalition which strains credulity. It upsets what Charles Kennedy has called the ‘political compass’.<sup>1</sup>

Much of the defence for the coalition has focused on the idea that there was ‘no alternative’. That argument is applied both to the parliamentary mathematics which brought about a Lib–Con coalition, and to the budget. Liberal Democrats in the coalition cite ‘unequivocal advice from top government economic officials and the Bank of England’.<sup>2</sup> But they were not the only credible people with opinions. Plenty of economists have blown the ‘no alternative’ argument out of the water demonstrating that many different options were available. One of those is Joseph Stiglitz, Nobel Prize winner, former World Bank chief economist, and one of the few to predict the global financial crisis.<sup>3</sup>

On there being no alternative to the coalition, there has been relatively little investigation of whether the deal has any ideological basis, other than some quite limited comments, partly from Labour leadership contenders, but also one short piece by me on the Guardian’s ‘Comment is Free’ site and another article in *Prospect* which partly tackled the issue.<sup>4</sup> Yet if we are to understand the coalition (and the budget) the ideology underpin-

ning both needs to be understood. Doing so begins with a story about how it is possible that a party which has often over the past decade been seen as ‘left of Labour’ on civil liberties, democratic reform, taxation and public services is engaged quite so enthusiastically in reducing the size of the state.

## Liberal traditions

While for many Liberal Democrats the coalition is explained by practical circumstances, its ideological basis can be found in the dominance of centre-right small state liberalism in the leadership of the Liberal Democrats. This is not a strand of thought that is alien to the party, and for much of Liberal/Liberal Democrat history it has been able to co-exist happily with more mainstream centre-left social liberalism. Indeed, had the option of a coalition with the Conservatives not been on offer, it probably would have continued to do so relatively unnoticed.

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The story of co-existence does not have a recent beginning. There has been an on-running debate within Liberal politics on the role of the state for well over a century. Very simplistically, it goes back to debates which emerged in the 1880s. Liberals had traditionally focused on securing political freedoms but it became increasingly apparent that the lives of most people were blighted primarily by the absence of clear water, work, education, healthcare and, basically, money. Of course, there was a strong tradition going back centuries of these deprivations being tackled by some form of collective action, often church-inspired organisations. There was also scope for local government to act on these issues and Joseph Chamberlain as Liberal mayor in Birmingham was one of those who led the way.

1 Charles Kennedy, ‘Why I couldn’t support Clegg’s deal with the Tories’, *Observer*, 16 May 2010, [www.guardian.co.uk/politics/2010/may/16/charles-kennedy-coalition-views](http://www.guardian.co.uk/politics/2010/may/16/charles-kennedy-coalition-views) (accessed 28 June 2010).

2 Vince Cable, ‘Budget 2010: united in austerity’, *Guardian*, 22 June 2010, [www.guardian.co.uk/commentisfree/2010/jun/22/budget-taxandspending](http://www.guardian.co.uk/commentisfree/2010/jun/22/budget-taxandspending) (accessed 28 June 2010).

3 Joseph Stiglitz, ‘Osborne’s first budget? It’s wrong, wrong, wrong!’, *Independent*, 27 June 2010, [www.independent.co.uk/news/uk/politics/osbornes-first-budget-its-wrong-wrong-wrong-2011501.html](http://www.independent.co.uk/news/uk/politics/osbornes-first-budget-its-wrong-wrong-wrong-2011501.html) (accessed 28 June 2010).

4 James Crabtree, ‘Who are the Liberal Democrats?’, *Prospect*, July 2010, pp. 31–5.

But many Liberals did not see local action as enough and wanted the central state to be more active in the field of social reform. This came to fruition in the ‘Unauthorised Programme’ of 1885, which advocated policies such as a graduated income tax and free public education.

The programme was ‘unauthorised’ partly because the party leader, Gladstone, did not support it. He was a small stater, the kind of liberal that was ‘meant by describing Margaret Thatcher as a nineteenth-century liberal. Despite Gladstone’s lack of support, the programme helped create much enthusiasm for the Liberal Party and was a factor in their electoral victory in 1885. Anybody looking at the strength of support for the radical agenda within the Liberal Party in the mid-1880s would have expected Gladstone to come under serious pressure to go in a more radical direction. But that was all undermined by

individuals greater freedom. From that view sprang the foundations of the twentieth-century welfare state, laid by the Liberals from 1906 and then built on by Labour after 1945, which in itself drew heavily on the thinking of Liberals such as Keynes and Beveridge. However, there remained a significant element within the Liberal Party which was more Gladstonian than the bulk of the ‘New’ Liberals.

During the inter-war years, the Liberal Party remained at the forefront of developing ideas on the state, most notably through Lloyd George’s ‘Yellow Book’, which put forward the type of Keynesian policies which would not be tried in the UK until after 1945. Ironically, the implementation of these policies saw some in the Liberal Party (such as it was) flirt with small state thinking and cooperation with the Conservatives in the late 1940s and 1950s. Under Jo Grimond’s leadership (1956–67) the party was an overtly centre-left party, and Grimond conceived of individual freedom being best secured and protected in a social context. But the party became rather more anti-state than it had been in the inter-war years. Grimond himself believed that the state had become over-mighty and wanted to see more involvement of civil society in, for example, the provision of welfare. Despite that, Grimond still wanted to see a ‘realignment of the left’, which gave a clear sign of where he saw his party on the spectrum when it came to issues such as poverty and redistribution.

