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**Coalition Formation and Centre-Periphery Relations
in a National Political Party:
The Liberal Democrats in a Devolved Britain**

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Abstract

The case of the British Liberal Democrats provides important evidence on the operations of national parties in devolved systems, the dynamics of subnational coalition formation and the impact of national parties on public policy in devolved systems. In their participation in coalition governments in Scotland and Wales, the Liberal Democrats have acted as a *nationalized* but not a *centralized* party, despite the devolved nature of their federal constitution. The Liberal Democrat elites at the national and subnational levels have coordinated themselves informally not through the traditional mechanisms of party discipline. Thus as a party, despite lacking the traditional discipline and party solidarity of a party like Labour, they have been able to ensure that their policies are implemented across the devolved, subnational governments of Scotland and Wales.

Devolution, party organization, coalition government, British Liberal Democrats, Scotland, Wales

Introduction

The establishment of the Scottish Parliament and the National Assembly for Wales has given a new importance to the third party in Britain, the Liberal Democrats (LD), and to the politics of coalition government in British politics. The Scottish and Welsh electoral systems have enabled them to win sufficient representation in the two legislatures to form coalition governments with the Labour party. Yet the LD remain under-researched as Russell and Fieldhouse (2004: 3) note in their major study of the party, and strikingly so compared with the large literature on the Labour party. Moreover, their impact on Scottish and Welsh politics and policy has not been systematically examined.

The British LD provide a valuable case study of the role that national political parties play in federal or devolved systems as mechanisms linking the central and devolved levels. This role remains little researched despite the recent trends towards greater regionalization across Western Europe (Hopkin, 2003). In the British case the assumption behind the devolution settlements was that the Labour party would become the main mechanism of intergovernmental coordination (Laffin and Thomas, 1999) in the new ‘quasi-federal’ system. Indeed, the Labour party has come to play that role – but indirectly rather than in a strong direct centralising way – tending to act as a force for policy convergence across the two British nations (Laffin and Shaw 2004). Meanwhile, the Conservative party has been

displaced in Scotland and Wales as the main opposition party by the two nationalist parties, the Scottish Nationalist Party and Plaid Cymru. The new party systems, with their 'list' members, have enabled the LD to become major players in Scottish and Welsh politics. This article analyses the role of the LD as a national party forming subnational coalitions with Labour and thus provides evidence on the role of national, state-wide third parties in devolved systems of government and on the processes of coalition formation and maintenance at the subnational level.

Intra-Party Relations and Coalition Government

This article focuses on three questions: (1) how do national parties, like the LD, negotiate and form coalitions at this level? (2) what are the key factors in coalition formation at the subnational level? and (3) what are the public policy implications of a national party participating in a coalition at the regional level? (To facilitate international comparisons Scotland and Wales will be referred to as the 'subnational' or 'regional' level and Britain or the UK as the 'national' level.)

Firstly, subnational coalition formation, in so far as national parties are involved, has to be understood not in isolation but conditioned to some extent by the parties' national-level strategies and policies. Most studies of coalition formation focus on national, state-level coalitions rather than subnational coalitions. A notable exception is Downs' (1998) study of coalition formation in the regional parliaments of Germany, France and Belgium; although in the early 1990s several studies of 'hung' councils British local government were conducted (e.g. Temple, 1993). Downs provides a useful analytical starting-point with his stress on how subnational party elites have to balance 'a logic of electoral competition' with 'a logic of [national] party organization' (1998: 47). When subnational elites believe that their actions in

coalition have an impact on local electoral outcomes, they will be constrained by the need to appear credible to the local electorate. Conversely, if they believe that their actions in coalition have uncertain electoral consequences, ‘their strategic choices are constrained by the necessity of reconciling local imperatives with national party preferences’ (Downs, 1998: 46-7; cf Denters, 1985: 296). It might be assumed, too, that the national party elite recognise that the same policies and electoral strategies may not be as electorally effective at both levels. Consequently, the national leaders themselves accept, tacitly at least, that they should allow their subnational colleagues the necessary discretion to form coalitions (Downs, 1998: 269). Equally, horizontal intra-party differences may also emerge as ‘different subnational branches of the same political party can respond to collective action problems – such as government formation – with different strategies’ (Downs, 1998: 271).

A great deal also depends on the nature of the federal or devolved system. Deschower (2003: 222) argues that the more the competencies of the two levels overlap in jurisdictional or functional terms, the greater will be the external and internal pressures on a national party elite to reduce centre-periphery differences in policy and electoral strategy. Deschower’s generalization may well hold in fully regionalized system but, although the UK settlement provides for separate competences, the UK is minimally-regionalized with England, representing over 80% of the UK population, remaining undeveloped. And the UK government combines the functions and competencies of both the UK government and the ‘subnational’ government of England. Thus the national parties – the LD, Labour and Conservatives – must have policies for those English competencies which are devolved in Scotland and Wales. Consequently, within each party the elites at both levels have to reach an understanding, tacitly at least, on whether to pursue the same or different policies at the Westminster English level and at the devolved levels. This unique feature of the UK

settlement, compared with other federal or regionalized systems, will be seen to have important implications for LD strategy. Accordingly, the questions posed here are whether national party elites seek to direct the subnational party and, if they do so, the extent of their control or influence over the regional party branches, and the extent of subnational discretion within the LD as a national party.

Secondly, what factors are conducive to the formation and maintenance of a coalition?

