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Liberal reforms and the statist agenda : the thought and politics of Liberal social reform in early twentieth century Britain

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Abstract

This thesis examines the social reforms ushered in by the prewar Asquith cabinet. It deals with the progressive intellectual environment and how it related to the budget of 1909 and the National Insurance Act of 1911. The following demonstrates how ideologies contribute to a public policy process riven by political, personal and administrative forces.

Résumé

Cette thése est une étude des réformes d'avant-guerre entreprises par le gouvernement Asquith. Le budget de 1909 ainsi que le National Insurance Act de 1911 furent influencées par l'intelligentsia progressiste de l'époque. Cependant, le dévelopement des politiques gouvernementales démontrent une empreinte idéologique ainsi que l'influence d'une série de facteurs politiques, personnels et administratifs.

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Introduction

The budget of 1909 and the National Insurance Act of 1911, passed by the Liberal government of H.H Asquith, stand as great reforms in the history of British public policy. These policies, by consecrating progressive taxation and social insurance, anticipated the future welfare state. The expansion of the role of the state, determined by political change, was also the subject of intellectual discussion. In particular, new liberalism defined both political and ideological phenomena. New liberalism was the shared creed of both a coterie of progressive Liberal thinkers and the post-Gladstonian leaders who reoriented the Liberal party from its traditional concerns to contemporary socioeconomic issues. Intellectuals and politicians were united by a common statist agenda. This coincidence might suggest a close relationship between political thought and action. The process which determines public policies is, however, a complex one. Thought and action are not bound by a simple causal relation. The decisions of government are made within a multifarious environment. The role of ideas and ideologies appear all the more subtle and nuanced as the influence of other factors are appreciated. Through the prism of the Liberal reforms of 1909 and 1911, this study will examine the public policy process, examining the multitude of factors that shaped the outcomes of state initiatives and illustrating the relationship between political thought and action.

Relatively few studies have examined the practical interaction of ideas with the actual policy process. Scholars have usually focused on either politics or ideologies. As a result, some have distorted the relevance of the one to the other. For example, Michael Freeden exaggerates the influence of new liberal ideology. He claims that this world view underlay western welfare state systems.[1] This claim seriously distorts and simplifies the history of state expansion. A wide variety of elements, including a myriad of ideologies, contributed to this international phenomenon. As a result, western welfare systems illustrate the diverse origins of statist policies. New liberalism emerged within a distinct national political tradition at a particular juncture of British history. Freeden's claims do not sufficiently consider the complexity of the forces which drove statist growth.[2] Though Peter Weiler's approach is more modest[3] , his 1982 work New Liberalism examines an intellectual environment without sufficiently discussing the practical role of ideas in political decision making. Weiler reflects the tendency of intellectual historians to neglect an evaluation of the practical relevance of ideas at the political level. The work of Peter Clarke reflects similar limitations. With the publication of Lancashire and the New Liberalism in 1971, he sought to demonstrate, through a regional case study, that new liberalism was a succesful political response to the emergence of class politics.[4]

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[1] See Michael Freeden, New Liberalism : An Ideology of Social Reform, (Oxford, 1978).
[2] See Robert Skidelsky, Interests and Obsession : Historical Essays, (London, 1993), pp.79-84.
[3] See Peter Weiler, New Liberalism, (New York, 1982).
[4] Peter F Clarke, Lancashire and the New Liberalism, (Cambridge, 1971), pp. 393-407.

However valuable, the study still does not address the methods through which new liberalism was translated into action. A second work, Liberals and Social Democrats, discusses the lives and ideas of a groups of new liberal and socialist intellectuals.[5] Though interesting, the study merely assumes the importance of these intellectuals without addressing the fundamental issue of political relevance and influence.

On the other hand, studies of social policy have suffered from other shortcomings. A focus on bureaucratic and political dynamics tends to overshadow the examination of ideological influences. Furthermore, some stress a long term approach to welfare characterized by its anachronism. Derek Fraser argues that the welfare state was the product of centuries of development.[6] In other words, such scholarship establishes a clear evolutionary pattern on a discontinuous process. More recently, Geoffrey Finlayson decries this misleading progressive interpretation of the welfare state.[7] From that perspective, Keith Laybourn, by arguing that the Liberal reforms laid the foundations of the welfare state, is guilty of the same error.[8] The remarkable work of José Harris, however, leaves little open to criticism. Unemployment and Politics reveals the complexity of the policy process. Political, administrative and ideological concerns motivated the transformation of state

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5 Ibid, Liberals and Social Democrats, (Cambridge, 1978).

6 Derek Fraser, The Evolution of the British Welfare State. (london, 1973), pp.1.

7 Geoffrey Finlayson, Citizen, State and Social Welfare in Britain 1830-1990, (oxfrod, 1994), pp. 2-3.

8 Keith Laybourn, The Evolution of British Social Policy and the Welfare State, (Keele, 1995), pp. 177-178.

prerogatives. A new understanding of the unemployment problem led to new forms of interventionism.[9] In particular, she argues that the Liberal reforms were shaped by a belief in the market and an expansion of central government mindful of preserving an underlying political consensus.[10] The uniformly impressive work of José Harris contrasts with the flawed studies of her colleagues. However, on the whole, these works neglect the serious study of the nature and role of reformist ideas. Perhaps the pragmatic bias of British social policy explains this general approach.

Certain scholars have attempted to bridge the gap between political and intellectual history. Hugh Vincent Emy, in his excellent study of Liberal politics,first published in 1973, examines political ideas within the context of electoral politics and policy development. Emy argues that the reevaluation of economic society transformed the political process; in particular, fiscal policy became the practical tool of new social concerns.[11] In 1980, Bruce Murray concurred in this opinion with the publication of his work on the budget of 1909. He argues that the transformation of Liberal fiscal policies was both a response to and a tool of a progressive alliance committed to social reform.[12] Budgetary policy thus provided the best area for the examination of the role of ideologies.

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[9] José Harris, Unemployment and Politics, (Oxford, 1972), pp. 5-6.
[10] Ibid., pp. 364-365.
[11] See Hugh Vincent Emy, Liberals, Radicals and Social Politics 1892-1914, (Cambridge, 1973).
[12] Bruce K Murray, The People's Budget, (Oxford, 1980).

However, such historiographical exercises present potential difficulties.

One must distinguish between the rhetoric of public discourse and the internal discussions of policy. The speeches and writings of political figures can reveal the prevalence of particular ideological semantics.[13] This illustrates the indirect role of ideology. Ideologies determine the parameters of political debate, establishing the bases for discussion. Within the executive echelon of power, however, great ideological clashes are not as readily apparent. An analysis of internal memoranda, as found in the Public Record Office, reveals a near absence of philosophical consideration. Problems discussed were often mundane and practical[14] while debate owes as much to the clashes of personality as to differences in political orientation. The latter can be attributed to the conflict of world views but also to the calculations of political strategy. These multiple considerations are not necessarily independent or contradictory. Political action is the product of a complex environment. Partisan and electoral considerations , as well as the influence of key individuals and interests groups play their parts.

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[13] For example, one might consider Winston Churchill's Liberalism and the Social Problem, (London, 1909).

[14] One might argue that this distinction reflects the different roles of the executive and legislative branches or , in particular, the different responsibilities of politicians and bureaucrats. A letter from Robert Chalmers to LLoyd George illustrates this view : " ...questions of policy...fall, for decision, by Ministers and not by officials selected from several departments...Details of course stand on a different footing when time comes for consideration..." (Found in I.R 73/2, November 3 1908.) Though theoretically accurate, in practice the division of responsibility between politicians and bureaucrats is not clear. As government became more complex, the influence of civil servants over their political superiors increased. Thus, the division of responsibility became all the more confused.