It was towards the end of Grimond’s leadership that the importance of localism grew in Liberal politics. At this time, many Liberals, especially those in the Young Liberals, were on the radical fringe of British politics, among them Peter Hain, who had a pre-Labour radical life as a Liberal. Terms such as ‘Red Guard’ used to describe the Young Liberals at the time point to this being the radical left rather than the radical right, and the Young Liberals were often enthusiastic about direct action. Into this context came community politics. Part of that was just about how to campaign, but it also involved empowering people collectively at a local level. As Liberals were elected to councils in increasing numbers, they came to see local government as having a crucial role in bringing public services closer to people and in providing more accountability, even though policy was not often very detailed.

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the split over Irish Home Rule, which saw the leader of radicalism, Joseph Chamberlain, form the ‘Liberal Unionist’ party and collaborate with the Conservatives eventually on all issues, not just the Irish Question. That set back the advance of radicalism within the party, even though Chamberlain managed to secure some key radical demands (such as the establishment of county councils, a marked expansion of the state) from the Conservatives – demands which Gladstone had not been willing to grant.

Yet out of this split emerged a vibrant New Liberalism, despite the loss of its most obvious leader. During the 1890s and early 1900s, thinkers such as L.T. Hobhouse and J.A. Hobson, drawing on the earlier work of others such as T.H. Green, set out the intellectual agenda which would inspire much of the work of the Liberal Party in government from 1906 onwards. At the core of their approach was a belief that the state (the central state in many cases) should tackle inequality in order to give

## New New Liberalism

Up to this point, at least since Liberals had been in government, there was a fairly simple pattern of the party wanting more state action when the Conservatives were in power, and less with Labour in government. Thus it was that in the 1980s and 1990s, the Liberals (and the SDP) and then the Liberal Democrats fell firmly in the pro-state camp, vigorously opposing much of the direction of the Thatcher and Major governments. In general, the party did not want cuts and privatisations. In the early 1990s, it did position itself as being more pro-market in arguing that where there had been privatisations, competition should be rigorously enforced so that a state monopoly was not replaced with a private monopoly, and later briefly proposed privatising the railways. This arose from a concern held by Paddy Ashdown that, on the economy, the Liberal Democrats were not enthusiastic enough about markets. He says in his memoirs that he wanted to take the party 'towards a more free-market economic position'.<sup>5</sup> However, the party's general centre-left positioning was clear, not least because it was leading the case for greater investment in public services, specifically with its policy of adding an additional 1p to the basic rate of income tax to fund education. It was therefore no surprise that Ashdown sought to ally with Blair and Labour from 1994. Ashdown was no different from previous Liberal leaders in wanting a realignment of the left.

One initial effect of the Blair–Ashdown Project was some blurring (at least in the minds of commentators) about the identity of the Liberal Democrats. With a Labour government pursuing increased investment in public services and significant constitutional reforms (both of which had been at the core of the 1997 Lib Dem manifesto), many asked what was the point of the Liberal Democrats? The party was helped because, in reality, Blair was pursuing little that was Liberal Democrat policy, and it soon became clear that he was not somebody who would instinctively give power away. When he refused to implement electoral reform the Project was over and at least the constitutional reform agenda was again a way for the Liberal Democrats to take a distinctive position. Of course, even before that, there had been opposition to collaboration within

Labour ranks from tribalists like John Prescott and Gordon Brown. As Gordon Brown resigned as prime minister so he would no longer stand in the way of a Lib–Lab deal, one wonders if he had any recognition that all could have been very different if he had not been such a barrier to the collaboration that Blair and Ashdown wanted to pursue.

Developing the party's identity was a major task in the early days of Charles Kennedy's term as party leader. Those involved in policy development and the overall messaging of the party (of whom I was one as the party's Director of Policy in 1999–2004) took the question of identity and basic principles very seriously. We developed what I have always seen as a modern restatement of the social liberalism (called New Liberalism in its day) espoused by Hobhouse: social liberalism, overtly greened and decentralised to meet the challenges of the twenty-first century. It could be said that we were adopting a New New Liberalism. This was based on the principle of individual 'freedom', which had three dimensions: decentralised decision-making, the importance of greater equality, and the belief that future freedoms depended on building sustainability into everything that we do. That approach was first set out in the party's 2000 pre-manifesto *Freedom in a Liberal Society*. It was probably the second point that was most important in the early 2000s because it was crucial to the party's positioning with regard to Labour. On the one hand, it helped Liberal Democrats be clear that their commitment to social justice had a different purpose from Labour's collectivist instincts. Just as importantly, it allowed the party to tackle Labour on social justice issues where we felt it was being too timid. If that appeared to be 'left of Labour' (as commentators often said) we could be clear that our view was entirely consistent with Liberal traditions. Hobhouse was cited in aid of this cause, especially phrases such as 'the struggle for liberty is... a struggle for equality'.<sup>6</sup>