Coalitions are rare occurrences in UK government. Over the post-war period only the 1970s 'Lib-Lab Pact' came close to being a 'coalition', although in reality it was a loose agreement obliging Labour to consult with the then Liberals. Although the coalition government literature is mainly concerned with international experience, it does provide some valuable theoretical insights. Panebianco (1988: 219) argues that electoral compatibilities are vital – the less the competition for overlapping electoral 'hunting grounds' between parties, the more likely they are to form and maintain a coalition. He maintains that electoral compatibilities are more critical than ideological or policy compatibilities. Indeed, he argues that the more stable alliances will occur between opponents, who are ideologically distant, rather than competitors, who are ideologically close but rivals for the same constituencies.

Much of the coalition literature conceptualises the political parties as unitary actors – the party leaders pursuing a predetermined set of preferences, achievable through an oligarchic chain of command. (e.g. Laver and Schepsle 1996). But Downs (1998) stresses how intra-party, central-peripheral relations complicate such simplifying assumptions. Maor (1998: 13, 145) contends that the degrees of centralization-decentralization can be crucial. He defines degrees of 'centralization' in terms of the limitations on the numbers of individuals involved in formulating and agreeing policy and the extent to which leaders impose decisions on party

members. He turns Panebianco's (1998: 219) and Groenings' (1968 cited in Maor, 1998:13) thesis that centralized parties are more effective coalition partners than decentralized parties upside down, arguing rather that decentralized are more likely than centralized parties to be effective coalition partners as they have mechanisms to allow dissent to be expressed and to prevent conflict-inducing coalition negotiations disrupting the party.

The strategies that the parties adopt in the coalition formation process are also significant. Laver and Schepsle (1996: 30) assume a ministerial-driven model and argue that coalition parties have great difficulty in delivering policies in portfolios outside their direct control. However, as Muller and Strom (2000: 584) argue, in their survey of coalition governance across thirteen countries, 'the real world of coalition politics is a good deal more complex than the Laver and Schepsle model of ministerial government'. In particular, they note the trend towards the use of coalition agreements. The significance of these agreements is in how they enable a coalition partner to commit the cabinet to policy positions even in those policy areas where the ministerial portfolios are held by ministers from a different party (Muller and Strom, 2000: 573). Indeed, they propose that trust is a critical variable in determining whether or not a party is likely to insist on a very extensive policy document – the greater the degree of inter-party trust, the shorter the agreement. Similarly, Mitchell (1999: 273) proposes that the smaller party is 'always fearful of the progressive erosion of its policy commitments and political identity' and thus has an incentive to gain the maximum commitment to its key policies to 'stem the tide of policy erosion by executive decision in cabinet', whereas the larger party has an interest in keeping such a document as vague as possible. Interestingly, too, coalition agreements seldom contain commitments relating to the distribution of ministerial portfolios, as Muller and Strom (2000: 578) surmise, parties are keen to keep these matters private. The other main element is the inclusion of conflict

management mechanisms which aim to ensure policy coordination across the parties and to enable any differences to be resolved (2000: 583).

Thirdly, what are the public policy implications of a national party participating in a coalition at the regional level? It might be anticipated that the more concerted the political party across the national-regional divide, the greater the public policy similarities are likely to be across the devolved government units. Even after devolution, the national political parties may continue to have a ‘nationalising’ impact on politics and policy across Britain as they did on territorial politics during the twentieth century (Rose, 1974; Caramani, 2004), counterbalancing the other tendencies towards policy divergence built into devolved systems. ‘Nationalization’ defined here as how a nationwide system based on the representation of functional interests and values overrides local interests and values (Caramani, 2004: 2, 5). Alternatively, Hopkin (2003) suggests that the national parties will adapt to the electoral threat of regional-nationalist parties by ‘denationalising’ their electoral strategies, responding increasingly to local interests and values. Thus two questions are posed: what impact have the LD had on Scottish and Welsh politics and public policy? and has this impact tended to nationalize public policy?

This article sets out to answer these questions. Firstly, the LD national structure and their role in coalition formation and maintenance in Scotland and Wales are described. Secondly, the findings are discussed and analysed under the three headings of national-subnational intra-party relationships, factors in coalition formation, and public policy outcomes. This article draws on extensive interviews with former LD ministers and advisors in Scotland and Wales, LD party officials at both levels, five interviews with LD Westminster MPs, interviews with

Welsh Ministers and civil servants, and analysis of documentary sources such as manifestos, the partnership agreements, LD party reports, published accounts written by participants and the Constitution Unit Quarterly Devolution Monitoring Reports.¹

The Federal Organization and Electoral Strategy of the Liberal Democrats

The LD are organized along federal lines with three ‘State’ parties – Scotland, Wales and England. Not only is the party federalized but the party constitution allows the State parties almost total discretion to manage themselves, select Westminster and devolved parliamentary candidates and determine policy matters relating specifically to the responsibilities of the Scottish Parliament and Welsh Assembly; while the federal party retains responsibility for UK-wide policy, Westminster elections and fund-raising. This constitution is in contrast to that of the Labour party which remains a unitary party with Scotland and Wales given limited formal discretion based on specific delegations and informal understandings (Laffin et al. , forthcoming). The party in England is further divided into 11 regional parties, each of which appoints representatives to the English Council. However, all English policy-making powers have been passed up to the Federal party so that, in practice, the English and the Federal parties are identical. Thus the party is federal in theory but the reality often reflects an asymmetrical practice. Those in the Scottish party especially, which has a longer tradition of autonomy than the Welsh party (Ingle, 1997: 114), have raised questions about a ‘federal’ constitution which still permits confusion between the ‘English’ and the ‘federal’ party, not least over the jurisdiction of the ‘national’ conference. A confusion which can tend towards the de facto English domination of ‘federal’ policy making (Scottish and Welsh LD officials interviewed identified this as a source of tension). This de facto domination may have been reinforced given the limited capacity of the Scottish and especially the Welsh branches, in the

early period of devolution, to develop their own policy and consequent reliance on LD headquarters.

