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The Social Democratic–Liberal Alliance: Breaking the Mold of British Politics?



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An Intelligence Assessment

State Dept. review
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An Intelligence Assessment

This paper was prepared by
Office of European Analysis

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**The Social Democratic-Liberal
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Key Judgments

*Information available
as of 23 May 1983
was used in this report.*

The fledgling Social Democratic-Liberal Alliance is aiming to capture the middle ground from Prime Minister Thatcher's Conservatives and the increasingly leftist Laborites in the British general election on 9 June. We believe that problems of internal leadership rivalries and policy differences and a slim campaign budget will keep the Alliance from breaking through to national power. There is an outside chance, however, that the Alliance could prevent either traditional party from winning a majority and thus emerge with the balance of power in the next Parliament.

The Alliance's electoral support has fluctuated considerably in the polls, from a high of 50 percent in December 1981 to its current low of 17 percent. Even if the Alliance increased its momentum and captured about a third of the vote—probably the most it can hope for—it almost certainly would not gain a third of the seats in Parliament. Under the British electoral system, the parliamentary seat in each district goes to the candidate who wins a plurality—a practice that works against the Alliance, because its support, unlike that of the Labor and Conservative parties, is spread out thinly across the country. Nevertheless, depending on how evenly the vote divides between Labor and the Tories, 30 percent for the Alliance could yield sufficient seats to prevent the other parties from winning a majority.

If the Tories or Labor sought Alliance support in forming a minority government, the Alliance would attempt to extract some concessions designed to moderate the policies of the larger party. The Alliance probably would not demand (or be offered) a coalition arrangement with the other parties, but would bargain for policy compromises—especially electoral reform to implement proportional representation—in exchange for its parliamentary support. We believe that once Alliance leaders entered a partnership with one of the major parties they would hesitate to press their positions too hard, however, because they would be leery of provoking an early election before rebuilding the party's finances. The Alliance probably would still be in a position to encourage job creation and slightly more expansionist monetary policies under a Tory government or to soften the unilateralist defense policies and isolationist economic policies that would evolve under a Labor government. The Alliance has said it could support either major party, but its positions on such issues as the EC, the economy and—to a lesser extent—defense probably would make it somewhat easier for the Alliance to work with the Tories than with Labor.

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British relations with the United States and other Western allies undoubtedly would suffer under a minority government since it would be unstable, possibly of short duration, and London's ability to meet its obligations would be less certain. To accommodate Alliance reservations, a minority Tory government ruling with Alliance support might delay INF basing or the purchase of Trident. Conversely, however, NATO and the West would be better off with a Labor minority government, no matter how unstable, than with a Labor majority. The right wing of the Labor party probably would use Alliance support as an excuse to avoid implementing unilateral nuclear disarmament and a pullout from the European Community.

The Alliance has managed to throw a serious scare into both traditional parties. Its success to date points out that over the long term, the increased polarization of British politics and the growing swing vote that is evolving with the decline in support for both the Labor and Conservative parties probably will provide ample opportunity for a moderate middle-of-the-road party.



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A Strong Start

In late 1980 and early 1981, a group of Labor Party notables made public their deep unhappiness with their party's swing to the left. In particular, the group publicly declared it would not support unilateral nuclear disarmament, leaving the European Community, or changes giving the Labor left wing more say in choosing the party leader. Encouraged by the positive public response to its proposals, the so-called Gang of Four—Shirley Williams, David Owen, William Rodgers, and Roy Jenkins—formally launched the Social Democratic Party (SDP) in March 1981. In total, 13 Members of Parliament from the Labor Party and one from the Conservative Party moved to the SDP, making it immediately the third largest party in Parliament. Allied with neither big business nor with the labor unions, SDP leaders indicated they were interested in attracting the “moderate mainstream” by rejecting the class basis for parties—“the board room versus the trade unions”—and by steering a path between the two.