The end result must be viable, in the political and administrative senses.

The Liberal reforms were promulgated by statesmen not intellectuals. Asquith, Lloyd George and Churchill gave practical existence to what might have remained theoretical abstractions. Yet the motivations of the political class were as diverse as its constituent personalities and the pressures which drove the political system. A combination of principle and opportunism contributed to the new direction in political leadership. These two elements are not necessarily contradictory. Opportunism can be seen as a method through which principle is given practical reality. The career of David Lloyd George reflected this process. As Robert Skidelsky writes :

> Lloyd George was an opportunist...one whose fluidity of principle made him a creative politician for a period of great unrest or danger. He was a manager, not an ideologist or class warrior...the point of the man of action is to get things done when there is danger but no consensus. At no stage in his career was Lloyd George ever at a loss for a plan, a solution, a way out, however intractable the problem appeared. His method of action was instinctive, but a certain preferred pattern emerges : the summoning of the best brains to provide policies ; the appointment of executive types...to carry them out; and the exercise of political leadership to mobilize the necessary consent.[15]

Though exceptional by the breadth of his successes and failures, Lloyd George was representative of a large segment of the political

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[15] Skidelsky, pp. 161-162.

establishment in an important regard. The decisions he made were not the result of a simple ideological drive. His career demonstrated the importance of general attitudes and approaches towards the problems of governing rather than the overarching influence of theoretical abstractions.

Since ideas are at the root of human behavior, historians may too easily assume the influence of ideologies. Political decisions are made within a context that renders causal analysis all the more difficult. In a multifarious environment, outcomes are generated by the correlation of a myriad of elements. The budgetary and legislative processes, as we shall see, cannot be understood by a method of ideological reductionism. The following study will illustrate this contention . In the first chapter, we shall examine the contributions of major intellectual figures to the evolution of political thought. A number of thinkers elaborated concepts which shaped a progressive statist consensus. This paradigm shift affected the political discourse. Afterwards, I shall discuss the origins and development of the major Liberal reforms. In doing so I will illustrate the complexity of the public policy process. Thus, the second chapter will discuss the context in which the budget of 1909 was developed and passed. Finally, the third chapter will deal with the origins and enactment of the National Insurance Act of 1911.

Chapter 1 : The Origins and Development of the Statist Consensus

The Asquith reforms were the byproducts of a fertile intellectual environment. Progressive taxation and national insurance emerged as state policies rationalized by the ideas and rhetoric of a new climate of opinion. A consensus of progressive intellectuals had redefined the scope of state power and responsibility. As a result, they provided, as José Harris notes, a new language for social policy.[1] A wide array of thinkers contributed to this process. Some of the most influential were identified with the political left. Figures such as Henry George, T.H Green, L.T Hobhouse, J.A Hobson as well as the Webbs, transformed the intellectual environment of late Victorian and Edwardian England. Land reform, neo Hegelianism , new liberalism as well as Fabian socialism contributed to the progressive character of state expansionism. In the following chapter we shall examine the main contributions of these figures, ascertaining their relevance to the rhetoric of Liberal social reform.

In 1909, the Liberal budget sparked a political and constitutional crisis by virtue of its tax policies. The land tax proved particularly unpopular with the peerage of the House of Lords. The tax was a direct affront to an aristocratic class whose wealth, power and prestige were associated with the ownership of land.

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[1] José Harris, "Political Thought and the Welfare State 1870-1940 : an Intellectual Framework for British Social Policy." 135 Past and Present : 116-141.

Indeed, the latter had long been the backbone of the class system. As a reaction to this fact, land reform had been a political force for the last few decades. Moreover, land reform was also a reaction to the changes which were transforming British society. The exodus of rural populations to urban centers was matched by the continued growth of municipalities. In an era of municipal socialism, this expansion undermined the fiscal health of local government. Within this context, land reform came to be understood as a potential solution to fiscal difficulties. New schemes of land taxation could provide an expanding revenue base proportionate to the needs of urban development.

The reform movement gained momentum with the infusion of a new source of inspiration. Henry George, an American journalist and author, proponent of the single tax, galvanized British radical politics. As Booth and Rowntree had documented the nature and scope of urban poverty, George expressed moral outrage at the situation coupled with a "scientific" understanding of its cause. Most importantly, he provided a remedy for contemporary poverty. Therein lay the importance of Progress and Poverty . First published in Britain in 1880, the book proved so popular that its first printing was exhausted by the following year.[2] The American author came to influence the British political scene. By 1884, all major papers and journals had reviewed his work, regardless of their ideological prejudices.[3] In short, he was treated as a serious political and

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[2] Edward J Rose, Henry George, (New York, 1968), pp.86-87.
[3] Ibid.

economic thinker. By virtue of the notice he received, and the appeal of his message, Henry George was destined to have a long lasting influence.

Progress and Poverty attracted attention because of its style and content. Written by a self educated journalist, the book was noted for its dramatic flair. Whatever the value of his economic doctrine, George attempted to explain how poverty persisted in the midst of the unparalleled prosperity wrought by industrial civilization. In brief, his work addressed the paradox of capitalist society. The increase of production and wealth had not eradicated poverty. For George, the future of the social order hinged upon the solution to this problem :

> This association of poverty with progress is the great enigma of our times. It is the central fact from which spring industrial, social and political difficulties that perplex the world, and with which statesmanship and philanthropy and education grapple in vain. From it come the clouds that overhang the future of the most progressive and self-reliant nations. It is the riddle which the Sphinx of Fate puts to our civilization, and which not to answer is to be destroyed.[4]

The author's rhetorical flair led him to stress the drama and urgency of the question of poverty . From the outset, the author's attitude matched the prerogatives of British progressives. In anticipation of future radical and socialist thinkers, his work excoriated the

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[4] Henry George, Progress and Poverty, (New York, 1939), p.10.

dysfunctionality of the current socio-economic system. The causes of poverty were not to be found in the defects of individual character. Indeed, the causes of poverty were as systematic as their implications were pervasive. By advocating a radical solution to the perceived root of the problem, George proposed to reform the contemporary socioeconomic order. In brief, the author advocated the redistribution of wealth through the medium of land reform.

The unequal distribution of wealth could be attributed to the conditions of land ownership. According to his economic analysis, land , labor and capital formed the three factors of production.[5] In itself, land had value insofar as it yielded rent.[6] Given that land ownership was dominated by a privileged few, rent became the price of monopoly. By implication, the monopolistic control of land led to the unequal distribution of wealth. The increase in rent accounted for the stagnation or decline of wages.[7] Thus, the elimination of poverty entailed the redistribution of wealth. By substituting common for individual ownership this goal could be achieved.[8] George proposed to transfer ownership through the means of taxation. The taxation of land , while discriminating between its uses, would eliminate speculative rent.[9] Fiscal redistribution would reward those dedicated to production. For George a communitarian

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[5] Ibid., p.38.
[6] Ibid., p.166.
[7] Ibid., p.172.
[8] Ibid., p.328.
[9] Ibid., p.413.

perspective rationalized redistribution. Land valuation was justified since land , in the socioeconomic sense, was created by the growth of community.[10] Therefore, public taxation was but an exercise in the common interest. The taxation of the unearned increment,as it came to be known, would temper the excesses of capitalism.