In 1995 Paddy Ashdown, the then national LD Leader, abandoned the strategy of policy 'equidistance' between the Conservative and Labour parties as New Labour thinking, under Tony Blair, and LD thinking converged (Joyce 1999: 274). As he makes clear in his diaries, Ashdown (2001) saw this convergence as creating an opportunity for a future national coalition. In 1995 Blair approached Ashdown and raised the possibility of a LD-Lab coalition after the next election. During the 1997 elections daily contact occurred between 'senior strategists from both sides to ensure fire was turned on the Conservatives rather than each other' (Seldon, 2004: 273). In the event Labour's overwhelming majority of 179, and the unremitting hostility of most of Blair's colleagues, led to Blair abandoning the idea of coalition. Even so, in 1997 Blair did invite 5 senior LD MPs to join a cabinet subcommittee to consider constitutional matters and announced the Jenkins Commission into Britain's first-past-the-post electoral system (Joyce, 1999: 278-79). These links with Labour were highly contentious within the wider party (Alderman and Carter, 2000: 326). In practice, little progress was made through joint working with Labour, summed up by the very cool government response to the 1998 Jenkins Report favouring proportional representation. When Charles Kennedy, a Scottish MP, became national leader in 1999 he continued the party's anti-Conservative stance with its stress on social justice, better public services, opposition to reduced taxation and environmentalism.

Denied power in Westminster, the Scottish and Welsh electoral systems have given the LD an entry into government: 'The importance to the Liberal Democrats of coalition in Scotland and Wales should not be underestimated since they became a party of national government

for the first time since the days of Lloyd George' (Russell and Fieldhouse, 2004: 251). Ironically the LD in both Scotland and Wales performed disappointingly in the first devolution elections in 1999. In 1999 and in 2003 their share of the vote was about 13% in both nations compared with Labour at 35% (Scotland) and 36% (Wales) in 1999 and 32% and 38% in 2003. In 1999 they won 17 (out of 129) Scottish seats and 6 (out of 60) Welsh seats. Yet despite this minority status they were able to enter into coalitions with Labour.

The First Scottish Partnership Agreement

In Scotland, Donald Dewar invited Jim Wallace, the new Leader of the LD group in the Parliament, to enter into coalition negotiations immediately after the election. Both sides had already, prior to the election, recognised the need for a coalition and their ideological compatibilities (e.g. McLeish, 2004: 89). Dewar and Wallace agreed to field negotiating teams of five Labour and five LD Members of the Scottish Parliament (MSPs) plus supporting advisers and civil servants (Smith 2001; Mcleish 2004: 89-91). The negotiations were rushed as both sides were anxious to avoid a protracted period of government bargaining after the first devolution election (Seyd, 2004: 14). The LD strategy was to present a list of demands in the form of a coalition framework, consisting of 25 pages compared with Labour's four page draft, a framework published earlier in the year by the Executive. The LD negotiators felt that Dewar was seeking to an agreement on the basis of broad principles of understanding rather than a more detailed programme. For the LD the experience of the Lib-Lab pact of the late 1970s weighed heavily as a lost opportunity as the then Liberal party had failed to extract significant concessions. The lesson was that they must enter any future coalition negotiations with specific commitments and bind their coalition partner to those commitments (a point stressed in interviews).

The LD faced a national Labour figure in Dewar who remained the UK Scottish Secretary as well as the leader of the largest party in the Parliament; Dewar only ceased to be Scottish Secretary once power had formally transferred to the Parliament that July. Dewar was already in government and committed to Westminster Labour policies as set in Labour's 1997 national manifesto, largely reflected in the 1999 Scottish Labour Manifesto. Thus the LD found themselves trying to extract concessions from Labour. One member of the LD negotiating team reflects on the negotiations and the contrasts with the 2003 coalition negotiations:

Basically Donald Dewar came into government as Secretary of State and then there were Liberal Democrats. ... Labour thought that they could have a coalition where the Liberal Democrats would come along and agree to everything that they wanted to do and so did the civil servants. That's one of the major leaps forward in 2003, you put together the Labour manifesto and the Liberal manifesto and the existing spending plans and then you hack around what you are actually going to do.(interview 16/9/03a)

The main actors had worked together on the Scottish Constitutional Commission from 1992, which had brought together LD and Labour Scottish politicians (Mitchell 1999: 658). But the cultural differences between the two parties are marked – in the more centralized Labour party, politicians are more used to internal bargaining with union and local government power blocs; while in the more decentralized LD, politicians are accustomed to more open discussions and the LD MSPs were unaccustomed to the tight party discipline characteristic of Labour, Roddin (2004: 32) makes a similar point. A LD negotiator summed up his perception:

The Labour party is a machine, the Liberal Democrats are an organism. ... the way you managed within the Liberal Democrats was by love and kit-kats, you did not give them instructions, it takes a hell of a lot to expel people from the Liberal Democrats. Much more flexible and less rigid party structure than Labour. Much more akin to Conservatives in terms of strength of constituency parties and the centre is very weak. I know because as a representative of the Scots I would go and duff up the centre from time to time. It is a lot more informal and friendly in the Liberal Democrats than in Labour. (interview 16/9/03a)