Underpinning this view was a strong commitment to state action, albeit a radically different state from Labour's, and one that has consistently stressed the dangers of a coercive state in ways that social democrats do not.<sup>7</sup> Consequently, in recent years, expansions of state power on matters such as detention of suspects have been vigorously opposed. Liberal Democrats do not have

5 Paddy Ashdown, *A Fortunate Life: The Autobiography of Paddy Ashdown* (London: Aurum, 2009), p. 238.

6 L.T. Hobhouse, *Liberalism* (New York: Galaxy Press, 1964 [1911]), p. 21.

7 Richard S. Grayson, 'Social democracy or social liberalism? Ideological sources of Liberal Democrat policy', *Political Quarterly*, 78, 1, Jan–Mar 2007, pp. 28–35.

the same view of the state as the Labour Party. That said, social liberals have consistently had much more in common with social democrats than they do with Conservatives because the social liberal response to state dangers is to decentralise and control state power (through strong rights legislation) rather than to reduce the state's role overall.

**'The Orange Book represented a challenge to the way Liberal Democrats approached the state's role in public services, arguing for more market-based policies'**

In policy terms, our approach over the past decade has included some very strong denunciations of aspects of public services policy, especially target-setting and interfering with the judgment of frontline staff. In 2002, our conference agreed proposals from a policy working group (more often than not described as the 'Huhne Commission' because Chris Huhne chaired it) which advocated radical decentralisation and democratisation of public services. That group also envisaged allowing new providers into the state system, but it was never as far-reaching as the Conservatives' version of academies. What has been interesting about that debate in the party until recently is that it has sometimes been framed as opening up common ground with New Labour. Back in 1998 there was a debate at party conference on neighbourhood school trusts (NSTs) which saw the leadership pushing a proposal for something like Labour's academy model. Yet policy-making in the Liberal Democrats was and still is extremely democratic with party conference (comprised largely of representatives elected by local parties) being sovereign. If it wants to defeat the leadership it can and NSTs were strongly rejected. In years to come, the party opposed Labour's academies because they took power away from local authorities.

### The Orange Book

It was into this mix of policy that the *The Orange Book: Reclaiming Liberalism* (London: Profile Books, 2004) was thrown at party conference in

September 2004. A lot of simplistic comments have been made about *The Orange Book*. In particular, it has been said repeatedly that the book opened up a stark divide between economic liberals and social liberals in the party. There is much wrong with this view. Much in *The Orange Book* was already party policy, such as the bulk of Nick Clegg's chapter on Europe. Even though Mark Oaten's chapter on crime did contain some new proposals, these had actually emerged through the formal structures of the party and were about to be voted for (with no great dissent) at the party conference that year. The book also contained a chapter from Steve Webb who is manifestly not on the pro-market wing of the party. Moreover, as I have argued in Kevin Hickson's recent edited volume on Liberal political thought, even somebody like David Laws, who is portrayed as the high priest of economic liberalism in the party, is deeply concerned with tackling poverty.<sup>8</sup>

However, parts of *The Orange Book* did throw down a challenge to the party's current positions. In two chapters, David Laws argued that the party had too often become a supporter of the 'nanny state' and he also argued that public services needed to be more responsive to people as consumers, for example through funding health-care by an insurance system. Some of that approach echoed aspects of New Labour (as had the 1998 neighbourhood school trusts debate), which says as much about the place of the Labour Party on the political spectrum at the time as it does about the Liberal Democrats.

This would have been dynamite at any time in the electoral cycle but was particularly explosive coming when the party had spent the previous few years agreeing a pre-manifesto document and had within the past two years rejected health insurance during its public services review. More fundamentally, *The Orange Book* represented a challenge to the way Liberal Democrats approached the state's role in public services, arguing for more market-based policies. For that reason, while recognising the limitations of the economic-social liberal dichotomy, many of us have been happy to continue to present *The Orange Book* as a challenge to the social liberal orthodoxy of the party.

Given the strength of hostility to *The Orange Book*, outsiders might wonder why there was not

<sup>8</sup> Richard S. Grayson, 'Social liberalism', in Kevin Hickson, ed., *The Political Thought of the Liberals and Liberal Democrats since 1945* (Manchester: Manchester University Press, 2009), pp. 48–64.

a more organised challenge to it. To some extent, I think the bulk of the party was complacent. It was so badly received at party conference that many people thought it had been seen off. Related to this, one writer recently pointed to a 'dominant but intellectually dormant social-liberal wing' of the party.<sup>9</sup> Such a description overlooks what social liberals had been doing in the party. We had certainly been dominant, with broadly social liberal views dominating key party committees and key staff positions. But we had hardly been dormant, organising a major programme of policy review, covering not just public services, but many other policy areas including crime, Europe and basic principles. Even as early as 2001, the vast bulk of the policies in the party manifesto had been developed since 1997. We were not relying on old policy and there was a particular new focus on tackling social injustice. So *The Orange Book* could look dynamic because social liberals were seeking to defend existing policy, which was policy because social liberals dominated the party. Why be alarmed by what looked like a fairly insignificant centre-right insurgency?