Interestingly enough, an American author became a significant figure in the British political scene. On a number of occasions Henry George toured the country in order to promote his economic gospel. The nature of his appeal related to domestic concerns. Indeed, his ideas were congenial to the native land reform movement.[11] Furthermore, he influenced the development of radical and socialist movements.[12] George played a capital role in British political and intellectual history. The next generation of radical and socialist activists acknowledged their debt. L.T Hobhouse recalled the author's importance in reviving interest in poverty.[13] Moreover, the young Sidney Webb was an admirer of George. Having previously met the author in New York, Webb welcomed him to the British isles :

> I write to welcome you to our country, and to wish you every success in your tour. I do not forget the interesting conversations we had...The Radicals hardly need your visit, except always, by way of inspiration and encouragement...Your visit will do immense good in

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10 Ibid.

11 George R Geiger, The Philosophy of Henry George, (New York, 1933), p.407.

12 Ibid.

13 L.T Hobhouse, Liberalism, (New York, 1964), p.112.

> stirring up the bourgeoisie...Pray them special attention...[14]

This correspondence illustrates the seminal role enjoyed by Henry George. The author, with the flair of a preacher, expressed moral outrage while demonstrating a "scientific" understanding of socioeconomic inequity. In this sense, he was on a par with his German contemporary Karl Marx.

Land taxation affected the political discourse. The reform agenda became a source for public policy. This influence was most pronounced within the Liberal camp. In particular, the single tax programme contributed to the revival of Liberal rating doctrine. In 1886, George's associate William Saunders tabled a parliamentary motion for the direct assessment of land.[15] From the outset, this doctrine was associated with the expanding role of urban government. In London, for example, the advocates of municipal reform advocated this measure as a solution to fiscal difficulties.[16] Even at this stage, redistributive taxation was related to wider issues of social reform. Reformers sought to achieve social justice through practicable means. The principles of ideology were directly related to the pragmatic necessities of administrative reality.

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14 Norman Mackenzie, ed., The Letters of Sidney and Beatrice Webb, vol 1, (Cambridge, 1978), pp.125-126.

15 Avner Offer, Property and Politics 1870-1914 : Landownership, Law Ideology and Urban Development in England, (Cambridge, 1981), p.188.

16 Ibid., pp.190-200.

Meanwhile, as a variety of scholars have noted, from Melvin Richter to José Harris, the ideology of liberalism was undergoing a profound transformation. T.H Green and the British idealists defined the nature of this ideological revision. From the philosophical perspective, Thomas Hill Green, A Oxford philosopher and fellow of Balliol college, an active member of the Liberal party and a revered figure among reform minded undergraduates, developed a new rationale for state interventionism. By employing idealist concepts, he redefined individual rights and freedoms within a collective framework. Departing from the Lockean traditon, the philosopher denied individual viability outside the community. Human civilization was defined by the experience of community. For Green, society rested upon the moral ideal of the common good. The latter determined all ethical norms and social institutions.[17] The common good consisted of a collective understanding of the axioms and rules which maintained society. It was sanctioned by :

> ...the rational recognition by certain human beings...of a common well being whether at any moment any one of them is inclined to it or no, and the embodiement of that recognition in rules by which the inclinations of the individuals are restrained, and a corresponding freedom of action for the attainment of well being on the whole is secured.[18]

Civilization, therefore, was a moral and physical construct based upon the ideal of social well being. However vague or naive, the

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[17] Paul Harris and John Morrow, eds., T.H Green : Lectures on the Principles of Political Obligation and Other Writings, (Cambridge, 1986), p.267.

[18] Thomas Hill Green, Works of Thomas Hill Green, vol 2, (new York, 1969), pp.430-431.

definition of the common good had distinct theoretical and political implications.

Green adopted a Hegelian view of the state. Government represented a politically developed form of community. By nature, it served to realize the potential of society. In other words, the state actualized the common good.[19] Green provided a collective sanction for public institutions. Given the fact that the community was the product of a shared consciousness, the polity existed by virtue of collective will. Will served as the true foundation of the state.[20] Legitimacy was defined by a common ideal. Individuals, bound by their common moral sense, formed a society and established a polity to give practical expression to the collective ethos. Sovereign power, maintained by, and exercised through a system of laws, strengthened the sanction of collective will. The state exercised supreme coercive power through the medium of legal rules and institutions.[19] Green reiterated the principle of civil society bound by law. Coercive power did not endow the sovereign with absolute authoritarian prerogatives. Society and the individual enjoyed a symbiotic relationship.

The conditions of political obligation prescribed both individual rights and responsibilities. In his Lectures on the

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[19] Ibid., pp.434-435.
[20] Ibid., 427-447.

Principles of Political Obligation, Green rejected the doctrine of natural rights, asserting that individual rights existed by virtue of community.[22] Rights were relative to the conditions of the community. Personal freedoms were determined by the common good. The social recognition of rights conferred individual freedom. The advance of civilization could be measured by the growth of personal freedom. The concept of self realization motivated the process of historical development. Real freedom described a state of moral accomplishment. In brief, this defined individual devotion to good as its own object.[23] In practical terms this signified devotion to the common good. Man achieved the moral perfection of real freedom by virtue of service to his fellows. Within the social context, this implied a new role for the state. According to Green, the state served to facilitate the achievement of individual freedom. Cultivation of character was related to the moral and physical environment. Personal development depended upon social conditions. Freedom was relative to the extent of opportunities for personal growth. The state guaranteed these oppotunities. Government served not only a negative function but a positive one as well.[24] Intervention was rationalized by environmental concern for individual growth.

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22 Ibid., p.29.

23 Works., p.371.

24 Peter P Nicholson, The Political Philosophy of the British Idealists, (Cambridge, 1990), p.158.

Green's record as a political activist confirmed his theoretical pronouncements. As a member of the Oxford community, he was associated with the Liberal party. By 1873, he described himself as a Constructive Liberal, the term advocated by the radical advocates of reform.[25] By its work in the political field, the group mirrored the ideological revisionism of the idealists. During the second half of the century, reformism focused on new objectives. Socioeconomic concerns overshadowed the strictly political.[26] Justice became a social and economic concept. Radicalism sought a better life for the masses. Industrial relations and housing conditions, to name a couple of issues, formed the corpus of new political priorities. In the name of social well being, Green advocated public policy initiatives that reflected the transformation of the Liberal agenda. For example, freedom of contract, an apparent tenet of the liberal creed, was deemed relative to the collective interest ; in particular circumstances it could be overriden for the sake of greater social concerns.[27] Social conditions were always related to moral ends. By restoring individual capacity, the state preserved true freedom.

Green and the idealists marked the younger generation. In particular, many scions of the middle and upper classes, at Oxford in particular, while benefitting from the advantages of higher education, also fell under the spell of the philosopher and his school. Idealism permeated the culture of reform and inspired future

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25 Ibid., p.163.
26 Ibid.
27 Works, pp. 372-373.

politicians, bureaucrats and intellectuals.[28] Green's influence transcended the intellectual field. He promoted a spirit of activism that launched new institutions. Most notably, the settlement movement emerged as a major venue for young reformers.[29] Idealism denoted both a philosophical movement and a mentality of practical activism. On the whole, the language of idealism affected the tone and nature of reformist rhetoric. Quite rightly, José Harris stresses the triumph of idealism, over the next few decades, in shaping the intellectual context of British social policy.[30] Though these policies were not the mere products of ideological determinism, they reflected the influence of certain ideas and approaches. Idealism helped provide a "legitimizing framework of social thought". Idealist revisionism, at an abstract level, provided an intellectual rationale for the changing face of liberalism.