The constraints were financial and political. Essentially the LD arrived with a long shopping-list of demands involving significant spending commitments, while UK Labour was committed to the former Conservative government's spending levels over the first two years. Consequently, the Scottish budget contained little slack and, moreover, reflected policy commitments agreed with the Treasury during the first Comprehensive Spending Review process (overseen by Chancellor Gordon Brown, the most powerful Scot in Westminster). Dewar resisted modifying the budget. Many of the more expensive LD demands were lost, such as free prescriptions and dental check-ups. The critical importance of the finances meant that civil servants had to be involved yet as a senior LD MSP observed, 'Something I will never forget is that the civil service ... supported totally the government of the day, and that was the Labour government of the day, because they were the government of the day and we got absolutely no support at all.' (16/9/03b) The senior civil servants still saw themselves as working to Dewar as their minister which was constitutionally correct, if politically unwise, until the actual transfer of power occurred.

The main sticking-point was the up-front higher education fees just introduced in England. The LDs had opposed fees both in Westminster and in the Scottish election campaign and so regarded no-fees as non-negotiable. The Scottish Labour party manifesto did not mention higher education fees, usefully making agreement on the issue considerably easier. Dewar as a UK cabinet minister had already supported their introduction in England. Ashdown reports that Blair, clearly kept briefed by Dewar, contacted him to press him to get Wallace to back down on fees, but Ashdown argued that Wallace was implementing *national* LD policy (Ashdown, 2001: 441). Press reports suggested that Blair was willing to let Dewar make his own judgement but the two ministers involved, Gordon Brown and David Blunkett (then Education Secretary) were adamant that a no-fees policy would cost the Scots £65m a year and that the Treasury would not compensate Scotland for the lost revenue (Farquharson et al., 1999). Wallace at one point was telephoned by Ashdown to urge him to compromise, possibly at Blair's suggestion, but Wallace rejected Ashdown's attempt to 'run the coalition negotiations by remote control from London' (Taylor 2002: 76). Notably, Henry McLeish (2004: 91), about to become a Labour minister and later succeed Dewar, saw Blair as taking a 'more detached view' of the negotiations than Ashdown. The LD negotiators interviewed in this study insisted that they only had some policy and media management advice from London and dismissed Ashdown's implication in his diaries that his intervention had contributed to the final compromise.

Dewar gave ground on the fees issue. In any case, Labour could not have implemented fees as the party lacked a majority in the Parliament. The compromise was to establish the Cubie Commission (the Scottish Cabinet accepted its recommendations in early 2000 that Scottish students attending Scottish universities should not pay up-front tuition fees but would still have to pay into a graduate endowment fund once they were earning a significant income

post-graduation). The partnership agreement included other significant LD policies not in the Labour manifesto. They also gained two Cabinet seats, in a Cabinet of eleven, with Wallace designated Deputy First Minister, plus two out of eight deputy ministries. The LD leadership still felt that they had won less than they had hoped, a view reflected in the five hours the LD parliamentary group took to approve the agreement, with three of the 17 LD MSPs voting against (compared with just two out of 52 Labour MSPs). Wallace also consulted with his parliamentary colleagues during the negotiations, unlike Dewar (Finnie and McLeish, 1999; interviews).

The coalition worked remarkably well. The two LD ministers, especially Jim Wallace as the Deputy First Minister, were able to gain considerable political stature, while Labour changed leaders three times and endured three reshuffles. The LD ministers were the only two cabinet ministers to survive the four years other than Jack McConnell. Partly as a result, they came to play a key role 'as the glue in the Cabinet' (Taylor 2002: 7). Some tensions did emerge. One LD deputy minister resigned over a Cabinet decision on fishing in 2001. LD backbenchers proved much less willing to accept the idea of collective responsibility extending to them, unlike their more tightly disciplined Labour colleagues, and occasionally voted against the Executive.

The LD also added free personal care for the elderly to their achievements. In July 2000 The Westminster government rejected the recommendation in the Sutherland Report (the Royal Commission on Long-Term Care) that personal care should be free and instead opted for continuing to means-test personal care and retaining free nursing. The then Scottish Health Minister followed in October with the support of Cabinet. Later that month Dewar died and Henry McLeish was elected First Minister and went on to surprise colleagues, both in

Edinburgh and Westminster, by indicating in November 2000 that he would reconsider the issue. McLeish then came under considerable criticism, in both private and in press briefings, from Labour ministers in Westminster (Shaw, 2003). The following January, the Executive was forced to commit to free care in principle by the LD threat to withdraw their support. When McLeish resigned as First Minister and was replaced by Jack McConnell, widely known to have opposed free care, the LDs held him to the commitment, threatening to vote with the opposition parties to force the measure through Parliament. Consequently, the free personal care policy was finally announced in July 2002. Without the LD stance it is highly unlikely that, given the reservations of the majority of Labour ministers and MSPs, Labour would have implemented free personal care (Shaw, 2003).

The Second Scottish Partnership Agreement

The 2003 elections saw Labour lose 6 seats but the LD retained their 17 seats. The negotiations began from the two party manifestos and were ‘much more like classic negotiations where you work out areas of agreement and then isolate areas of disagreement and then gradually isolate the gaps [in contrast to 1999]’ (interview with LD negotiator 16/9/03a). The Partnership’s narrow majority overshadowed the negotiations and meant that the members of both parliamentary parties had to be firmly signed up to any deal. Labour was in a weakened position, having lost seats. The Labour and LDs manifestoes were close. The main differences were a greater LD stress on universal payments (such as free prescription charges for all), whereas the Labour manifesto implied a more selective, means-testing approach (such as reviewing prescription exemption categories); the LDs favoured looser controls over local government, whereas Labour stressed continued intervention (especially in maintaining educational standards); and Labour took a stronger law-and-order approach (such as holding parents responsible for children’s behaviour and the electronic tagging of

child offenders) than the LDs. Nevertheless, one informed observer notes ‘the remarkable similarities’ and despite ‘detailed differences with Labour over health, education and the economy ... enough common ground for a common programme of government’ (Mitchell, 2003: 60).