## Reinventing the State

However, as people around *The Orange Book* continued to give the impression that they were the only people in the party coming up with new ideas, some social liberals decided that a response was needed. This had been talked about for some time already, but took off when in March 2006 Duncan Brack (then chair of the party's Federal Conference Committee and one of the most widely respected people in the party) and I asked David Howarth (MP for Cambridge and one of the party's most prominent thinkers) to take part in editing a volume which was to be called *Reinventing the State: Social Liberalism for the Twenty-First Century* (London: Methuen, 2007). We wanted to flesh out some existing policies, propose some new ones where appropriate, and put forward a coherent social liberal view of the state. The book stemmed from a view that there was much wrong with the state but that the answer was not to reduce it, but to reform and relocate it, especially by making public services locally and democratically accountable. We also

wanted to argue that the mainstream view of the party was a social liberal one and drew in chapters from some who were seen as 'Orange Bookers', notably Nick Clegg and Chris Huhne, to stress the broad reach of social liberal ideas. The book eventually appeared in September 2007. It was well received in the party but gained little attention in the media because it was not proposing a major shift in Liberal Democrat policy and so contained little of news value for the media.

Media attention may also have been limited because a central part of the book was an argument that divisions in the party had been overstated. In his chapter, David Howarth argued that all Liberal Democrats are social liberals. His contribution to the debate tackled the idea that the Liberal Democrats were divided between 'social' liberals and 'economic' liberals. David Howarth argued that all in the party were tied together by a belief in redistribution and democracy as weapons in the fight for greater individual freedom. Where there was a division, he said, was between 'maximalist' and 'minimalist' social liberals, which was a debate over how far the state should go on redistribution and economic equality. One way of characterising this difference in a way that those who are not political theorists can grapple with easily is to talk of centre-left and centre-right social liberals, although these labels are mine and not used by David Howarth.

One other point needs to be made about the supposed social-economic liberal divide is that for the vast bulk of the party, the issues concerned in the debate are not pressing. In a thoughtful blog, party activist and thinker Iain Sharpe said of a speech I gave in Newcastle in February 2009, 'I wince a little when I read Richard Grayson's reference to "two approaches" to Lib Dem policy, "*Orange Book*" and "social liberal"'. Iain went on to say, 'This makes me feel more uncomfortable as I, and no doubt many other Lib Dems, don't fall neatly into either camp, and don't find them mutually exclusive.'<sup>10</sup> On that basis, I think Iain was right to criticise what I said. I am certainly clear that such a divide does not exist for most members. As I shall argue below, the party is relatively under-factionalised. Indeed, 'Orange Bookers' are a very small section of the party, probably a much smaller section of the party than

<sup>9</sup> Crabtree, 'Who are the Liberal Democrats?'

<sup>10</sup> 'Why we should welcome the launch of the Social Liberal Forum', 14 February 2009, <http://eatenbymissionaries.blogspot.com/> (accessed 28 June 2010).



New Labourites were in their party – and they were never large in number. However, as labels for the directions from which much policy initiative has come, I defend the terms. While the party’s policy and principles have been broadly social liberal, a clear policy drive has come from the direction of *The Orange Book*.

## Policy challenges

Even if *Reinventing the State* did not gain much media attention it did send a signal inside the party that social liberals were organising. There was already plenty to organise over. At the conference which launched *Reinventing the State*, the party debated a plan to drop the longstanding policy of putting a 50p tax rate on incomes over £100,000, and fund a tax cut of 4p in the basic rate of income tax through a series of changes to the tax system relating to pensions contribution and capital gains tax, and also environmental taxes. One of the ways the leadership got this proposal through was to argue that it would be more redistributive than the old 50p policy. That was true but the party lost a powerful symbol of its commitment to taxing the rich more (which could in any case have been combined with the new policy). The leadership may also have been helped by the fact that for all the characterisations of Ming Campbell as a grandee, it is well known in the party that he is nothing other than a centre-left politician whose instincts are strongly in favour of redistribution and tax-funded public services – as we have seen in his recent statements about his commitment to scrapping tuition fees.

It was with a change of leader at the end of 2007 that the agenda really shifted. The debates between Nick Clegg and Chris Huhne had been policy-light. Chris Huhne had used what the Clegg camp termed ‘wedge’ issues such as Trident to try to open up divides, but in reality most members were looking at who would present the party in the best possible light. Yet very soon after the election, Nick Clegg began to push a different agenda. In his first major policy speech as leader, Clegg advocated ‘free schools’, which would be under the oversight of local councils, but not council controlled.<sup>11</sup> This was the kind of idea which would probably have been badly received if it had been put forward in the leadership election

and might have cost Clegg his very narrow victory.

That same speech also set out thoughts on the state which were on one level fairly innocuous, but could be read as setting out a new direction as regards the state. Clegg said:

*The state must intervene to allocate money on a fair basis. The state must intervene to guarantee equality of access in our schools and hospitals. And the state must oversee core standards and entitlements. But once those building blocks are in place, the state must back off and allow the genius of grassroots innovation, diversity and experimentation to take off in providing an array of top-class schools and hospitals.<sup>12</sup>*

In theory there was not much with which Liberal Democrats could disagree, but at the time a few worried that this indicated a new direction that would be focused on reducing the size of the state overall, rather than the traditional approach of relocating it through devolution. In the months that followed there was some internal party dissent around ‘free schools’ and the leadership gradually stopped using the phrase. It was not until the September 2008 conference that there was something for those concerned about this direction to really oppose.