Green's advocacy of interventionism paled in relation to the work of his successors. By the turn of the century, new liberalism denoted a coterie of progressive Liberal intellectuals that extended the collectivist rationale for statism. The new liberal intelligentsia extended the attack on laissez faire, providing a theoretical framework for the Asquith reforms.[31] The influence of these figures

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28 Harris, op. cit.; Andrew Vincent and Raymond Plant, Philosophy, Politics and Citizenship, (London,1984); Melvin Richter, The Politics of Conscience : T.H Green and his Age, (London, 1964)

29 See Richter and Vincent and Plant.

30 Harris, op. cit.

31 Peter Weiler, The New Liberalism, (New York, 1982), p.1.; Richard Bellamy, ed., Victorian Liberalism: Nineteenth century political thought and practice, (London, 1990), p.186.

was exercised through the medium of the press. These thinkers permeated the environment of Liberal journalism while publishing a myriad of extended works. [32] Their activity, though intellectually stimulating, provided relatively little in the form of specific policy proposals.[33] On the whole, the new liberals seemed more interested in statements of principle rather than prescribing policy. However, they contributed to a climate of opinion that redefined the parameters of social thought and political debate. As Weiler writes :

> Their function during the Liberal government was not to innovate specific legislation, but rather to convince the majority of the party of the need for reform, and to consider such questions as the eventual direction the Liberal party should take, and the moral and philosophical justification for new liberal legislation. Thus, although they did not create specific legislative programmes, they provided the best articulation for the new liberalism.[34]

In this sense, the relationship between the intelligentsia and the political class was more subtle and complex. Failing to establish a direct causal relation between ideology and legislation, one can propose an indirect environmental approach. The evolution of

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32 Weiler, p. 53.

33 In a letter to Herbert Samuel, a new liberal intellectual and politician, member of the Rainbow Circle, Sidney Webb criticized the former's Liberalism . Though he liked the work very much, Webb thought it vague with regard to the practical implications of its principles. He wrote : "The sort of middle axioms you need, I think, are such as to Raise Compulsorily the Standard of Life, To Enforce a National Minimum in each important point, Collective regulation of all matters of Common Concern, and so on. These are the instruments by which your fundamental principle can be applied..."(Norman Mackenzie, The Letters of Sidney and Beatrice Webb, vol 2, (Cambridge, 1978), p.146.) This critique can be generally applied to much of new liberal doctrine as it tended to be theoretical rather than practical.

34 Weiler, p.104.

thought, by transforming the rhetoric and boundaries of political debate, liberated politicians from the inhibitions of the past.

The new liberals were represented in a wide variety of journals and organizations. Papers like the Manchester Guardian and the Nation as well as groups like the Rainbow Circle provided forums for the airing of their views. Within this environment, two thinkers stood out. Leonard Trelawny Hobhouse and John Atkinson Hobson were the leading lights of the movement.[35] Their writings shaped and articulated this new brand of liberalism. While Hobson gained notice as an economic iconoclast, the advocate of underconsumptionism, Hobhouse helped found modern sociology. In fact, his work as a sociologist was inherently related to his political theory. His sociological studies reinforced his world view. His career, as Stefan Collini points out, demonstrated the tensions of an intellectual culture grappling with individualist and collectivist concepts.[36] In brief, he provided a social scientific rationale for collectivist assumptions. For Hobhouse, the idealist view of society could be empirically verified.[37] This conclusion best summarized his contribution to liberal doctrine.

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35 Bellamy, p.176.

36 Stefan Collini, Liberalism and Sociology : L.T Hobhouse and Political Argument in England 1880-1914 , (cambridge, 1978), pp.43-50.

37 J.A Hobson and Morris Ginsberg, L.T Hobhouse : His Life and Work, (London, 1931), p.249.; Peter Weiler, "The New Liberalism of L.T Hobhouse.", 16 Victorian Studies (1972), p.143.

An Oxford graduate and tutor, L.T Hobhouse embarked on a journalistic career in the 1890s. By that time, he had become an advocate of Liberal Socialism.[38] This label reflected how far liberalism had continued to develop. Furthermore, it underlined the fact that the frontier between liberalism and socialism was unclear. In a sense, Hobhouse was representative of a progressive consensus. Common concerns united both radical liberals and socialists. The Rainbow Circle, notably, united representatives of both tendencies.[37] All members shared the same collectivist bent.[39] Its publication, the Progressive Review, reflected the diverse affiliations of the membership.[40] In the end, these intellectuals developed a common semantic framework for statist ideology. Social reform was bound to the terminology of community, reform and intervention.[41] Liberalism and socialism enjoyed a symbiotic relationship reflected in the mutual exchange of ideas.

As leader writer for the Manchester Guardian, Hobhouse believed that he played an active role in the political debate of his time. In his mind, the Liberal revival could only be achieved through a process of ideological reexamination. The future of the party depended on thinkers who could restore Liberal principles in the

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38 Collini, p.79.

38 See Michael Freeden , ed., Minutes of the Rainbow Circle 1894-1924, (London, 1989).

39 Peter Clarke, Liberals and Social Democrats, (Cambridge, 1978), p.56.

40 Ibid., pp.59-59.

41 Bellamy, p.177.

light of contemporary circumstances.[42] As a committed intellectual, he assumed the fundamental importance of ideas to political action. Furthermore, his political bias was clear. From the publication of the Labour Movement in 1897 onwards, he became identified with the advocates of economic redistribution.[43] By the time of the Asquith government, he was an established figure. The author of a treatise that would articulate the tenets of contemporary liberalism, Hobhouse's publication coincided with the heyday of Liberal reformism.

For Hobhouse, the budget of 1909 incarnated the synthesis of the individualist and collectivist traditions.[44] It manifested in the political sphere the work undertaken in the intellectual. Liberalism had recognized the necessities of current conditions :

> ..individualism, when it grapples with the facts, is driven no small distance along Socialist lines...to maintain individual freedom and equality we have to extend the sphere of social control...We must not assume the rights of property as axiomatic. We must look at their actual working and consider how they affect the life of society.[45]

The right to property was relative to society. Like Green, Hobhouse argued that individual rights were determined by social conditions.

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[42] Manchester Guardian, December 17 1904

[43] See Haldane's preface to the 1906 edition in L.T Hobhouse, The Labour Movement, with preface by the right honorable R.B.Haldane, (London,1906), p.xi.

[44] L.T Hobhouse, Liberalism, introduction by Alan P Grimes, (New York, 1964), p.54.

[45] Ibid.

It thus followed that the state was the custodian of society. In practical terms, it had to maintain proper socioeconomic conditions. This responsibility assured to the citizen the opportunities which permitted his improvement.[46] Human fate was not determined by individual effort alone. Individual opportunities were determined by a complex mass of social forces.[47] Government determined the collective response of the community towards the mass of these challenges. Through public policy, the state exercised its responsibility.

Taxation and spending were the basic tools of government. The right to property was subservient to collective need. Progressive taxation was justified by financial neccesity and social contribution to individual wealth.[48] Like George, Hobhouse believed that earning power was determined by society. The redistribution of income was the corollary of this principle. It was the practical extension of the central principle of liberal economics. By discriminating between earned and unearned income, by imposing a supertax on the rich, new liberalism demonstrated a commitment to equalizing social service with reward.[49] Democracy was extended from the political to the social and economic spheres. This principle redefined the nature of social services. The provision of welfare and income support were

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[46]Ibid.,p.83.
[47] Ibid.,p.86.
[48] Ibid., pp.97-98.
[49] Ibid., pp.107-108.

also within the realm of government.[50] The advocacy of liberal socialism, therefore, had much in common with the reforms of the Asquith cabinet. Government legislation and intellectual discourse reflected the common concerns of a progressive climate of opinion.