The SDP got off to a heady start,¹ initially attracting 500 to 1,000 members per week according to press reports. A poll of 4,000 SDP members at the First Party Congress in October indicated that more than two-thirds were professionals, managers, teachers, civil servants, or self-employed businessmen. More than half of the delegates had no previous political affiliation, less than 7 percent were former Tories, and just over 30 percent had left the Labor Party. The rank and file was also determinedly democratic, as it demonstrated at the SDP constitutional conference in February 1982 when the floor favored a one-man, one-vote selection of the party leader by all party members as a way of distinguishing the SDP from the old parties. In midyear, the SDP elected Roy Jenkins as leader in the first-ever postal ballot by any British party.



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David Martin Steel

Leader of the Liberal Party and the Alliance election campaign . . . Britain's most popular party leader . . . in 1965, aged 27, he became the youngest member of the House of Commons . . . supports NATO and multilateral disarmament.

Before the SDP was a month old, Liberal Party leader David Steel had agreed with the four collective SDP leaders to form an electoral Alliance. The Liberal membership dragged its feet a bit, afraid of being swamped by the new “pop-star” SDP, according to press and Embassy reporting.² Ultimately, however, the Liberal conference approved Steel's overture. Embassy reporting indicates the Liberals thought the SDP could help their cause by providing government experience gained in Labor cabinets and attracting more working class votes.

² The US Embassy in Lisbon reported that a large Liberal Party delegation, in an unusual move for a British party, even visited Portugal to ask the advice of Portuguese Social Democrats on how the Liberals could hold their own in the proposed coalition.

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Roy Harris Jenkins

Leader and one of the founders of the Social Democratic Party ... Prime Minister-designate of the Alliance ... held posts of Minister of Aviation, Home Secretary and Chancellor of the Exchequer under Labor governments ... President of the EC Commission from 1977-81 ... considers the SDP to be centrist ... supports NATO, the EC, multilateral disarmament ... well disposed toward the United States .



Camera Press ©

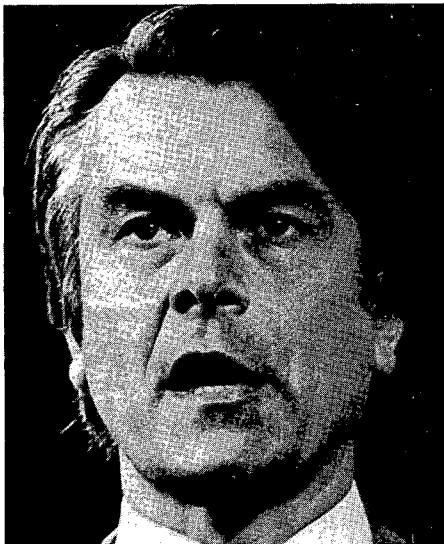
William Thomas Rodgers

Founding member of the Social Democratic Party ... party vice president ... greatly interested in defense matters since holding number-two position at Defense in mid-1970s and shadow defense position when Labor lost power .

well-disposed toward the United States.

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Sigma ©

David Anthony Owen

A founder of the Social Democratic Party ... party vice president, deputy parliamentary leader and defense spokesman ... held posts of Under Secretary of State for Defense for the Royal Navy, Minister of State in the Department of Health and Social Security and, ultimately, Foreign Secretary in various Labor governments ... sees SDP as left of center ... supports INF deployment if Geneva negotiations fail but calls for "dual key" arrangement ... favors a battlefield nuclear free zone in central Europe and a similar chemical weapons free zone ... pro-United States ...



Pictorial Parade ©

Shirley Williams

One of the founders of the SDP ... elected party president in September 1982 .

... considers herself left of center ... was Secretary of State for Prices and Consumer Protection, then for Education and Science in Labor governments during the 1970s ... supports NATO and EC membership ... opposes unilateral nuclear disarmament ... well-disposed to the United States.