The main sticking-points were proportional representation in local government, law-and-order and free eye tests and dental checks. The LD compromised over the Labour measures to tackle youth crime despite Wallace having condemned them as ‘unworkable’ during the election campaign (quoted in Seenan, 2003) and Labour agreed to implement free tests by 2007. Local government PR proved more difficult, but it was non-negotiable for the LDs. Labour agreed to introduce a single transferable vote system and multi-member wards in local government despite likely future serious losses for Labour in local government. The LD also gained a third Cabinet seat and a third junior ministerial post, reflecting the post-election shift in the Labour-LD ratio of seats. This time the LD group accepted the draft agreement, *A Partnership for a Better Scotland*, unanimously and regarded it as a major achievement. This time, unlike 1999 Wallace sought the approval of a wider range of party members, convening a ‘committee of 100’ – comprising party constituency convenors, council group leaders and members of the party’s executive and policy committee – which unanimously supported the agreement. In telling contrast, the Labour party reaction was less favourable and ratification of the agreement was again limited to a vote in the Scottish Parliamentary Party. Labour MSPs supported the agreement, some with considerable reservations. The commitment to PR was bitterly attacked both by Labour councillors and many Scottish Labour Westminster MPs, some of whom even threatened to press for the Scotland Act to be amended to cut the number of MSPs and remove the list in Scottish elections (Allardyce, 2003). This time backbench loyalty to the Cabinet, from both parties, was much more critical as the small

majority meant that just three backbenchers switching allegiance could defeat the Executive, thus greater emphasis was placed on ‘the parties’ support for the Executive in Parliament’. The first partnership agreement included just one sentence under this heading, whereas the second included almost a page dealing with collective responsibility, the need for cooperation between the two parties and setting out consultative mechanisms to achieve this end, including greater consultation with backbenchers.

The Welsh Partnership Agreement 2000-2003

In 1999 Plaid Cymru unexpectedly won 3 seats from Labour in its Welsh valleys heartlands (Labour held 28, Plaid 17, Conservatives 9 and LD 6 seats). Unable to form a majority government Alun Michael, the Labour leader, entered into coalition discussions with the LD. Mike German, the LD Assembly Leader, offered Michael a similar deal to that then currently under discussion in Scotland (interview 27/9/99). Michael saw German’s demands as unacceptable as he was demanding ‘two members of cabinet [in a cabinet of just 9] and complete control of policy’ (Michael, 2000). Michael also saw the Assembly itself as a type of ‘coalition’ given it is constituted as a corporate body, not an adversarial-style parliament. He argued that the commitment of all parties to ‘the new politics’ of the Assembly meant that they had to seek ways of working together which would include all the parties (Michael 2000). Notably, Ashdown as national LD Leader did raise the issue of coalition with Blair, wondering why Welsh Labour was not following Scottish Labour, especially as the Assembly’s limited powers meant that tuition fees were not an issue. Blair apparently contacted Michael, received the response that Michael was working to a different timescale in Wales, and did not push the point with Michael (Ashdown, 2001: 452-53; a point confirmed by Michael to the author). Nevertheless, Michael himself did not recall feeling that he was

under any pressure from the Prime Minister to join the LD in a coalition (interview, 22/3/2000).

Instead Labour was supported informally by the Plaid Cymru leader, Dafydd Wigley, who decided to work with Labour rather than risk damaging the new institution in the eyes of the Welsh public despite the risk of compromising Plaid's electoral prospects. This arrangement was facilitated by the good working relationship between some Welsh ministers and Plaid leaders who had campaigned together in the 1997 Welsh referendum. Plaid members abstained over difficult votes and Labour consulted them over the first year budget. Yet Wigley and Jones came to resent what they saw as Labour's, and more specifically, Michael's high-handed attitude (interviews 30/9/1999 and 24/10/2000). In February 2000 they played a crucial role in supporting the no confidence vote in Michael which led to his resignation (Thomas and Laffin, 2001). Michael, to preserve his position, revived the coalition by offering the LD two cabinet posts. Blair initially continued to believe that he had the same type of relationship with Kennedy that he had had with Ashdown. He contacted Kennedy to urge him to press German to consider a coalition. Kennedy responded that he had no power over the Welsh party, according to one senior LD MP:

I remember being in Charles' office when there were difficulties with the situation in Wales with Alun Michael and a phone call came through from No.10, 'look you know, can't you, can't you sort your guys out, sort this out, you know, prop things up over there?' and Charles says 'well no I can't' and he said 'well why not?' 'Well, because its devolution, don't you understand that?' (interview 21/5/03a)

Of course, neither German, nor his colleagues, could see any advantage for them and they declined, German:

We were offered this deal and I said, we said, that we are not going to it (a) because we do not believe that Alun has the confidence of his own party and (b) that would not have played well in the outside world and secondly that we were not being offered a programme, we were only being offered the baubles. The clear thing is baubles without a programme is absolutely hopeless, the seats things is the last thing you discuss in my view, the first thing you discuss is what you are going to deliver.

