

SPEECH BY THE RT HON LORD OWEN AT THE 'WAY WITH WORDS'  
FESTIVAL, DARTINGTON, SUNDAY 10 JULY 2011

'THE COALITION'

The present Coalition Government that emerged after a few days negotiation owed almost everything to the openness and generosity of the speech that David Cameron made on the Friday once he realised he had lost the General Election. It was the surprising nature of his words that made it possible for Liberal Democrats to set aside merely supporting a Queen's Speech of any party that had both a majority of the seats and a majority of the votes and instead actually become part of a Conservative-led coalition government.

Had Gordon Brown announced, in unequivocal terms, before David Cameron spoke, that he would step down as Prime Minister as soon as Labour had elected a new leader, it would have made a difference to the way in which the negotiations were conducted but I doubt it would have changed the outcome. The electoral arithmetic in the House of Commons and the fact that Labour had been in power for 13 years, presented huge problems for an initial coalition of Labour and Liberal Democrats. Almost certainly the most that could have been expected would have been for the Liberal Democrats to support the first Queen's Speech by Labour and after detailed negotiation the necessary financial measures. Then continue to support Labour if, and only if, the three way referendum legislation promised late in the negotiations by Gordon Brown on first past the post, the alternative vote and a proportional vote option chosen by the Liberal Democrats, was passed into law.

People like me through the website Charter 2010 over the four months leading up to the General Election had tried to inform voters about the complexity, strengths, and weaknesses of coalition government, if the end result was a hung Parliament. That process of education is now being played out for real. Yet I do not believe the British electorate has yet made a definitive judgement either on this Coalition Government or on any future coalitions. Indeed it would be surprising if they had, because the one central task that this Coalition was charged with, namely dealing with the structural fiscal deficit, has not even begun to be achieved.

Far from “living within our means”, the latest figures published in the Sunday Telegraph on 26 June bear repetition. In April and May, the government borrowed £27.4bn, up from £25.9bn during the same months in 2010. So, despite all the Treasury’s tough talk, we are at present borrowing more. This borrowing increase happened despite higher tax receipts in April and May being up around 8% on last year. But spending was also higher, not only on benefits and social services, but debt interest too. Interest payments shot up a staggering 18% on last year, despite gilt yields having been kept artificially low by so-called “quantitative easing”. In addition to the 2011 borrowing increase, a further borrowing rise was also slipped through, when the 2010 total figure was revised upwards from £139.4bn to £143.2bn.

Britain’s fiscal problem is, therefore, very far from solved. Given the poor economic growth since the election it may be a good thing that there has been a delay in getting to grips with the fiscal deficit. It may even mean we have experienced slightly higher growth than if borrowing had dropped. But it also means that despite people thinking we are already experiencing an unprecedented economic cutback the worst is yet to come. We may only have been able to survive this delay because of the initial financial constraint package announced in the first few weeks by George Osborne and David Laws. That was well judged in terms of assuring international opinion that the Coalition Government was serious about addressing the structural fiscal deficit and was probably the most successful single decision-making they have made to date, helped by the fact that the Civil Service had been able to anticipate much of the detail.

A year later, it is hard to be enthusiastic about the Coalition’s performance. The botched Higher Education reforms will not be forgotten and it is amazing that having negotiated the right to abstain Liberal Democrat MPs then tore up their own very personal manifesto pledges on student loans. This unleashed a wave of cynicism that still engulfs the Liberal Democrats. When they then underwrote the Conservative fatally flawed health reforms, many people began to wonder what they were playing at. On the NHS there was no conceivable electoral mandate, both parties having led the country to believe there would be no more top down reforms. The rushed Strategic Defence and Security Review had first revealed an incoherence to Coalition thinking, but what is damaging is that this persists. The art of coalition government is to attune

oneself to the possible, eschew unauthorised radicalism and focus on the main task. In this case, economic recovery as in the 1930s.

Against this downside there has been an upside. David Cameron, as Prime Minister, has personally had some success. Firstly, in the manner in which he handled the Saville Inquiry into ‘Bloody Sunday’ in Northern Ireland in 1972. He followed this by a brave decision to act with the French and the US to stop Gaddafi taking Benghazi and institute a ‘no-fly-zone’ with UN agreement. Like President Obama he has been wise to recognise that the days of our troops fighting in Helmand province in Afghanistan are strictly numbered. Also the Chiefs of Staff, whose record over the last decade is hardly a distinguished one, have rightly been toughly reigned in by the Prime Minister.

On the central core question, however, the Coalition’s economic management, the jury is still out. But alarm bells are beginning to ring. Growth appears to have been hit harder than it need to have been. Inflation may be gathering pace. Confidence does seem to be starting to ebb. It would be wrong to claim that all the blame for this can be laid at the Chancellor’s door. But there is a scratchy air of general incompetence beginning to infiltrate this Coalition Government. If they do not halt this pretty soon it will ensure that their economic performance will be judged a failure by the end of 2012 or early 2013.

In normal times this might not matter. The Chancellor’s initial forecasts projected success in four years. If his forecasts slipped to five years it would still allow the Coalition to appear reasonably successful by 2015. But we are not living in normal times. The eurozone looks as if it will remain in turmoil until 2013 and very likely beyond. In the United States, Congress has to unlock the deficit induced automatic spending freeze by the summer or they will add to global insecurity. Throughout the world, bank after bank is lying to its depositors, its shareholders and more worryingly their governments are lying on their behalf. This global belief that without transparency they can restore balance sheets and avoid writing down debt was always dangerous. In the present climate to continue with this delusion is suicidal. This unfinished global crisis cannot be finessed away, it has be brought into a better balance in a disciplined way.

In Britain, we need to remember that the unwritten rules of our politics have been changed. We now have legislation for a Fixed Term Parliament. There can be no General Election before 2015 without a two-thirds majority voting for one in the House of Commons. It is perfectly possible that by 2013 Liberal Democrats will be wanting to come out of this coalition; indeed a scenario is now being painted of Nick Clegg becoming at the end of 2013 one of our new EU Commissioners in January 2014 and by this point Liberal Democrats will have left the Coalition to merely sustain a minority Conservative government until a General Election in 2015. These sort of rumours are often put about to weaken small parties by the large parties but they are very difficult to stop in their tracks. For Nick Clegg it is deeply damaging for him to be depicted as paving his way to become a European Commissioner. He needs to deny that he will ever take such a job if he wishes to rebuild his authority in British politics.

It would also be very damaging for the Liberal Democrats, having decided to bite on the bullet, and hold responsibility in government, to think that they can opt out and seek the comfort of the backbenches in 2013 or 2014. It was one thing to do this in July 1978 before the 1979 Election over the much looser Lib/Lab Pact. It would be very different, having experienced government, to back out of government entirely before 2015. If the situation develops where the Conservative/Liberal Democrat coalition appears to have failed on the economy, over which they do not have much influence, then the legitimate and indeed the responsible choice for the Liberal Democrats will be to vote against Conservative economic policies on a vote of no confidence, not soldier on half in, half out. Instead, enter into negotiations with the Labour Party and other opposition parties to form a new coalition government with new and better economic policies for the remaining period of the five-year Parliament and, if it can be agreed, then be judged by the results in the General Election in May 2015, not as a party of protest but as a governing force.

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