Update: How would a 2010 hung Parliament be managed?

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Last week we discussed the differences between different types of hung parliament, especially

- a "shallow hung Parliament" where the top party is just a few seats short of a majority and can hope to get by for a year until another election is called in May 2011;
- and a "deeply hung" Parliament where neither of the top two parties gets above 300 seats and a government can realistically only be formed with Liberal Democrat agreement.

Rather worryingly, some of the earlier pronouncements of Sir Gus O'Donnell in February suggested that civil service mandarins were living in the past, and were assuming that a 2010 hung Parliament would just re-run the rushed and ham-fisted coalition attempts of February 1974. This certainly seems to be what most of the national press is expecting, with endless references to this parallel – even though 1974 was more than three and a half decades ago. The British party system has changed out of all recognition since then - see our discussion of Other parties. And we have had formal coalitions or minority governments in Scotland, London and Wales devolved governments for years now.

Happily, Tuesday saw the announcement of a new Cabinet manual, updated by Sir Gus O'Donnell, giving a number of 'safety valves' in the event of a hung parliament. These seem to have the chief goal of fostering financial market stability and preventing a possible run on the pound. The revisions also pave the way for civil servants, for the first time, to help broker and assist at coalition talks (though they are unable to offer policy advice).

The most interesting change is that Parliament may not need to convene for 18 days after the election, in order to give time for parties to negotiate agreements or coalitions. A key implication is that Gordon Brown could continue as Prime Minister even in the event of the Tories being the largest party (but being short of their needed 326 seats). If he is unable to form a coalition with the Liberal Democrats in that time, then he would have to resign, and David Cameron's party would be asked to form a new government.

However, an intriguing 'double jeopardy' scenario now raises some very interesting questions for the Crown in the event of a deeply hung Parliament. Suppose that the Liberal Democrats refuse to keep Brown in office, the Labour government resigns, and Cameron becomes PM, but with nothing like a majority. The Conservatives will almost certainly refuse to make concessions to the Liberal Democrats on constitutional reform, and so will bunker down for a year of minority government where they rely on the great powers of the UK executive to govern.

But suppose next, that Brown resigns as Labour leader and a new and far more agreeable successor emerges from the resulting quickly undertaken Labour leadership contest – someone like David Miliband or Alan Johnson, who would both make great coalition leaders. A "second-chance" Labour-Liberal Democrat pact could easily come together by September 2010 – sufficient to defeat the Conservatives on a vote of confidence when the new Parliamentary session starts.

Probably Cameron would react by demanding a general election – but if a Lab-Lib pact is in place he would have no constitutional right to get one. The Queen should clearly deny any such request, and instead ask the new Labour leader to form a coalition government. With the strong rationale of putting Britain's public finance back into shape, a 2 to 3 year Lab-Lib pact could decisively change the face of UK politics.

Forming a regular coalition government would signal the UK's final transition to becoming a normal European liberal democracy. Constitutional changes to bring in Alternative Vote for House of Commons elections, a fully elected Senate, and proportional representation for English local government, would all help make this change a permanent one that would not be rolled back by a subsequent Tory majority at Westminster. So the stakes involved in a hung Parliament have never been higher.