(interview 23/6/04)

Michael then resigned to be replaced by Rhodri Morgan who almost immediately sought approval in principle from the Welsh Labour Executive to open secret discussions with the LD. The Executive specifically excluded any such talks with Plaid, given Plaid was a direct electoral threat. Morgan and his ministers had concluded that minority government was unworkable. One Labour minister explained:

We felt that the present situation was unstable, we were lurching from debate to debate with constantly shifting alliances, you would have to stitch up a deal in one debate and stitch up another over something else, and you were always susceptible to the deal breaking down. ... We would have an agreement with the Lib Dems and then Plaid would say or do something and the Liberals would jump ship as they thought that they were being out-farmered by Plaid. ... We needed something more stable and had been very impressed by what we saw in Scotland. ... I had been up there several times All [my Scottish] colleagues had been extremely positive about it and the

Lib Dems had similar good feedback from their colleagues in Scotland (interview 11/10/00).

Initially, discussions took place at senior adviser level in secrecy, at arms length from Morgan concerned that even the hint of a LD coalition would provoke considerable hostility within the Assembly and the wider party. Soon after discussions began, Andrew Davies (the then Minister for Assembly Business) held informal meetings with certain LD, coalition-sceptic AMs to persuade them of the value of coalition (interviews with Labour ministers and LD AMs). Those LDs from rural areas saw electoral dangers in any associations with a Labour party then increasingly unpopular in those areas. Yet they also recognised that they were not in electoral competition with Labour. German took the view:

I had talked to our colleagues in the VVD in the Netherlands, I had talked to our colleagues in Germany, the Free Democrats, I talked to people involved in the Lib-Lab Pact and I had read the literature. What I had been looking for is what happens to smaller parties, third parties, if they go into coalition with big brother and that's what convinced me that there was no going anywhere else except in a formal partnership because if I hadn't we would have been Labour's little toadies. The programme of course was crucial, it is what you do, not who does it. (interview 23/6/04)

Both Labour and the LDs sought to learn from the Scottish experience. The LD took their Scottish colleagues' original partnership framework paper as the starting-point for their negotiations, neatly illustrated by the Welsh borrowing even much of wording of the partnership document from their Scottish colleagues. The negotiations were more about priorities and costs, as one Labour minister observed: 'They came out with this huge

shopping-list and we had to say to them, “if you want x, you can’t have y” (interview 11/10/2000). But the LD national leadership did not orchestrate the LD side of the coalition negotiations. German did keep Kennedy informed of the negotiations but insisted that he was not working to Kennedy (interview 23/6/2004). One LD MP close to Kennedy confirmed this: ‘It’s certainly not the case that every five minutes the phone going from Mike saying “well can I, should I agree to this or should I not agree to that?” That’s just not how it operated at all’.(interview 21/5/03b)

Negotiations, then, ran over some months until the Partnership Agreement, *Putting Wales First: A Partnership for the People of Wales*, was announced in October 2000. The LD won significant concessions. Morgan agreed to establish a commission to review the powers and, vitally important to the LD, the electoral basis of the Assembly and a commission on local government electoral arrangements. Labour insisted, however, that the Richard Commission should report after the May 2003 elections (which it did, recommending primary powers for the Assembly and Single Transferable Vote for all Assembly seats) and the Sutherland Commission on Local Government Electoral Arrangements reported in July 2002, recommending the introduction of the STV for local elections, a recommendation never implemented. The Agreement also included LD policies such as a freeze on prescription charges, free dental checks for over 55s and under-25s, free school milk for infants, three weeks free personal care for the elderly, an experimental Welsh Baccalaureate, a farming support package and a commitment to an inquiry into student hardship and funding (the Assembly then did not have any powers over university fees). Significantly, these policies were in the 1999 LD Welsh Manifesto but not in the considerably shorter and less detailed Labour Welsh Manifesto.

Similarly, the party outside the Assembly was initially hostile to the Agreement. German called a special conference representing the LD membership who unanimously approved the agreement, apparently impressed by the concessions won from Labour. In contrast, in the Labour party the post-agreement consultations involved only the Welsh Executive and the Assembly Group. Once in government the LD faced significant difficulties. German was forced to step down between July 2001 and June 2002 as a minister, while allegations of improper behaviour, arising from his previous job, were investigated (he was completely exonerated), leaving one LD minister in Cabinet. Although he still considered that he was consulted extensively by ministers, some disputes did arise. In particular the LDs protested that they were not consulted properly over the major health service reorganization in November 2001 and neither were they convinced of the need for such a reorganization (Osmond, 2003, p. 26). The LD also contend that they had to fight to hold Labour to its commitment on reintroducing student grants in Wales. The partnership came to an end after May 2003 when Labour won 30 seats and was able to govern with a majority of one after appointing a Plaid AM as the Presiding Officer.

Discussion

1. Intra-Party Relations

During the coalition negotiations intra-party politics were free of disruptive tensions. The passing of equidistance, a national-level decision, loosened up the scope for coalition and the Blair-Ashdown relationship set the national climate within the party. Ashdown (2001) saw the negotiations as vital precedents for any future Labour-LD coalition at Westminster. He did seek to intervene, as did Blair on the Labour side, but to encourage agreement rather than constrain the regional LD elite's discretion by pushing national party preferences. Indeed no

significant policy differences existed between the two levels. The Scottish LD elite's response was to insist on their decision-making prerogatives rather than their own distinctive policies. In 2000 and 2003 Charles Kennedy took a less centralist view, monitoring negotiations closely but remaining in the background.