Then, in a general policy document called *Make it Happen*, 21 words marked a significant shift in the direction of the party: ‘We’re looking for ways to cut Britain’s overall tax burden, so ordinary families have more of their money to help themselves.’ It sounded reasonable enough but it was a big shift. We already had policy for tax cuts, funded either redistributive taxes on the wealthy, or by green taxes. But reducing the overall tax ‘burden’ went a huge step further, funding yet more tax cuts by reducing the money that government can spend on the things that individuals have decided are best provided collectively, like schools, hospitals, pensions, unemployment benefits, disability allowances, police and the armed forces.

At the conference, a vigorous debate followed. An amendment put by my own local party, proposed by Paul Holmes MP and Evan Harris MP, proposed that ‘any reduction in overall levels of public expenditure should be a lower priority

<sup>11</sup> BBC News, ‘Lib Dems want parent-run schools’, 12 January 2008, <http://news.bbc.co.uk/1/hi/education/7183247.stm> (accessed 28 June 2010).

<sup>12</sup> BBC News, ‘In full: Nick Clegg speech’, 14 January 2008, [http://news.bbc.co.uk/1/hi/uk\\_politics/7187852.stm](http://news.bbc.co.uk/1/hi/uk_politics/7187852.stm) (accessed 28 June 2010).

than measures to reduce inequality in British society, improving public services, including in particular health, education, child care and public transport, and making the urgent investments needed to tackle accelerating climate change.<sup>13</sup> To face down this challenge, many big guns were wheeled out by the leadership, some of them we understood to be very reluctant speakers against the amendment. Despite a spirited argument, the amendment was defeated by conference representatives who seemed to be increasingly leadership loyal. Estimates of how much support the amendment secured vary from 25% to 40% but the clear result was defeat. Though the argument had not been made overtly, it also showed those who wanted to reduce the size of the state overall that the party would allow them to do it.

### Social liberals organise

Defeat in the tax debate was a huge shock to those who identified themselves overtly as social liberals and the debate continued on the conference fringe. One event was organised by the loose grouping around *Reinventing the State* and among the speakers was Richard Reeves, then director of Demos but more recently declared as a Liberal Democrat and now special adviser to Nick Clegg. Reeves set out the same views as he put forward at the fringe in an article entitled 'Social liberals should join Labour'.<sup>13</sup> At the time, it was treated by many social liberals as just the kind of provocative piece that think tank directors like to produce. It was not seen as terribly well informed about the party. Reeves commented that social liberals 'explicitly describe themselves as "centre-left"'. We wondered why that was even worthy of comment given that Ming Campbell (hardly on the party's fringe) regularly used the term to describe himself.

On reflection, though short, the article was a very revealing piece. Reeves was spot on that there is a divide in the party over attitudes to the state. He suggested that perhaps there might be a realignment after the election, and some would say there has been. Where Reeves was spectacularly wrong in the view of social liberals was that our principles were those of Labour rather than the Liberal Democrats. This point was treated with derision when it was made at a fringe

meeting at our party conference. Our reaction to the 2008 conference was not to leave but to organise, in two particular ways.

In the first instance, we realised that we needed to be more able to influence the policies that came to conference. We knew that if the leadership continued to control the Federal Policy Committee (FPC) which produced policy papers then it could get pretty much anything it wanted through a conference which had recently lost two leaders and was not minded to give a bloody nose to a third. Consequently, a number of people who overtly identified as social liberals stood for the FPC. Many made specific pledges on tuition fees, which was a key issue. Some of us had already been involved in a small policy working group on higher education. We were in a minority on that group, which was coming to the view that scrapping fees was no longer affordable. In addition to believing that fees are a disincentive to students from poorer backgrounds, many of us felt this issue to be a key battleground in the debate over reducing the state's role in public services.

The results of the FPC elections in late 2008 saw a big change in the committee's membership and a clear majority for those who wanted to retain the policy of scrapping fees. So when the working group proposed changing our policy, the FPC overturned that part of the report. The proposal that went to conference was backed overwhelmingly. In fact, the leadership had been heavily defeated but without a big public row, which made it much easier for them to accept. Although the timing of the scrapping was later spread over years in the final manifesto, the policy remained in the manifesto and would not have done had social liberals not organised.

At the same time as electing people to the policy committee, social liberals established a new internal pressure group, the Social Liberal Forum (SLF), which was primarily aimed at rallying social liberal opinion in a more organised fashion than previously. Launched in March 2009, with Steve Webb MP as chair of its Advisory Board and myself as chair of the Executive, its most important role in addition to organising web-based policy discussions was to gather names of conference representatives who might be rallied should there be any further rows with the leadership. At the September 2009 conference

<sup>13</sup> Richard Reeves, 'Social liberals should join Labour', *Guardian*, 19 September 2008, [www.guardian.co.uk/commentisfree/2008/sep/19/libdemconference.liberaldemocrats](http://www.guardian.co.uk/commentisfree/2008/sep/19/libdemconference.liberaldemocrats) (accessed 28 June 2010).

there were clear signs that this was working in a number of conference debates as the SLF effectively organised against a further leadership bid to downgrade the scrapping of tuition fees. But then, for nearly a year prior to the 2010 election, internal disputes were largely put to one side. During the election itself, the party was hugely impressed by Nick Clegg's performance, which undoubtedly helped soothe some concerns about his ideological direction.