On the whole, the new liberals were remarkably short of specific policy proposals. They remained content with a general exposition of their philosophy. One exception was J. A Hobson. An economic maverick, he advocated specific remedies for the social problem. Hobson viewed Liberal social reform as the response to an obsolete socioeconomic doctrine.[51] Motivated by humanist sentiment, he rejected traditional economic theory on ethical grounds. The Manchester school had defined man as an economic creature driven by selfish motives.[52] This view ignored the social and ethical dimensions of the individual. Furthermore, its definition of production was flawed. Wealth had been viewed as the creation of the individual. In fact, the Manchester school ignored the social dimension involved.[53] Individuals created wealth by virtue of the opportunities that society provided. This collective sanction weakened individual property rights. If property had a social character, it could be reclaimed by the community.

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50 Ibid., p.93.
51 John Allett, New Liberalism : the Political Economy of J.A Hobson, (Toronto,1981), pp.178-207.
52 Minutes of the Rainbow Circle, pp.18-19.
53 Ibid.

Hobson provided an economic rationale for redistribution. The gross inequity of the capitalist system demonstrated its dysfunctionality. Its primary cause was explained by the theory of organic surplus and its corollary , underconsumption.[54] Surplus was defined as the excess revenue that did not contribute to the productivity of the factors of production.[55] Simply explained, the excess profits of the system's beneficiaries inhibited economic progress. Through excessive saving and capricious spending, the holders of the surplus upset the balance between production and consumption.[56] This led to underconsumption and economic depression. Hobson proposed to adjust the balance between production and consumption. Redistribution was the means to this end.

Taxation and regulation would solve the problems created by the maldistribution of wealth. Progressive taxation and the legislation of a minimum wage served redistributive purposes.[57] Hobson's views on taxation were all the more interesting given the fiscal traditionalism of the Gladstonian legacy and the nature of the Liberal reforms. He proposed to discriminate between earned and

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[54] Allett rightly argues that the theory of surplus is more important that that of underconsumption. In fact, the latter follows from the former, See Allett, op.cit, preface.; See Michael Freeden, ed., Reappraising J.A Hobson : Humanism and Welfare, (London, 1990), pp126-136, for an exposition of underconsumption.

[55] J.A Hobson, The Industrial System: An Inquiry into Earned and Unearned Income, (London, 1910), p.viii.

[56] Ibid.

[57] J.A Hobson, The Economics of Distribution, (New York, 1903), pp.338-339.

unearned income; a graduated income tax would redress income inequity as its incidence would vary according to ability to pay. He declared :

> A general income tax, graduated upon the supposition that the proportion of unearned and therefore economically taxable income varies directly with the absolute size of incomes, on the one hand, escapes the supreme difficulty of discrimination of the origins of special forms of gain, and, on the other hand, can be shown to have a genuine, rapid, and accurate tendency to discover and settle upon the various portions of incomes which are unearned in the sense that they furnish no necessary inducement to owners of factors of production to put these factors to their best economic use.[58]

Redistribution would render the market more efficient. Furthermore, it attacked the ethical blight of poverty. It was necessary to interfere with private property rights in order to affirm a public right to extirpate this collective disease.[59] Thus, inequality and unemployment were problems confronting state responsibility. The new liberalism was a response to these challenges.

Like his friend L.T Hobhouse, Hobson believed that liberalism could only remain politically viable through its revision. The crisis it faced was intellectual and moral.[60] Intellectual relevance was

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[58] Ibid., pp332-333.
[59] J.A Hobson, The Crisis of Liberalism : New Issues of Democracy, (London, 1909), p.134.
[60] Ibid., p. xi.

determined by the consideration of social reality. In Hobson's case, however, this intellectual view had a clear practical application. On the whole, the economist praised the advent of the 1909 budget.[61] Though motivated by opportunism, its content and rationale incarnated the main tenets of his doctrine.[62] The chancellor's claims mirrored new liberal concerns. The budget defended free trade finance, provided revenue for social reform and applied the concept of graduation.[63] In other words, the government's policy matched his expectations. Finally, the Asquith cabinet fulfilled the promise of social reform. The budget reversed the disappointing legacy of the last three years.[64] Statist thought had anticipated the future direction of public policy.

The work of the new liberal intelligentsia revealed the continued importance of the idealist heritage while developing its theoretical and practical implications. Despite Freeden's exaggerated claim that liberalism would have become collectivized without idealist influence, a textual analysis of contemporary liberal works demonstrates the pervasive influence of idealism in the collectivization of the doctrine.[65] It strengthened the ethical sanction of government within the context of communitarian language. Furthermore, the close relatioship between liberalism and

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61 J.A Hobson, "The Significance of the budget", 2 English Review (1909), pp.794-805.
62 Ibid.
63 Ibid., pp.804-805.
64 Ibid., pp.795-796.
65 Michael Freeden, The New Liberalism : An Ideology of Social Reform, (Oxford, 1978, p.17.

socialism demonstrated the flexibility of the ideology. Though Griffin claims that liberal socialism was subsumed within the wider body of Fabian socialism, this contention reflects a tendency towards oversimplification.[66] The exchange of ideas witnessed through the Rainbow Circle revealed the fertility of progressive ideas rather than the bankruptcy of liberal doctrine. The progressive consensus demonstrated the artificiality of strict ideological boundaries. Ideological permeation was inevitable given the intense intellectual atmosphere of the time. Within this milieu, the influence of the Fabians in general, and the Webbs in particular, came to be felt.

By the advent of the Asquith cabinet, the Fabian Society had been in existence for over twenty years. The Fabians had sought to promote, in the early days, a series of practical and modest reform measures.[67] This approach was dictated by principle and pragmatism. The fight for socialism could best be promoted within the realm of the established parties. By attempting to influence the political mainstream, they increased their chances of political success. Initially, the Webbs and their acolytes tried to influence the radical wing of the Liberal party.[68] These attempts bore little

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66 C.M Griffin, "L.T Hobhouse and the Idea of Harmony", Jounal of the History of Ideas, 35 (1974), pp.647-661. The author also points out that Hobhouse was associated eith the Webbs. Though it might indicate intellectual influence and affinity, this fact does mean that the one was intellectually dependent upon the other.

67 A.M McBriar, Fabian Socialism and English Politics 1884-1914, (Cambridege, 1962), pp.107-113.

68 During the 1880s. See Margaret Cole, ed., The Webbs and Their Work, (Hassocks, 1974), p.59

reward as the party was still dominated by the spirit and person of Gladstone. His departure from the political scene, and the ensuing decline and division which affected the Liberal party, set new opportunities for the advocates of permeation. The emergence of Liberal Imperialism, at the outset, seemed to embody a practical vehicle for reform.

At the turn of the century, the party was riven by factional disputes. Personalities and ideologies clashed in the face of new events. As the Boer War demonstrated, the issue of imperialism transformed the political debate. Indeed, the South African conflict not only illustrated the issue but propelled it within the public arena. Inimical to the tradition of radicalism, pragmatic voices espoused the imperial creed as a means to an end. In order for Liberalism to be politically relevant, the Limps argued that the party had to accept the responsibility of empire while promoting a pragmatic domestic reform agenda.[69] Led by Roseberry, the call for national efficiency would revitalize the party and the nation. The ideology of national efficiency, born of a complex intellectual ancestry, advocated the rationalization of government through the use of scientific methods and technocratic management.[70] Pragmatic reformism would improve the efficiency of the kingdom, strengthening it both domestically and internationally. For the

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69 H.C.G Matthew, The Liberal Imperialists, the Ideas and Politics of a post-Gladstonian elite, (Oxford, 1973), pp.125-143.

70 Geoffrey Russell Searle, The Quest for National Efficiency : A Study in British Politics and Political Thought 1899-1914, (Berkeley, 1971), pp.30-33 ; pp.80-86.