Thus national-regional relations in the LD were reciprocal rather than directive or top-down. This finding does contrast with the comparable relationships within the Labour party with its traditionally centralist culture. The Labour leadership has expected deference from the Scottish and Welsh Labour elites, leaving them on the periphery – for example, the latter are not formally, or even effectively, represented on the Labour National Executive Committee (Laffin and Shaw, 2004). Scottish and Welsh LD leaders, unlike their Labour equivalents, occasionally attend meetings of the Westminster LD Parliamentary Party (LDPP) to talk about developments in their nations. Scottish and Welsh MPs report back on their nations to the LDPP. Indeed the LDPP has acquired a policy coordinating role across Britain for sound electoral reasons. Mark Oaten MP, the then Chair of the Parliamentary Party:

So there is a strong awareness of the need, for example, on the convention that whatever position we agree tonight will quickly have to be passed on to colleagues in Scotland, Wales and Brussels, because with a large number of parliamentarians, you know, if Jim Wallace is going on Scotland Today, he needs to be making sure that he's saying the same thing that we are on these issues, and one of the challenges of devolution is that there are double, if not triple, the number of parliamentarians that you now have to deal with, and because they're all spokesmen, because the press will all listen to what their view is, getting out that common message is quite a challenge and it has to happen fairly quickly ... I would say at nearly every parliamentary party,

somebody at some point says and what about Scotland or what about Wales?

(interview 21/5/03b)

This quote, too, nicely illustrates how nationalized the LD are despite a party constitution giving very considerable discretion to the two state parties to make their own policies – more so than Labour in which centre-periphery relations hinge on specific delegations and informal understandings (Laffin et al. forthcoming). One explanation for this paradox may be that the Westminster leadership is effectively dominating the relationship. But power is diffuse within the LD (Russell and Fieldhouse, 2004: 257) and Scottish LD ministers enjoy some status vis-à-vis Westminster counterparts locked in opposition. The more likely explanation is that the elites at both levels share values and policy objectives and perceive the electoral challenges at both levels as similar. This high degree of internal consensus largely reflects the small size of the party, its collegial culture and the sense of the substantial electoral challenge facing the party.

From the Westminster leadership's point of view, LD involvement in the Scottish and Welsh government has given the party credibility as a possible future partner in national government as Russell and Fieldhouse (2004: 254) observe, 'credibility is the essence of Liberal Democrat success and failure'. The four LD MPs interviewed stressed credibility. The LD elites at both levels have acted on the assumption that their policies must be as consistent as possible across the centre-periphery divide. As noted earlier, in British national parties the central elites have policies not just for 'national' government but also for the 'subnational' government of an undeveloped England. In this way, policy differences between central and the two subnational party elites become possible and potentially politically embarrassing. Thus the LD elites have made the strategic decision to keep their policy preferences as

consistent as possible across England/Scotland/Wales largely to achieve electoral credibility even though their party structure which permits considerable discretion to the State parties. Thus the LD have contributed to the nationalization of politics and public policy across Britain.

2. Coalition Formation and Maintenance

The coalitions have worked probably better than their participants expected. Inter-party electoral compatibilities were critical. Scottish and Welsh Labour's choice of the LDs as coalition partners was never in doubt, given that the nationalist parties formed Labour's major electoral competition. The LD's main electoral concern was, and is, how their partnerships with Labour would play with their own voters, especially in rural areas, who are mostly not natural Labour supporters. Of course, too, the policy and ideological compatibilities were crucial. Despite the high profile differences over certain policies, the two parties were able to form common programmes for government and, as is argued in the next section, initially this process was facilitated by Labour's policy vacuum. The coalition negotiations were shaped, too, by intra-party factors within the two subnational party branches. Both Wallace and German sought to win wider party commitment as vital, unlike their Labour counterparts. Yet the LD party, despite being a decentralized party, was able to participate at least as effectively in coalition negotiations as the more centralized Labour party (which consulted far less widely and not with rank-and-file membership).² This supports the Maor's thesis that decentralized parties are as effective coalition partners as centralized parties. However, future events may challenge this conclusion. Since 2003 tensions have grown between the LD parliamentary leadership and the wider party, both in Parliament and outside. Especially as Scottish Labour is seen to adopt more policy positions antipathetic to the LD since 2003, such as tougher law-and-order policies and giving the

private sector a greater role in public services. Such Labour-LD policy divergences underscore, in some LD activists' view, the danger that a third partnership term could threaten both LD identity and electoral prospects. Any such inter-party divergences will also strengthen the argument of some LD MSPs that the party could achieve more through ad hoc deals with a minority Labour administration than through a third partnership agreement.

A notable strategic device has been the use of lengthy and detailed coalition agreements. The LD negotiators saw these agreements as a means of limiting the future opportunities that Labour, as the larger party, might have to water down these commitments and to ensure that policy concessions were implemented even in portfolios held by Labour ministers. As noted., this strategy was drawn from the perceived failure of the 1970s Lib-Lab Pact. The LD insistence on detailed policy commitments in the partnership agreements was crucial in committing Labour, especially where Labour may have been tempted to backtrack on issues like local government PR, tuition fees and care for the elderly. These agreements, too, placed considerable emphasis on coalition management not least, it could be argued, to preserve trust between the two parties rather than, as Muller and Strom propose, reflecting a lack of trust.³ These agreements provide a useful precedent if the LD once again come to hold the balance of power at Westminster. Theoretically, too, the effectiveness of the LD strategy questions Laver's and Schepsle's ministerial model of coalition formation and confirms Mitchell's thesis that the junior party in coalition negotiations has a massive incentive to extract as many commitments as possible at the point of coalition formation.