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The Liberal Party, whose antecedents date back to the Whigs, was supplanted in the 1920s by Labor as one of the two major parties in British politics. Its share of the vote in recent years has hovered between 10 and 20 percent, and in 1979 it elected only 11 Members of Parliament. Nevertheless, the SDP leadership probably considered Liberal participation nearly indispensable in its effort to establish a centrist party. Although Liberal strength is higher on the Celtic fringes of Scotland and Wales, the party has a significant following elsewhere and a nationwide organizational structure. Ideologically, the Liberal Party maintains a resolutely classless approach (although most members come from the middle class), which complements the ideas of the new-born SDP. Association with the Liberal Party has its drawbacks, however, since the public has long viewed a vote for it as a throwaway, and it has had trouble fielding credible candidates and raising money.³

Internal Frictions

Although the Embassy reports the two parties saw themselves as complementary at the outset, the effort to find common platform positions has not been easy. Each side has been fearful of a "takeover" by the other and each at times has maintained a separate policy line while agreeing to a joint program. If the Alliance can generate renewed interest in the polls, however, we believe it can probably pull together during the campaign in the interest of gaining power.

Perhaps the most divisive policy issue has been disarmament. Since 1981 the Liberal rank and file has voted at its annual conventions in favor of unilateral disarmament. At its last national meeting in September 1982 the party called for a "phaseout of the

³ *The Times* has described the Liberal party, a little maliciously, as "a curious cross section of historical, geographic, and sociological strata. At the bottom, heavily submerged, are a few Whig grandees. Above them lie the remnants of the 19th century Liberal tradition—middle class, libertarian, nonconformist, high minded, but by no means as free market orientated as (you might) expect. Then there is a thick layer of discontented lower middle-class refugees from conservatism—what might be called the Poujadist element. Next come . . . radical idealists from the 1960s, preaching community politics, federalism, and devolution. Finally, as a top sprinkling, there are the new radicals of the past five years—all ecological purity and antinuclear enthusiasm. This rather ill-assorted alliance has naturally had considerable difficulty in getting its act together."

Polaris force as soon as possible" and came out against "the deployment of cruise missiles" in the United Kingdom. In contrast, the SDP policymaking body—the 400-strong Council for Social Democracy—voted decisively in January against canceling the deployment of cruise missiles and recommended that Parliament make the ultimate decision on deployment in light of progress in the Geneva negotiations.

The two parties' positions have been reconciled only because Liberal leader Steel has openly ignored his party's sentiment on this issue and essentially accepted the SDP position. According to press reports, Steel believes that nuclear defense issues will be of key importance in the election campaign and thinks that the Alliance can capitalize on the rift between Tory and Labor to capture the middle ground. As long as Steel sees it as beneficial, therefore, we believe he will continue to ignore dissent in his own party and work with the SDP multilateralists.

Choosing a Prime Minister—designate also continues to raise hackles. The Alliance never got around formally to choosing a leader, but Jenkins tacitly assumed the role. Jenkins had both cabinet experience and the aura of international statesman from his stint as EC Commission president. The Liberals began to have second thoughts about Jenkins, however, as Thatcher recaptured the limelight and the Alliance plummeted in the polls after the Falklands campaign. Jenkins was not effective in Parliament, and Embassy reporting indicates that the Liberals now believe Steel—who leads all British leaders in polling popularity—should be named Prime Minister—designate of the Alliance despite his lack of government experience. A compromise was announced in late April whereby Steel would head the Alliance election campaign and Jenkins would be named the Alliance candidate for Prime Minister. Although the compromise has not satisfied everyone, we think it will help limit interparty squabbling during the campaign.

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Alliance unity is most severely tried, however, over the splitting of constituencies. Liberals were vocally unhappy that in about half the contests for the general election their candidates—some of whom had worked for years to build up a following—were told to step aside in favor of Johnny-come-lately Social Democratic candidates. Some Liberals refused to stand down even when Steel said he would endorse the SDP candidate in their stead, and in the Darlington byelection in March about 25 percent of Liberal voters did not cast their votes for the SDP Alliance candidate.

Social Democrats, for their part, have complained publicly over the number of *winnable* seats their party was allocated. A study done last November by three Oxford University professors shows that the Liberals were given eight of the nine “safest” seats and 13 of the top 20. According to the study, some of the Gang of Four might even lose their seats in the June election. Another survey conducted in April by two British political scientists contradicts the earlier findings, however, and suggests that the SDP could win as many seats as the Liberals. The SDP grievance has probably been held too long now for this newer study to have much of a mollifying effect.