Webbs, the Liberal Imperialists embodied the solution to an ineffectual and obsolete political establishment.

Writing for the English Review, Sidney Webb praised the earl of Roseberry. The limps promised to modernize a Liberalism rendered irrelevant by Gladstonianism while implementing reforms vital to national progress.[71] He wrote :

> The statesman who is really inspired by the idea of National Efficiency will stump the country in favour of a 'National Minimum' standard of life, below which no employer in any trade in any part of the kingdom shall be allowed to descend. He will elaborate this minimum of humane order...with all the force that eloquence can give to economic science...not merely or even mainly for the comfort of the workers, but abolutely for the success of our industry in competition with the world.[72]

For Webb, the national minimum was both the means and the end of national efficiency. Since the publication of Industrial Democracy in 1897, he had promoted the concept of a social safety net. Webbian reform combined ethical and practical rationales.

The policy of the national minimum was a direct response to the conditions of the industrial state. Its object was to secure the community from the evils of industrial parasitism.[73] The housing,

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71 Sidney Webb, "Lord Roseberry's Escape from Houndsditch", Nineteenth Century, no ccxcv (1901), pp.366-386.

72 Ibid., p. 376.

73 Sidney and Beatrice Webb, Industrial Democracy, (New York, 1965), p.774.

sanitation and working conditions of the masses had been undermined by economic growth. The precarious condition of the working classes bred a new social conscience. The impact of impersonal forces upon the individual implied that the latter could only be considered within a social framework; his or her well being was related to the welfare of the social organism.[74] This organic conception was both factual and psychological. Mentalities had changed with the evolution of social institutions. The awareness of community had been bred by the mutual interdependence fostered by the new web of social relationships created over the last few decades.[75] Collectivism merely recognized this reality. Furthermore, as the Webbs defined it, it could promote progress by alleviating popular discontent. The new role of public institutions created new responsibilities and new opportunities. The programme of national efficiency, by raising the standard of life, would reinvigorate the masses and the state.[76] From this perspective, collectivism was the outgrowth of democracy. Unlike the majority of idealists and new liberals, however, the Fabians promoted a series of distinct public policy initiatives. Less philosophical, their practicality stemmed from their social scientific bias.

The Liberal landslide of 1906 evoked a muted reception from the Fabians. The Liberal victory had been less a mandate for reform

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74 74 George Bernard Shaw. ed., Fabian Essays in Socialism, (Gloucester, 1967), p.78.

75 S.Webb, Fabian Tract no 108 "Twentieth Century politics : A Policy of National Efficiency", (London, nov 1901), p.3

76 Ibid., pp.7-10.

than a proclamation of old values in the face of popular discontent with Toryism.[77] The change of government, nevertheless, increased the potential for reform. Roseberry's failure had not dashed all of their hopes. After all, former limps held certain key portfolios. Webb made the most of the situation by offering some practical advice. He advised Asquith, the new chancellor, to proceed in a progressive direction. He should consider, notably, graduated income taxes and land valuation.[78] Webb proposed a general direction for the Campbell-Bannerman cabinet. The Fabians expounded proposals favorable to the condition of labour. In May 1906, the society proposed a redistributive fiscal policy that would redress income disparity through taxation.[78.5] Though these ideas were finally adopted, they did not demonstrate direct Fabian influence. In fact, such concepts were already present within the confines of liberalism. But they accurately reflect the concerns which united the progressive inteligentsia in advocating similar policies.

Nevertheless, important differences separated liberals and socialists. The government's approaches towards labour exchanges and national insurance proved disquieting to the Fabians. The Webbs' views were best summarized in the Minority Report of the Poor Law Commission. Published in 1909, the report viewed compulsory insurance as impractical while partial coverage of certain trades

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77 S.Webb, "The Liberal Cabinet-An Intercepted Letter",no 275 vol xlvi National Review (1906), p.789

78 Ibid., p.791.

78.5 Fabian Tract no 127 "Socialism and Labor Policy", (London, May 1906), p.4.

was not fully satisfactory.[79] The most important difference lay with compulsion. More authoritarian than their Liberal counterparts, the Webbs believed in the establishment of compulsory labour exchanges that would determine the terms of employment for the unemployed.[80] Inidividual liberty was to be subordinated to collective necessity. Furthermore, the minority report advocated the maintenance of those unemployed viewed capable of improvement ; chronic cases of unemployment would be dispatched to detention colonies.[81] Though they proposed to eliminate the Poor Law system, the comprehensive alternative the Webbs proposed embodied much of the same authoritarian and moralistic rationales. In political terms the report was a failure. The Liberals had already embarked on a reform programme noted for its modesty and political viability. The proposals aroused the enmity of the Webbs since they ignored the issue of Poor Law reform . They viewed the Liberal insurance reforms as inferior and impractical.[82] The intellectual fertility of Fabianism had reaped little tangible political rewards.

Considered from a wider perspective, the work of the Fabians remained significant. The campaign for the national minimum reinforced the impact of progressive reforms in the public mind. The movement for national efficiency rendered the harnessing of the

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79 The Minority report of the Poor Law Commission, 2 vols, (London, 1909), pp.290-294.

80 Ibid., pp.292-293.

81 Ibid., pp,299-304.

82 MacBriar, pp.275-277; Beatrice Webb, Our Partnership, (London, 1948), p.417.

state for domestic reform all the more plausible. If few politicians asked for their advice[83], their proposals demonstrated how far a progressive consensus of liberals and socialists had fashioned the parameters of political debate and policy discussion. Liberalism and socialism were doctrines which mutually supported one another in so far as they differed in degree not objectives.[84] The intellectual environment of the period determined the centrality of statist solutions within the body of political discourse. The progressives, however, became the vanguard of reform as they provided its most stimulating rationales and proposals.

From Henry George to Sidney Webb, radicalism and socialism emerged as two sides of a same coin. The expansion of state responsibility transfixed the thought of progressive intellectuals. Confronted with a myriad of complex social problems, concerned with the issues of unemployment and poverty, they argued that state power could and should be harnessed for the benefit of the community. The redefinition of taxation along progressive and redistributive lines legitimized increased rates and the commitment to public welfare spending. National insurance, on the other hand, demonstrated the extent to which state responsibility for individual welfare came to be accepted. Though idealism, new liberalism and Fabian socialism did not directly influence much specific legislation, these movement defined a climate of opinion that made

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83 Cole, p.70.

84 McBriar, p.258; Barbara Nolan, The Political Theory of Beatrice Webb, (New York, 1988), pp.129-133.

social reform possible. By establishing the parameters of discussion, the language of rhetoric and the rationale for statist policies, they shaped the creative imagination of the political environment.

Chapter 2 : The People's Budget of 1909

The Liberal reforms were by no means inevitable. Their enactment depended upon the interplay of political, personal and ideological factors. If the lion's share in statist expansion may be attributed to the Liberal governments, its reformist policies were not preordained. Divisions within the Liberal camp initially made policy consensus difficult if not impossible to achieve. From Roseberry's resignation to the Liberal landslide of 1906, the party lacked a clear policy direction. Indeed, the defeat of the Unionist government had perhaps less to do with liberal strength than with Tory weakness and ineptitude. The evolution of the political landscape and the challenges of governing compelled the government to pursue a reformist agenda. The accumulated pressure of tariff reform and Labour politics, compounded by electoral anxiety, rendered the plausible possible as dynamic leaders assumed greater political responsibility. In the following chapter I shall examine the conditions surrounding the birth, development and reception of the People's Budget. The revolutionary impact of this budget harnessed fiscal prerogatives to the demands of expansive domestic reform.