Despite Liberal Democrat gains being arguably very small, many in the party are happy and some are even 'ecstatic'.

### How did the Liberal Democrats accept a Lib-Con coalition?

How then does this narrative help us to understand the way in which the coalition has been greeted within the Liberal Democrats? Why has there not been more internal opposition? In the first place, we must not underestimate the extent of tribalist knuckle-headed Labour opposition to a deal with the Liberal Democrats. John Reid and David Blunkett were the tip of an iceberg in a party where many despise 'the Liberals'. Such people lining up to tell the media that a period of opposition would be best for Labour was a terrible disappointment for those Liberal Democrats who were openly calling for a deal with Labour.<sup>14</sup>

In contrast, the leadership has been able to put forward an argument, which finds much favour in the ranks, that the party is getting much from the coalition deal. All are agreed that the Conservatives offered much more than anybody would ever have imagined. As Polly Toynbee said of the coalition agreement, 'There are policies here that Gordon Brown and Alistair Darling adamantly, and wrongly, refused to contemplate so wedded were they to New Labour's rigid caution, triangulating themselves to death.'<sup>15</sup> That not only involves major constitutional reform but also a strong green strand and the sweeping away of some Labour legislation which posed threats to civil liberties. The leadership has been able to claim some success in the budget on matters as such as capital gains tax. Despite Liberal

Democrat gains being arguably very small, many in the party are happy and some are even 'ecstatic'.<sup>16</sup>

But there are also factors of political culture which explain the party's support for the coalition. The Liberal Democrats have become incredibly leadership-loyal in the past few years. The trauma of losing Charles Kennedy and Ming Campbell in quick succession should not be underestimated. In both leadership campaigns that followed there were revelations which made the Liberal Democrats the butt of jokes and the party has had no desire to go through another leadership campaign. There has been a strong sense that however narrowly Nick Clegg won, the party was going to stick with him, and his brilliant personal election campaign just a few months ago performance cemented that view.

At the same time, the political culture of the Liberal Democrats is an inherently reasonable one. Faced with an inspiring speech, party audiences are as likely to nod in agreement as they are to burst into spontaneous applause. There is also a tendency in the party's culture to try to see all sides of an argument and the party has long talked about how coalitions would be positive because they would involve drawing on a wide range of opinions. All of these factors encourage a strong desire in the party to show that a coalition can work at Westminster. The argument that the parliamentary mathematics made no other option possible, which was a strong part of the leadership's case to MPs, has also been accepted by the party as a whole. So, they nod, reasonably, and get on with it. It explains why pretty minimal gestures towards implementing Liberal Democrat tax policies in the budget were received with the response 'better than nothing' by many in the party, even if the price of that was a VAT increase. It is a pragmatic approach that is verging on the ideological itself: it's always better to get something in return for something unpalatable than it is to get nothing for something else unpalatable. The danger of course is that the ability to resist hugely unpalatable choices becomes neutered.

Meanwhile, the party is under-factionalised. Whenever I have used that phrase in conversations with friends in the Labour Party, they can scarcely contain their amusement. They come from a political culture which has far too many

<sup>14</sup> Neal Lawson and Richard Grayson, 'Lab and Lib: a dream team', *Guardian*, 9 May 2010, [www.guardian.co.uk/commentisfree/2010/may/09/labour-liberal-democrats-progressive-alliance](http://www.guardian.co.uk/commentisfree/2010/may/09/labour-liberal-democrats-progressive-alliance) (accessed 30 June 2010); Jonathan Freedland, 'Hung parliament: Nick Clegg forced to play fair maiden as suitors bow', *Guardian*, 7 May 2010, [www.guardian.co.uk/commentisfree/2010/may/07/hung-parliament-nick-clegg-decides](http://www.guardian.co.uk/commentisfree/2010/may/07/hung-parliament-nick-clegg-decides) (accessed 30 June 2010).

<sup>15</sup> Polly Toynbee, 'Coalition government: like a flat-pack with screws missing, this deal will wobble', *Guardian*, 12 May 2010, [www.guardian.co.uk/commentisfree/2010/may/12/coalition-government-polly-toynbee](http://www.guardian.co.uk/commentisfree/2010/may/12/coalition-government-polly-toynbee) (accessed 30 June 2010).