The Program

Both sides have had to moderate individual party stances in order to effect a joint Alliance program. The Alliance manifesto, published on 13 May, includes some careful wording to minimize differences in contentious areas, especially defense. In other areas, the manifesto calls for cutting the unemployment rate through public investment and tax cuts, joining the European Monetary System, expanding UK regional and social activities in the European Community, and electoral reform to institute proportional representation.

Defense

Defense policy leans heavily toward the SDP position but makes some bows to the Liberals. According to the manifesto, the Alliance approves of multilateral disarmament and cancellation of Trident. Any decision on INF basing would be delayed both until the Geneva talks conclude and until there is a dual key

agreement guaranteeing that the missiles would not be fired without UK consent. Polaris would be included in the Geneva talks. Differences of opinion over whether this means that Polaris would be assigned to NATO control and not be used “independently” by the United Kingdom—as the press reports Liberal leader Steel would prefer—or whether the British Government would retain control—as the press reports SDP defense spokesman Owen prefers—have apparently been swept under the rug.

Economic Positions

An Alliance government would not only maintain EC membership, but would make Britain a full member of the European Monetary System. In the domestic arena, the manifesto proposes a middle-of-the-road economic program that emphasizes public investment, tax cuts, and schemes to cut unemployment by 1 million over two years. Public sector borrowing would rise, and there are proposals to encourage industrial democracy, limit pay and price increases, and provide more government aid to children, pensioners, unemployed, and the disabled.

When most of these same economic policies were first proposed in a March position paper, at least one newspaper, *The Guardian*, endorsed them as having “a better chance of shrinking the dole queues than any other in the arena.” Many of the job creation ideas had already been espoused by the Tory left wing, leading the *Financial Times* to note that much of the economic program appeared designed as a prospectus for partnership with the Tories if the election failed to return a clear majority.

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The SDP/Liberal Economic Program

- Policy Focus:*** *Unemployment, costs and prices.*
- Unemployment:*** *Create 465,000 new jobs in FY 1983-84 through fiscal stimulus, including a 1.4 billion pound (\$2.2 billion) special employment program. Restore 5 percent to benefits.*
- Incomes Policy:*** *A formal incomes policy with both wage and price controls backed by Parliamentary authority and possibly backed by an inflation tax on firms that allow above average wage boosts.*
- Industry:*** *Increased investment in infrastructure and nonnuclear energy sources. Increased aid to small businesses. An end to denationalizations, would consider renationalizing automobile, transport and energy sectors.*
- Tax/Budget Measures:***
- *Eliminate proposed cuts in income taxes.*
 - *Cut value added taxes (VAT) by 2.5 percent at a cost of 1 billion pounds (\$1.6 billion).*
 - *Raise excise taxes in line with inflation. Gasoline and diesel fuel would be exempted.*
 - *One billion pounds (\$1.6 billion) in tax relief to small businesses and increased unemployment and child benefits.*
 - *Abolish the National Insurance Surcharge, which supports unemployment benefits. Raises borrowing requirements by 450 million pounds (\$716 million).*
 - *Increase capital spending by 850 million pounds (\$1.4 billion) in an effort to create jobs and speed the recovery.*
 - *Increase public sector borrowing by 2.8 billion pounds (\$4.5 billion) to offset other budgetary measures.^a*
- Monetary:*** *Allow slight increases in the rate of money stock growth, but hold interest rates at or below current levels.*
- Exchange Rates:*** *Join the European Monetary System and fix sterling at some as yet unspecified rate.*
- Trade:*** *Closer ties to the EEC. While basically antiprotectionist, would support added protection for troubled British industries and in some high-technology areas.*

^a *The Tories are calling for a deficit of 8 billion pounds (\$12.7 billion) while the Labor proposal calls for a 16.7 billion pound deficit (\$26.6 billion).*