Following the resignation of Gladstone in 1895, the Liberal party underwent a prolonged period of internal strife. Liberalism was divivided into mutually hostile factions. With the advent of the Boer War, the thorny issue of imperialism was raised. For some, like

the Liberal Imperialists led by Roseberry, an agressive imperial stance coupled with a pragmatic domestic reform agenda formed the basis of a return to power.[1] For the little englanders, led by Harcourt, any espousal of imperialism betrayed the Liberal legacy.[2] Beyond these two extremes was an amorphous centre group whose ideas were as vague as they were ambiguous.[3] Thus, political and personal conflict rendered the party leadership difficult if not untenable. After the resignations of Roseberry and Harcourt, the party, further weakened by the Boer War and the khaki election of 1900, searched for a new leader. Henry Campbell-Bannerman emerged as the compromise choice acceptable to all factions. Representative of the centre faction, unambitious and easygoing, Campbell-Bannerman seemed the ideal mediator for a divided organisation.[4] The change in leadership anticipated the gradual revival of Liberal fortunes.

Through a series of decisions, the Conservative government helped revive the anti-unionist coalition. The lackluster performance of the Balfour cabinet coupled with its espousal of controversial policies revived Liberal fortunes. Most notably, the tariff reform campaign aroused the anger of a population still

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[1] Colin Cross, The Liberals in Power, (London, 1963), pp.10-11; George L Bernstein, Liberalism and Liberal Politics in Edwardian England, (Boston, 1986), pp.27-35; H.C.G Matthew, The Liberal Imperialists, (Oxford, 1973), pp.135-43.

[2] Cross, pp.10-11; Bernstein, pp.27-35.

[3] Ibid.

[4] Henry J Massingham, ed., HWM, (London, 1925), pp.34-35; John Morley, Recollections, vol 2, (London,1917), pp.81-85.

wedded to free trade. In the end, the 1906 elections were less a mandate for radical reform than a revival based on the residual appeal of traditional slogans and issues.[5] Certain factors, however, indicated that the political landscape had changed in the post-Gladstone era. The election of a phalanx of L.R.C M.Ps, independent but allied to the Liberals by virtue of the MacDonald-Gladstone entente, revealed the viability of a new progressive politics based upon sectional class interest.[6] Though much has been made of the eventual Liberal decline, at the time, the L.R.C was seen as a powerful ally in the fight against the common foe.[7] As Blewett points out, if the electoral alliance permitted the L.R.C to gain a foothold in Parliament, it benefitted the Liberals on a national basis, contributing to the massive electoral landslide.[8] Despite the scope of their victory, the Liberals were confronted with two potential challenges.

On the one hand, the emergence of the Labour party demonstrated that the working class in general, and the unions in particular, could no longer be considered as permanent fixtures of the Liberal coalition. Allied today, the progressives might be split tomorrow. The government's domestic agenda had to consider

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[5] Cross, pp.5-10; Chris Cook, A Short History of the Liberal Party, (London, 1993), pp.34-35; Alan K Russell, Liberal Landslide, (Hamden, 1973), p.65,pp.195-196.

[6] José Harris, Private Lives, Public Spirit, (London, 1993), p.194.

[7] John Alfred Spender, The life of the Right honorable Sir Henry Campbell-Bannerman, (London, 1923), vol 2, pp.224-225; Campbell-Bannerman Papers MSS 41217, Letter from Gladstone to C-B, Jan 2 1906.

[8] Russell, p.50; Neal Blewett, The Peers, the Parties and the People, (London, 1972), p.413.

Labourite aspirations. On the other hand, tariff reform presented a radical challenge to the social, political and economic system. By abandoning the sacred gospel of free trade, the tariff reformers, led by Chamberlain, proposed to protect domestic industries and finance social reforms through the imposition of import tariffs. Britain would attune itself to international economic realities while improving the internal infrastructure. Though a minority position for the time being, tariff reform posed a long term challenge to the status quo.[9] The disquiet of urban-industrial England could be swayed by the pressures of socio-economic forces into the tariff reform camp. Since Free Trade was the single most important contributor to the Liberal victory[10], the new government would have to demonstrate the continued relevance of the doctrine.

Despite the presence of a strong new liberal backbench, and the composition of a cabinet with representatives of Liberal Imperialism, the Campbell-Bannerman government did not present any radical new policy departure. Indeed, there had been no such mandate. There existed no solid and specific reformist policy consensus. Herbert Gladstone, in a letter to the Prime Minister,

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[9] Bruce K Murray, The People's Budget, (Oxford, 1980), pp.5-6.

[10] Margot Asquith, An Autobiography, (New York, 1920), pp.228-229.Apparently, Asquith confided in his wife, once the news of a tariff reform campaign broke, that this rendered a Liberal victory inevitable; Ripon Papers MSS 43518, Letter from Ripon to C-B, May 30 1903. In this letter, the elderly Lord Ripon declares the tariff reform debate to be the most important fight of his career : " The features of this policy render the present crisis by far the greatest of the last fifty years. It is the greatest political struggle even of my long political life. I am convinced that we must not lose a moment in entering the field..." See also Roy Jenkins, Mr Balfour's Poodle, (London, 1954), pp.18-19; Russell, p.76, p.172.

reported that the new Liberal contingent was of mostly centrist opinion :

> I am keeping an analysis of the composition of our party up to date. The most striking thing about it is the preponderance of the 'centre' Liberals. There is no signe of any violent forward movement in opinion...There are some excellent young enthusiasts like Masterman. The dangerous element does not amount to a dozen.[11]

According to the whip, the caucus was not prey to disruptive radical pressure. The party's moderation belied any reformist hopes. Furthermore, the Prime Minister was far too much of the Gladstonian temperament to be receptive to new departures. When confronted by reformists, like Brunner, the Liberal leader seemed annoyed and unreceptive to their advice. As he wrote to Herbert Gladstone on January 2 1905 :

> As to Brunner and his canals ! You have not enclosed the letters you refer to, but I know all about it. I talked about it with Brunner when I was at Manchester... There can be no doubt whatever that a network of well appointed canals would be an immense blessing, but (a) it could (I presume) only be done by the State, which would be a very new departure, and would mean ultimately the taking over of the Railways, and therefore a couple of millions in Government employment. And (b) the first effect would be to scare every railway shareholder in the country.[12]

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[11] Campbell-Bannerman Papers MSS 41217, Letter from Gladstone to C-B, Jan 21 1906. See also Richard Burdon Haldane, An Autobiography, (London, 1929), pp.213-214; Jenkins, pp.14-16.

[12] Campbell-Bannerman Papers MSS 41217, Letter from C-B to Gladstone, Oct 10 1904.

Such conservative views could only hinder a statist agenda. In any case, the hopes of 1906 were disappointed by the performance of the next two years. The absence of a reformist mandate rendered progressive hopes unrealistic. What Liberal measures were proposed were subject to the opposition of the House of Lords. Finally, Campbell-Bannerman was too preocupied with the settlement of the South African question[13]to consider the elaboration of a coherent and comprehensive radical domestic programme.

Disappointing by-election results, coupled with a downturn in the economy, rendered the Liberal position precarious.[14] The Liberal landslide might now be suceeded by a Liberal rout in the next elections. Within this context, Asquith replaced the ailing Campbell-Bannerman. As chancellor of the Exchequer, Asquith was the heir apparent of the previous government. Without making any radical changes to the cabinet, he maintained that group of highly respected individuals. Significantly, he promoted Winston Churchill to the Board of Trade and transferred Lloyd George to the Exchequer. Thus, the radicals now had voices in two important ministerial departments. This foreshadowed a change in Liberal policymaking. Moreover, a new departure was facilitated by the Prime Minister's

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[13] Haldane, pp.214-215; Herbert Henry Asquith, Memories and Reflections, (London, 1928), pp.196-198, he considered this to be the great achievement of the administration.