<sup>16</sup> Richard Grayson, 'The Lib Dem leadership's self-flagellating appetite for cuts', *Guardian*, 22 June 2010, [www.guardian.co.uk/commentisfree/2010/jun/22/lib-dem-leadership-cuts](http://www.guardian.co.uk/commentisfree/2010/jun/22/lib-dem-leadership-cuts); 'Divisions open over the budget', *Guardian*, 26 June 2010, [www.guardian.co.uk/uk/2010/jun/26/divisions-open-over-the-budget](http://www.guardian.co.uk/uk/2010/jun/26/divisions-open-over-the-budget) (accessed 30 June 2010).

factions. So why is this a problem in the Liberal Democrats, when we know how divisive factions have been in other parties? It's a problem if you want a party to be able to stand up to the leadership. In a party which has properly organised factions, if the leadership goes down a path that is unpopular with the bulk of the membership, then factions can rapidly organise opposition. What we saw in September 2008 in our tax debate was an embryonic faction putting up a good fight but not being properly organised enough, despite arguably being more in tune with the membership than the leadership was. But factions take time to become deeply rooted. The Council for Social Democracy, which was able within months in 1981 to form the Social Democratic Party, had origins way back in the Campaign for Democratic Socialism, and drew on a decades-long Gaitskellite organisational base. Just two years on from the 2008 tax debate, social liberals were far better organised than they had been, but lacking in the kind of factional identity which could be used to have a decisive impact on the leadership during the coalition negotiations. Imagine that one or two MPs had decided not to back the agreement and had gone to the opposition benches. They would have been totally isolated because there would have been no body of opinion in the party which recognised Jo Begg MP, representing Inner City, as a member of their faction and somebody they should follow. That under-factionalisation means that those in Westminster who have the most influence on the big decisions made in the party's name have little effective connection to different ideological strands in the party. If the different strands in the party want to influence what its MPs do, and have more leverage on the leadership, better organised factions are going to be essential.

What the party still does not seem to recognise, or at least accept as a problem, is that the coalition can also be best understood as the preferred option of a leadership grouping which since it took over the party has consistently sought policies which will reduce the role of the state and steadily take a centre-left party to the centre-right. The major debates in the past two to three years have seen the small Orange Book tendency in the party steadily whittling away at broadly centre-left policies on, for example, the level of public spending, the level of income tax and the

role of local government in education. That has given the leadership much common ground with the Conservatives. We now have a leadership which talks as often about the state being a problem as it does of how it (and only it) can help solve problems,<sup>17</sup> and tends to use the amorphous phrase 'fairness' rather than 'equality'. That has no doubt been appealing to progressives, not least when accompanied by bold claims about replacing Labour as the main progressive force, but may not go as far as they think it does.<sup>18</sup> Although it is hardly a scientific test, a search of Nick Clegg's party leader website reveals something of the tone of his speeches: there are 113 references to fairness, 17 to equality, 13 to inequality, and 2 to redistribution. Where equality is used, it tends to refer to civil rights. It can be argued that 'fairness' is simply a voter-friendly way of describing equality, but arguments on the intrinsic benefits of a more equal society are scant from the leadership. Statements such as 'the worst excesses of inequality'<sup>19</sup> are rare indeed, as well as being limited, and rarely is an overt case made for a more equal society, even when the party has a story to tell that included a redistributive tax policy in the 2010 manifesto. Indeed, in his 2009 Demos pamphlet *The Liberal Moment* Clegg dismissed the argument that 'an unwillingness to go far enough with redistributive taxes' is part of the explanation of Labour's failure to tackle 'social division'.<sup>20</sup>

On tuition fees, social liberals had a major success in resisting the leadership's drive to the centre-right. However, that has not impacted on the coalition agreement, which merely allows Lib Dem MPs to abstain on any increase to fees – despite their pre-election pledges to vote against any increase. Moreover, the coalition agreement has allowed the leadership to pursue its zeal for cutting public spending. It does this having explicitly ruled out major cuts in 2010/11 in the election campaign, and having opposed the scale and timing of the cuts now introduced by the government. The argument for this rests on a 'no alternative' case, which is at odds with the views of many economists. Such matters can only ever be a matter of judgment – we must all accept that. But judgments reflect values and the decisions made by this government on Treasury matters illustrate its overwhelmingly small state centre-right ideology in bright lights.

17 A good example is Nick Clegg's views expressed in his pamphlet *The Liberal Moment* (London: Demos, 2009), [www.demos.co.uk/publications/the-liberal-moment](http://www.demos.co.uk/publications/the-liberal-moment) (accessed 29 June 2010).

18 See Nick Clegg's website at [www.nickclegg.com/home.aspx](http://www.nickclegg.com/home.aspx) (accessed 29 June 2010).

19 'Four steps to a fairer Britain says Nick Clegg', 11 January 2010, [www.nickclegg.com/nccom\\_news\\_details.aspx?title=Four\\_steps\\_to\\_a\\_fairer\\_Britain\\_says\\_Nick\\_Clegg&pPK=800fa58c-5bc9-45d3-8b58-32b93d5c2e96](http://www.nickclegg.com/nccom_news_details.aspx?title=Four_steps_to_a_fairer_Britain_says_Nick_Clegg&pPK=800fa58c-5bc9-45d3-8b58-32b93d5c2e96) (accessed 29 June 2010).

20 Clegg, *The Liberal Moment*, p. 60.

## Where next?

What does this mean for the future of social liberalism? Most social liberals in the Liberal Democrats are backing the coalition for some or all of the reasons stated above, and possibly for other reasons. But there are clear signs of concern in the party. One does meet activists who say that they are now ashamed to face many of those they met in the election campaign who backed the party. There are many voters who deserted Labour for the Liberal Democrats in 2005 and 2010 who say they will never support the party again. They simply did not want a Conservative government and feel badly let down by the fact that the coalition was formed.

