An Underappreciated Factor

- The numbers in the UK Parliament remain finely balanced
- These numbers could change over the summer months
- Opinion polling shows sharp swing to Labour over past month

With early results from local council elections in England and Northern Ireland showing sharp losses for the Conservative Party (while Labour has also suffered), it’s a useful point to consider what it might take to trigger a general election in the UK and how it might play out.

How can a general election be triggered in the UK?

- The Fixed-term Parliaments Act of 2011 created a five-year period between general elections. Early elections can therefore only be held in specified circumstances. The first of these is that a motion for an early general election is agreed by at least two-thirds of the whole House or without division (as occurred in 2017). The second is if a motion of no confidence is passed (by a simple majority) in the present government and no alternative government is confirmed by the Commons within 14 days.

- In the last confidence motion brought against the government in mid-January the government won by 325 votes to 306.

- Ahead of the cross-party talks on finding a common approach to Brexit, the Labour leader Jeremy Corbyn said: "We hold in reserve the right to bring a motion of no-confidence in the government if the government proves it's incapable of commanding a majority in the House of Commons: time will tell on that".
What’s the current situation in Parliament?

• There are 650 elected MPs in the House of Commons. One seat (Peterborough) is currently vacant. The seven Sinn Fein MPs do not take their seats in Parliament and therefore do not vote. The Speaker along with his three deputies (one Conservative and two Labour) by tradition do not vote either.

• There are now 312 active lawmakers on the Conservative benches. In addition there are 10 members of the DUP which supports the government by a confidence and supply agreement.

• The 11 members of the Change UK party might at present vote with the government in a confidence motion. Whether this might change should the Conservative Party switch leader and stance towards Brexit, remains to be seen.

• Active Labour lawmakers, combined with MPs from the Scottish National Party, Plaid Cymru, Green Party, Liberal Democrats and the remainder of the independent MPs, number 305.

• A by-election will be held in Peterborough on June 6.

• Based upon these numbers, it would therefore likely take 15 rebel Conservative MPs at most to vote against the government to bring it down. At present there is no indication that a sufficient number would be prepared to do this.

When might a general election be triggered?

• It is unclear how this picture might change heading into the summer, given the multiple possible events that could shift parliamentary alliances (including the outcome of the EU parliamentary elections, a Conservative leadership contest and the shape of any new approach to Brexit that might emerge).

What is also unknown is the impact a significant result for the newly-formed Brexit Party in the EU parliamentary elections might potentially have.

• Heidi Allen, the leader of the newly-formed Change UK, has predicted that “if the (Conservative) party actively chooses someone like Boris Johnson (as the next party leader), or whoever it might be, then that will tell them, I think, that the game really is over. She added: “I think that would potentially be the end of the road for a number of Tory MPs”.

How might the UK vote in a general election?

• Opinion polling since the end of March shows an increasingly sharp swing in support towards the Labour party. Thirteen of the last 14 opinion polls (YouGov/The Times, Panelbase/The Sunday Times, Opinium/The Observer, OnePoll/The Sun on Sunday, ORB/The Telegraph, YouGov/The Times, ComRes/Brexit Express, Opinium/The Observer, YouGov/The Times, Hanbury Strategy, Survation and BMG/The Independent) show Labour between one and 10 percentage points ahead, while the other poll showed a draw (YouGov).
The average lead for Labour over the fourteen polls is 5 percentage points.

- **An Electoral Calculus poll of polls** (taken between April 2 and 11) suggested that were there to be an immediate general election Labour would win 296 seats against 259 for the Conservative Party. The Labour Party would then have to enter into a coalition with another party (or parties) in order to form a government.

- In both the 2015 election and the 2016 referendum, political betting proved a less than accurate indicator of the outcome.

**How do the two most senior Labour politicians describe their politics?**

- Labour leader Jeremy Corbyn describes himself as a socialist or democratic socialist. When he was asked in 2015 if he regarded himself as a Marxist he said: “That’s an interesting question. I haven’t thought about that for a long time. I haven’t really read as much of Marx as I should have done.”

- Shadow Chancellor John McDonnell has spoken in favor of Marxism on a number of occasions. He has also been questioned directly on whether he sees himself as possibly the first Marxist chancellor of the UK

- Mr. McDonnell has said that his plan is for Labour to establish a Public Ownership Unit to develop legal and financial plans to bring private industries into the state sector, and set out a timetable for action.

- Mr. Corbyn has spoken in favor of “quantitative easing for people”.

**GBP and general elections**

- GBP has tended to put in an improved performance when the Conservative Party has done relatively better in opinion polls in the run-up to general elections (although this wasn't particularly true in 2005). In 1997 this happened even though there was no realistic chance of a Conservative victory emerging. This suggests that relative shifts in polling in the run up to an election can have an impact on GBP, even if the absolute gap between the two main parties remains substantial.

- The threat of a coalition in 2010 was treated poorly by the market.

- The price action on GBP in the run up to the election is not necessarily a guide to what happens afterwards.

**The current Labour leadership and markets**

- Speaking at a fringe event at the Labour Party conference in 2017, Shadow Chancellor John McDonnell said that a future Labour administration would not be "traditional" and "people want to know we're ready, and they want to know we've got a response to anything that could happen". He argued that the party must "scenario-plan" for all kinds of potential challenges, "bringing the relevant expertise together at every level to talk through what happens if there is such and such a reaction". He noted specifically: "What if there is a run on GBP? What happens if there is this concept of capital flight? I don't
think there will be, but you never know.” Leader Jeremy Corbyn subsequently endorsed the plan noting: “John is right to look at all these scenarios because if we're going to move into government we need to know what we're going to do”.

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