[14] Jenkins, pp.64-65; Lucy Masterman, CFG Masterman,(London, 1939), p.134.David Lloyd George believed that dramatic reforms measures could stop the "electoral rot"(See William George, My Brother and I, (London, 1958), p.220.)

pragmatism and flexibility.[15] As a former Liberal Imperialist, the leader was less averse to statist policies. First among equals, Asquith managed a cabinet of divergent interests and personalities while inspiring universal respect. Herbert Samuel recalled :

> In the Cabinet Asquith was the dominant figure; and this not mainly because of his office, nor of his outstanding position in the House of Commons and among the Liberal electorate; it was owing to his character-his keen mind, massive intelligence, judicial temper, staunch comradship. His task being to keep in line a number of highly individualized personalities, he handled divergences, as soon as they appeared with consideration and tact.[16]

His ability to manage and mediate the cabinet proved useful in the tumultuous times that lay ahead. The dynamic and flamboyant personalities of Churchill and Lloyd George promised to arouse much debate and controversy.

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[15] Asquith's speech at east Fife on October of 1907 was quite revealing in this regard : "The experience of our own and every progressive country had shown that there were wants, needs, services which could not be safely left to the unregulated operation of the forces of supply and demand, and for which only the community as a whole could make adequate and effective provision. Each case must be judged on its own merits by the balance of experience as long as are kept in mind that a large part of the evils and apparent injustices of society were due to causes beyond the reach of merely mechanical treatment."(reported by The Times of October 21 1907. Furthermore, also cited in Donald Read, ed., Documents from Edwardian England 1901-15, (London, 1973), pp.124-125.) Later on Asquith argues that Liberalism is opposed to socialism insofar as the latter threatens individual liberty. One might conclude that liberalism differs from socialism with regard to degree rather than objectives.

[16] Herbert Samuel, Memoirs, (London, 1945), p.87.

The tariff reform campaign had crystallized the challenges which faced free trade ideology. Chamberlain challenged the viability of the doctrine both in the name of industrial preservation and reformist finance. The defence of free trade, in tandem with the development of a reformist consensus, would lead the Liberals further down the statist path. Domestic reform required new expenditure, thus spending requirements placed enormous pressure on the government's revenue base. If expenditure and revenue formed the basis of the fiscal equation, reformism became, first and foremost, a budgetary issue. Progressive taxation was the corollary of social reform.

The birth of the social service state marked a critical stage in the history of British taxation. For the first time in its modern history, the state assured a variety of social services as an exercise of responsibility towards the citizenry. In this context, the People's Budget of 1909 was of critical importance. It laid down the fiscal infrastructure which made statist expansion possible.[17] The measures it employed, however, had been anticipated by a series of past measures. The emergence of the income tax over a century before, as well as Harcourt's budget of 1894, to name but a couple, introduced progressive methods of taxation.[18] More recently, the Asquith budget of 1907 introduced an approach, which by its nature and rationale, directly foreshadowed David Lloyd George's budget. As

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[17] Murray, pp.1-2.
[18] Ibid.

chancellor of the Exchequer, Asquith adjusted his department to contemporary fiscal reality. Supported by the findings of the Dilke committee, the chancellor confessed to the reality of public finance. The income tax, initially devised as a temporary measure born of military necessity[19], had, de facto, become part of the revenue structure. Gladstonian doctrine, on the other hand, viewed it as a purely temporary necessity. In presenting his budget, Asquith finally admitted the permanent and central position of the income tax.[20] The pressure of financial reality confronted the strictures of ideology. Furthermore, the chancellor reversed the traditional balance of direct and indirect taxation. His revenue estimates emphasized the collection of revenue through taxation of income.[21] By differentiating between income groups and targeting the more prosperous, he revolutionized the fiscal question. In the name of justice, the burden of taxation would match the capacity to pay. The seeds of economic redistribution had been laid.

One of the most contentious areas in the field of taxation concerned land. In a society still characterized by the vestiges of feudal aristocracy, the significance of land transcended social, political and economic interests. The ownership of property both

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19 Memories and Reflections, p. 253.; James E Cronin, The Politics of State Expansion, (New York, 1991), p.6.; Geoffrey Russell Searle, The Quest for National Efficiency, (Oxford, 1971), pp. 171-172.; CAB 37/101; John Morley, The Life of Gladstone, (London, 1903), p.462.

20 Memories, pp. 253-254; Hansard, 4th series, vol 172, p. 1199; earl of Oxford and Asquith, Fifty Years of British Parliament, vol 2, (Boston, 1926), pp. 77-79 (Asquith treats the issue as a question of fiscal necessity.)

21 H.C.D, 4th Series,CLXXII, pp. 1199-1205; CAB 37/87.

symbolized and formed the cornerstone of the social structure. At the turn of the century, much of the land remained under the control of a small minority.[22] The inflation of land values, due to the growth of urban areas, increased the prosperity of the privileged few.[23] Apart from the resentment that privilege fueled, urban development placed great fiscal pressure on local administration. Since the 1880s the drive for municipal socialism had brought new responsibilities to urban government.[24] While municipalities assumed a larger share of public services, their revenue requirements exploded. Given the fact that Parliament was reticent to reform the legal and financial powers of the urban centers, towns resorted to large scale borrowing and rate increases.[25] As a result, municipal finances were thrown into disarray. From 1890 to 1914, local spending for social services leaped from 19 to 46 million pounds.[26] Limited financial resources implied deficit financing. Between 1880 and 1912 the urban debt doubled.[27] In an attempt to resolve this crisis, municipalities had increased local rates. Under current schemes, the rise in rates had a regressive impact as it fell largely on the poor.[28] In political terms this reinforced the movement for land reform. Land taxation affected the national political debate.

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[22] José Harris, Private Lives, Public Spirit, (London, 1993), pp. 99-100.
[23] Richard LLoyd George, Lloyd George, (London, 1960), p.115.
[24] Avner Offer, Property and Politics 1870-1914, (Cambridge, 1981), pp. 221-241.
[25] Ibid.
[26] Donald Read, Edwardian England 1901-15: Society and Politics, (London, 1972), pp. 81-86.
[27] Offer, op.cit.
[28] Ibid., pp. 283-313.

The growth of the urban areas had increased their political relevance. Organizations like the Association of Municipal Corporations lobbied for greater tax powers and administrative flexibility.[29] Since the Unionists failed to meet these demands, the advocates of municipal reform came to be identified with the opposition. The Liberal Party was particularly receptive to urban concerns. As Emy writes, the movement for land reform and taxation sparked the enthusiasm of a large segment of the party.[30] By the time of the Campbell-Bannerman cabinet, the Land Values Group, led by Wedgwood, formed an important pressure group within the parliamentary caucus.[31] Wedgwood's extreme views were unmistakable. At a speech at the National Liberal Club, on February 26 1909, he declared :

> ...the change in the basis of rating would both stimulate trade and production by freeing improvements from taxation, and also by inducing owners to push the early development of their property...In taxing land values we tax the power to tax the people, which is the essence of land ownership. In taxing land values we reduce that power; and instead we untax capital, which we do want to increase and multiply and cheapen.[32]

The internal composition of the party influenced government policy. Associated with radicalism, Asquith's chancellor was an important figure within the reformist environment. Lloyd George's land

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[29] Read, op. cit.

[30] Hugh Vincent Emy, