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**IRELAND**



<b>Reference Code:</b>	2006/131/1435
<b>Creation Date(s):</b>	19 March 1976
<b>Extent and medium:</b>	4 pages
<b>Creator(s):</b>	Department of Foreign Affairs
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IRISH EMBASSY, LONDON.

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cc. PSM  
PSS  
Anglo-Irish Section

19<sup>th</sup> March 1976

Dear Assistant-Secretary

I expressed the view in my telex no 133 of the 16th March that the Foreign Secretary, Jim Callaghan, was the most obvious and likely choice to succeed Mr Wilson as leader of the Parliamentary Labour Party and, therefore, as Prime Minister. Indeed his wish to hand over to the Foreign Secretary may well have been a factor in the Prime Minister's timing as a later retirement would almost certainly have weakened Mr Callaghan's chances of succeeding on age grounds - he will be 64 in a few days time. Mr Wilson's statement to Cabinet clearly indicated that he was aware of this - "I have a clear duty to the country and to the Party not to remain here so long that others are denied the chance to seek election to this post" - and in particular the fact that the age argument, given his own retirement at sixty, could become a factor in the election. He therefore went out of his way to say in his statement that "the fact that I am leaving shortly after my sixtieth birthday has no bearing on the choice to be made" and that "some of my most distinguished predecessors were either just below or just over that age on becoming Prime Minister." Therefore, and while Mr Wilson is, as expected, not committing himself publicly to any of the six candidates at present in the field, the clear inference from his timing and the above-quoted statements is, in my view, that his personal preference is for Jim Callaghan to take over as party leader.

For the record, I should say that I doubt whether the timing of the Prime Minister's resignation had any significance other than his wish to facilitate Callaghan's take-over, the need to give his successor an opportunity to establish his authority and style in good time before the next election and - probably the most important reason - his desire to retire to the peace of the backbenches after a life-time of pressure as Prime Minister, in Cabinet and on his party's front-benches.

/...

There is no doubt but that the Callaghan campaign began very smoothly and effectively, under the overall guidance of Merlyn Rees but with most of the groundwork being done by the Foreign Secretary's PPS, John Cunningham. Up to yesterday it appeared that Callaghan would have a fairly comfortable overall majority at the second<sup>or third</sup> ballots with his closest rival being Michael Foot. Tony Crosland and Tony Benn are not credible candidates while Roy Jenkins can hardly expect to obtain more than 50-70 votes at the first ballot and is unlikely to pick up many from the elimination of Crosland and Benn. The contest therefore appeared almost certain to end in a straight fight between Callaghan and Foot and, as the centre and right votes, which between them constitute a comfortable majority, would almost automatically be cast for Callaghan, the outcome looked at that stage to be fairly straightforward.

The entry of Denis Healey into the contest has however changed matters somewhat and has made the outcome rather more difficult to forecast. The Chancellor must be aware that he is taking something of a gamble as, following his rather emotional attack recently on the left of the party over their revolt on the expenditure cutback question, the fear that he might be unable to maintain party unity could frighten many MPs and leave him with a very paltry vote on the first ballot on the 25th. If, on the other hand, however, he was to do well in the election he would clearly be a very serious challenger if the leadership were to become vacant again within the next four years. He will be encouraged by some vague indications coming from the House today that he is beginning to pick up support at the expense of Jim Callaghan.

At this point in time and while it is still far too early to be definite about the likely development of the election, I would envisage Michael Foot doing particularly well on the first ballot and possibly, due to the centre and right votes being divided between Callaghan, Healey, Jenkins and Crosland, being at the head of the poll.

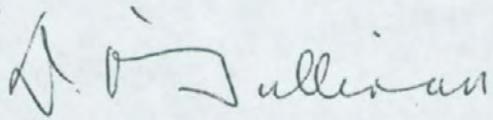
The position then is that if, as seems almost certain, no clear winner emerges, the bottom candidate is eliminated, or the two lowest candidates - Benn and Crosland - if together their votes add up to fewer than the next candidate up. A second ballot will then be held on the 30th March and, if necessary, further counts can take place. Depending on the outcome of the first ballot, and in particular the decision by the candidates, especially Healey and Jenkins, whether to continue to stand in the light of their assessment of the result, the election could quite easily go a third count. I would still however see the final outcome going in favour of Callaghan who is liked by all sections of the party and who should pick up a lot of number two votes when other candidates have been eliminated. He is seen as being the candidate most in the mould of Harold Wilson and having the three essential elements which any Labour leader must have, the ability to unite the party, to work with the trade unions and to win a general election.

The election of a new leader will of course mean an immediate reshuffle of the Cabinet. If Jim Callaghan takes over at number 10, I would not be surprised to see Merlyn Rees moved to the Foreign Secretary's old position at the Home Office, a Department Merlyn has already seen service in as a junior Minister. If however he would prefer a move to Trade or to Education, he should be in a strong position to obtain his request, having organised Callaghan's campaign and canvassed strongly for him. I would suspect also that the new Prime Minister would wish to replace Merlyn with one of his own men and perhaps he might take the opportunity to promote Roy Hattersley to his long-desired seat in the Cabinet.

While the situation is at the moment very confused and vague, it should be much clearer next week and particularly of course after the first ballot on Thursday.

We are of course keeping closely in touch with developments and shall let you have a further report at an early date.

Yours sincerely

A. J. Sullivan

Ambassador

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Department of Foreign Affairs  
DUBLIN.