One vital background factors should also be noted. The devolved governments enjoyed a favourable public spending context, at least after 2000. The Westminster Labour government increased public spending to achieve major improvements in public services and this increase

was passed onto Scotland and Wales through the Barnett Formula. Thus the two governments were able to absorb the additional public expenditure commitments entailed by LD demands. If the financial constraints had been tighter, the coalition formation and maintenance would have been considerably more difficult.

3. Public Policy Outcomes

The LD won major concessions from Labour. Measured in office-seeking terms, the LDs obtained their demands. An assessment of the extent of these concessions in terms of policies is more difficult. One way of attempting to assess these concessions is to compare the party manifestos with the partnership agreements. Roddin finds that of the policies in the first Scottish partnership agreement that had not been in both party manifestos, just over two-thirds were Liberal Democrat innovations and just under a third Labour (Roddin 2004: 46). My analysis of the LD and Labour 1999 Welsh manifestos, indicates that the proportion of purely LD initiatives (in the sense of initiatives not mentioned in the Labour manifesto) in the Partnership Agreement was even greater than in Scotland. However, as the first Labour manifestos in both nations were light on policy content, such analyses inevitably exaggerate LD influence. Pre-1999 the key political Scottish and Welsh leaders were absorbed in setting up the new institutions and simply did not have the time to consider post-devolution policy and were unwilling to delegate such policy-making to others within their party.⁴ In Wales, in particular, one early study of minister-official relationships identified a 'policy deficit in terms both of strategy and innovative policies' (Laffin and Thomas 2001: 51). Thus the influence of LDs partly reflected the opportunities presented by these policy vacuums.

The list of policies which the LD did introduce into the three partnership agreements remains impressive. To list some: they considerably modified Labour's policies on higher education

funding, they held Scottish Labour to McLeish's commitment to introduce 'free' care for the elderly, abolished prescription and eye tests for some categories of patient, and not least achieved proportional representation in Scottish local government. Keating (2002: 7) attributes responsibility for the emphasis on rural policy in Scotland and Wales to the LD. Even their Labour colleagues, not keen to give credit to the LDs, have acknowledged their influence. Two Welsh Labour ministers interviewed acknowledged privately the LD policy contribution. Henry McLeish, the former Scottish First Minister, too, concedes that 'the Liberal Democrats have probably gained more from devolution than any other party' (McLeish 2004: 219).

The pattern of post-devolution policy would have looked significantly different if the LD had not shared government with Labour. Major Scottish and Welsh policies which are 'divergences' from central, Westminster Labour policies, are actually cases of policy convergence on the LD policy agenda across the devolved governments. The major LD achievements involve a nationalization or homogenization, rather than a denationalization or regionalization, of the policy agenda. Yet the party is a *nationalized* not a *centralized* party – the Westminster leadership coordinates rather than controls policy and, for the most part, their colleagues in the peripheries accept this view. In contrast, the Labour party has acted as a force for policy convergence across the three British nations. Scottish Labour under McConnell has moved closer to Labour Westminster policy and electoral strategies since 2003 – such as stressing tough law-and-order policies and a role for private finance in delivery public services (Laffin et al., forthcoming). Although Welsh Labour has displayed more independence, diverging from central Labour policy by declining to introduce specialist schools and academies, modifying the school testing regime (originally proposed in the LD 1999 Manifesto) and not introducing foundation hospitals, and reorganizing the health service

on a different territorial basis from England (one of the few instances of LD disagreement with their Labour coalition partners).⁵

Conclusion

The case of the British LD provides important evidence on how national parties work in devolved systems, the particular dynamics of subnational coalition formation and the impact on public policy. In the LD the national and subnational elites have coordinated themselves remarkably well but informally, not through the traditional mechanisms of party discipline. They have acted as a *nationalized* but not a *centralized* party, despite the devolved nature of their federal constitution. The Westminster leadership coordinates rather than controls policy and, for the most part, their colleagues in the peripheries accept this view. The flow of influence, too, operates in both directions. The LD case shows how a party, lacking the discipline and party solidarity traditionally associated with a party like Labour, can still get similar policies implemented across devolved, subnational governments. Thus, as coalition partners, they have been able to get key LD policies implemented at the Scottish and Welsh levels. The evidence indicates that they achieved a wide range of important policy wins. Of course, the electoral and policy compatibilities between the LD and Labour were crucial in forming the coalitions. But the local LD elites did negotiate effectively, not least in ensuring that Labour signed up to specific policy commitments. Yet these commitments reflected the national LD policy programme rather than policy programmes evolved specifically within the Scottish and Welsh political contexts. These intra-party policy consistencies were not imposed by a national party elite tightly controlling the lower level. Rather centre-periphery relations within the party have had a reciprocal character, with a more balanced flow of influence both ways than has been the case for the Labour party.

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² The introduction of the policy forums into the Labour party has widened the range of members involved in policy discussions but Scottish and Welsh ministers retain a tight control over the process (Laffin et al., forthcoming).

³ Seyd (2004) provides a good detailed account of the constitutional context and the conflict management aspects of the agreements.

⁴ The authors' interviews with senior civil servants prior to devolution, on another project, indicate that the energies of Ron Davies and Alun Michael as Welsh Secretaries were absorbed in implementing the Assembly and very little thought had been given to post-devolution Welsh policy. This point is also well illustrated by the very thin, first strategic plan produced by the new Labour Cabinet, *A Better Wales* (Michael 1999).

⁵ Although note that the Westminster government legislated to allow them the scope to pursue these policies.