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Parliamentary Reform

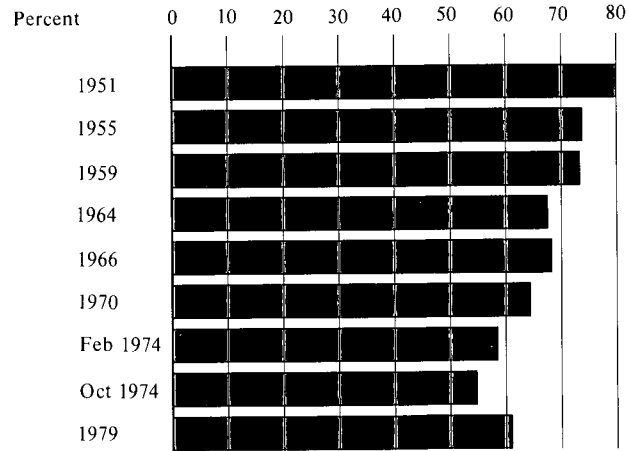
Another aspect of government reform touches on the House of Lords. Jenkins espoused a long-held Liberal policy last year when he stated in a press conference that he would end participation by hereditary peers and take away the voting rights of life peers. The new second chamber would have members elected by the regional assemblies and be able to delay for up to two years any government bills except for financial measures. This latter reform is unlikely to go far, even should the Alliance gain a voice in government. Carping about the Lords has been endemic for years, but we believe there is no strong support among the tradition-conscious Britons for changing its role so drastically. Perhaps more importantly, the present House of Lords is unlikely to acquiesce in such a revision and could retaliate by holding up most of an Alliance government's legislation until the plans are dropped.

The issue to which both parties are most committed is proportional representation, and this is the one both claim they will hold out for if the Alliance holds the balance of power after the election. Alliance solidarity on this issue stems from the dissatisfaction of all small parties with the electoral system's awarding of parliamentary seats to the candidates winning pluralities in their districts. Traditionally the system favors the large parties and works against small parties whose support is spread evenly across the country. Under proportional representation, majority government could become a thing of the past even if current voting patterns remain stable, and with the encouragement that such a system would grant to third parties, voting patterns probably would change markedly over the longer term. While we believe the Alliance would be unable to obtain anything better than a promise of some kind of referendum on the subject, this might be enough to garner its support, especially since the SDP and the Liberals are both anxious to participate in government.

How Well Can the Alliance Do?

We believe that the Alliance at best has an outside chance of winning enough contests to deny an absolute majority to Labor or the Tories. This slim prospect rests on the possibility that there is a large

Conservative and Labor Support at General Elections



Source: Ivor Crewe, "Britain's New Party: Can It Make It?", *Public Opinion*, June/July 1981.

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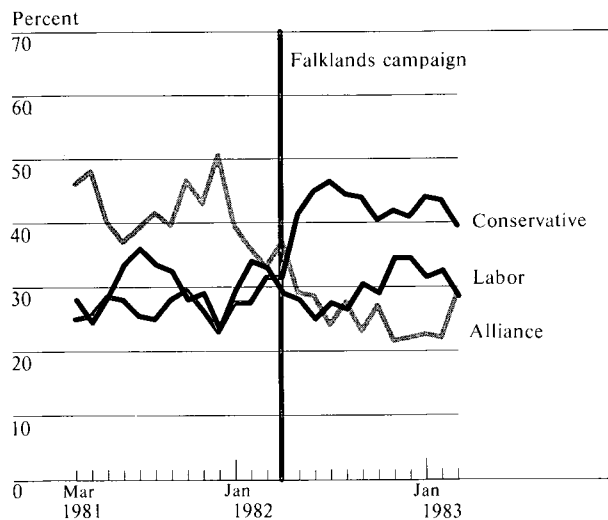
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undercurrent of public dissatisfaction with the two major parties—not yet apparent in the polls—that will translate into Alliance votes on election day. Support for the two traditional parties has eroded over the last 30 years, creating a volatile swing vote on which the Alliance is pinning its hopes. At the other extreme, Alliance members could find they do little better than did the Liberals in the general election in 1979, when they won 13.8 percent of the popular vote but only 1.7 percent (11 seats) of the 635 seats in the House of Commons. In this worst case, the Alliance could find itself disintegrating in frustration.⁴

⁴ The Alliance will not be the only small party that could provide support in the case of a hung Parliament. Ulster Unionists will probably win about 12 seats and would probably be the first party that the Conservatives would try to deal with if they are only a few seats short of a majority. Since neither major party is anxious to encourage Alliance aspirations, the Alliance would almost have to come in a strong third before it was approached for support.