It is possible that some social liberals will simply drift away from the party. But it is significant that they do not seem to be flocking to Labour. Of course, Labour has gained some support, but there does not seem to have been any example of any nationally known activist, let alone an MP, crossing the floor. The most prominent are probably two councillors in Exeter and one in Hull.<sup>21</sup>

For Liberal Democrats there are many barriers to joining Labour. In the first place, Labour is in the middle of a leadership contest, which means that the direction of the party is unclear. Nothing has changed in Labour's policies since the last election. All leadership candidates remain resolutely committed to some measures against which many Lib Dems fought hard, and on issues such as immigration, some of the leadership contenders seem only likely to make matters worse. There are many people in the Labour Party with whom Liberal Democrats can find very much common ground (probably more than they can with some other Liberal Democrats). On that point, Jon Cruddas's 2009 lecture 'The future of social democracy'<sup>22</sup> sets out an agenda which could appeal to many Liberal Democrats. But the Cruddas agenda remains far from the approach of many in the Labour Party. In the long term, the Liberal Democrat entry into the coalition may create the conditions for a further realignment on the centre-left of British politics if the Liberal Democrats become inextricably identified with the pursuit of a small state ideology, but Labour has to change significantly before that can happen.

In the meantime, those Liberal Democrats who are concerned about the coalition stick with the party to see how the situation develops. There is a long tradition of this tactic in British politics. Those who stayed with Labour despite Iraq, the 10p tax rate, crackdowns on civil liberties, tuition fees and much else can testify to that. Parties regularly lose their way and their members often hope that they can find their way back. It is clear that a social liberal agenda remains and Liberal Democrats, if they can take one step away from pragmatism, will see many areas on which the coalition agreement is woefully inadequate. At the top of this list is democratic localism, with strong local government taking big decisions on public services to respond to local demand and drive up standards. It is joined by the struggle for equality after a budget which, despite the bandying around of the word 'progressive', takes a higher percentage of income from the poorest than from the richest.<sup>23</sup>

In developing new ideas which go beyond the latest manifesto, social liberals could be arguing for a new political economy, which puts issues of power in the workplace and the ownership of assets back on to the political agenda in the way that the Liberal Party once did. There is also the matter of sustainability on which the coalition deal probably gave the Liberal Democrats the most and where the party has an undoubtedly strong team in government. But far more ambitious plans than those in the coalition agreement are needed to tackle runaway climate change.

Meanwhile, social liberals have an opportunity to lead debates on areas where the left has been too timid. Social liberals should look to challenge the free market orthodoxies which led to the current crisis, and which leave people enslaved in an economy where materialism dictates ever longer hours worked so that people can acquire more 'stuff' that does not really make them happy. These fundamental problems with the economy and with lifestyles remain totally unaddressed by the coalition. Perhaps also we can start to be more aware of the persistence of social class in a country which, more than ever since the 1960s, sees its top political leaders drawn from a narrow social elite and where birth cohort evidence shows that parental background has a major influence on academic attainment, health and labour market opportunities.<sup>24</sup>

21 BBC News, 'Exeter lib Dem councillors join Labour', 7 June 2010, <http://news.bbc.co.uk/1/hi/england/devon/10252745.stm>; Hull & East Riding, 'Lib Dem councillor defects to Labour Party over coalition', [www.thisishullandeastriding.co.uk/news/Lib-Dem-councillor-defects-Labour/article-2259432-detail/article.html](http://www.thisishullandeastriding.co.uk/news/Lib-Dem-councillor-defects-Labour/article-2259432-detail/article.html) (accessed 30 June 2010).

22 Jon Cruddas, 'The future of social democracy' (London: Compass, 2010), [www.compassonline.org.uk/news/item.asp?n=8823](http://www.compassonline.org.uk/news/item.asp?n=8823) (accessed 28 June 2010).

23 Anushka Asthana, 'George Osborne's budget cuts will hit Britain's poorest families six times harder than the richest', *Observer*, 27 June 2010, [www.guardian.co.uk/uk/2010/jun/27/osborne-budget-cuts-hit-poorest](http://www.guardian.co.uk/uk/2010/jun/27/osborne-budget-cuts-hit-poorest) (accessed 30 June 2010).

24 *Our Changing Lives*, 'Social mobility – are opportunities declining?', <http://ourchanginglives.net/impact/socialmobility.aspx> (accessed 30 June 2010).

On all of these areas, it should be the Liberal Democrats making the running. If the party can ensure that its structures operate so as to allow this clear voice to come through, then it has every chance of putting forward a distinctive manifesto at the next election, one that will in all likelihood put it closer to a reformed Labour Party should the alternative vote deliver another hung parliament. Alternatively, the party can be happy with morsels from the Conservative table, enthusiastic,

surprised and occasionally ecstatic to see little bits of Liberal Democrat policy implemented. If they take that approach, then the party will become as hollowed out as Labour under New Labour. Meanwhile, the public are unlikely to be enthusiastic when faced with an overall record of running down the state to the levels that made voters so willing to embrace New Labour in 1997 after nearly two decades of slash and burn.

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