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Monthly Poll Standings of Major British Parties^a



^a Excluding those who answered "Don't know"—a response which ranged from 15-20 percent over this time period.

^b Source: Gallup Political Index.

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It is still unclear how much electoral support the Alliance will command, however, especially since the polls reveal considerable fickleness in voter preference. After peaking at a remarkable 50 percent in the Gallup poll taken during December 1981, the Alliance slid to about 20 percent in mid-1982 following the Falklands war before climbing back to a second place 30 to 34 percent, ahead of Labor, early this spring. More recent polls reflect support for the Alliance at below 20 percent, a drop it can ill afford. The Alliance needs to regain momentum in order to appear an attractive option for disaffected voters during the election and not just a between-elections "event."

Should the Alliance regain lost ground and capture as much as a third of the vote, it would gain less than a third of the parliamentary seats. According to political scientist Ivor Crewe, a vote that runs between 25 and 30 percent and is spread evenly across constituencies, as is the Alliance's, would gain the Alliance few victories under the plurality electoral system. He calculated in the June/July issue of *Public Opinion*

Performance at Bermondsey and Darlington

The Alliance's stunning upset win in the Bermondsey byelection on 24 February has worried the traditional parties. Bermondsey had been a safe Labor seat for generations, but a combination of Labor infighting—there were two Labor candidates running against each other—and long-held antipathy for the Tories in the constituency swung the election to the Liberal candidate of the Alliance. When the dust settled, the Alliance had changed an 11,700 vote Labor majority in 1979 to a 9,300 vote Liberal majority, a feat that required an almost unprecedented 44 percent swing in the vote.

Election analysts have dwelt at length on the "tactical voting" that seemed to help the Alliance in Bermondsey. Three quarters of the small Tory contingent voted for the Alliance candidate as the one who seemed to have the better chance, while half of the Labor voters, their loyalties split, did the same. This trend has buoyed Alliance hopes, and SDP president Shirley Williams predicts that supposedly safe Tory or Labor seats may be as vulnerable as marginal ones. We believe these conditions are unlikely to develop very often, however, during the national election.

The Alliance euphoria following Bermondsey was followed by a drastic letdown the following month in the Darlington byelection. Although the SDP candidate began the campaign the oddsmakers' favorite, he finished third, while the Labor candidate actually increased Labor's winning vote total over the 1979 results. Moreover, with the Tory candidate only 2,400 votes behind Labor, Darlington has provided the Tory campaign with a readymade warning that to vote for the Alliance is to throw the election to Labor.

that it would capture only 30 to 35 seats out of the 635 in the present Parliament.⁵ According to Crewe, the Alliance would begin to win significant numbers

⁵ The seat total will go to 650 with the election in June.

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of seats only if it gained more than 34 percent of the vote. Above 37 percent, the Alliance would be the second-largest party in Parliament; higher than 39 percent, it could gain a plurality and have a chance at forming the government.

According to their own projections, Alliance strategists think they could take anywhere from 50 to 100 seats in the next Parliament if they can win Labor votes in the south where the Conservatives dominate. A bloc of 100 seats for the Alliance would almost guarantee a hung Parliament and give the Alliance the balance of power. Such a large number of seats going to the Alliance seems highly unlikely at this point, since it implies about 35 percent of the popular vote. It is not totally out of the question, however, given the recent volatility of the British electorate. Capturing close to 50 seats in Parliament—around 30 percent of the vote according to Crewe's study—might still be enough to steal a majority from the traditional parties and give the Alliance influence over government policies—depending on the vote spread between the Tories and Labor.

If the Alliance did obtain enough seats to hold the balance of power, it would probably not join a coalition but would simply negotiate for policy concessions in return for its support. It is not in the British tradition to form coalition governments, and both Thatcher and Foot have already made press statements ruling out this option. The Alliance leaders have told the press that they would be willing to work with either a Labor or Conservative minority government.

A Factor in Government

If the next election results in a hung Parliament with the Alliance holding the balance of power, British relations with the United States and other EC or NATO partners will become unsettled, because such a government probably would be unstable and might last only one to two years. In trying to press its views on the governing party, however, we believe the Alliance would be unwilling to push any issue to the point of rupture, especially in the early months. As the weaker partner (and the poorest party financially)

the Alliance would be leery of forcing a new election, which could be run "on its back." Therefore, it would be cautious in promoting even strongly held views and would likely back down if the government dug in on an issue. Even so, the Alliance would have a moderating effect on the extreme tendencies in either party it supports.

An Alliance partnership with a Labor government would be better for US interests than Labor governing on its own, because it would work to eliminate the more radical planks in Labor's program, such as immediate unilateral disarmament, and would try to stop Labor's planned withdrawal from the European Community. The Labor right wing probably would welcome Alliance participation in beating back the Labor left, and there is even a chance that such cooperation could so enrage the radical left—whose policies have dominated Labor's election programs—that the Labor Party would divide. Under this scenario, the moderate Laborites and the SDP might coalesce and the radical Labor group could shrink into a small leftwing party.

In support of the Conservatives, the Alliance would work to implement some of its populist aims—such as creating more jobs—although it seems unlikely that Thatcher would agree to anything that could set back one of her most heralded accomplishments, the striking decline of British inflation. A minority Tory government would have to weigh Alliance reservations about cruise missiles and might even be forced to delay deployment. Based on its platform, the Alliance would also try to prevent the purchase of Trident on the grounds that it is too expensive. As in the case of Labor, Alliance influence on Tory policies could even be welcomed by many in the party who have thought the Thatcher policies too extreme. This influence probably would not have the same divisive effect on the Conservatives, however, because internal disagreements lack the bitter quality that has marked disputes in Labor ranks.

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The Alliance has said it could cooperate with either Labor or the Tories, and it is likely to try to work out a deal with whichever party gains a plurality. The Alliance probably could cooperate more easily with the Tories, whose positions on such issues as the EC, the economy, and—to a lesser extent—defense, are close enough for the two to find compromises. The Tories, whose support has not eroded over time as drastically as that of the Labor Party, might also be better able to make a bow toward the Alliance demands on proportional representation. The Alliance probably would be better off trying to support Labor, however, if it is ever to entice the right wing of that party into its camp and realize its goal of replacing Labor as the alternative to the Tories.

Long-Term Prospects

We believe the gradual, long-term decline in electoral support for both Labor and Tory parties, the increased polarization of British politics, and a large sector of the population that seems willing to try something new, has left space for a moderate party in the middle.⁶ Current downward trends in support for the two major parties, moreover, seem to indicate that the share of voters looking for a moderate alternative will continue to grow. All of this has undoubtedly encouraged the Alliance in its hope of eventually replacing the Labor Party as an alternative to the Tories or at least gaining a permanent balance of power position in the center of the British political spectrum.

The Alliance has no room for complaisance, however. The large swing vote has proven to be fickle, as illustrated by the outcome of the Darlington by-election, and Alliance solidarity has been tenuous at the local level. Even the national leaders might be tempted to split, especially if members of Parliament are lopsidedly elected from only one of the Alliance partners. In an April press statement, Steel firmly ruled out the possibility that the Liberals would make agreements with one of the larger parties on their own, but SDP members publicly concede that the strength of their commitment depends on the election result. Other problems—the rivalry for leadership preeminence, financing, policy differences, and the public's low expectations about Alliance prospects—could all scuttle Alliance hopes of a breakthrough at the national level.

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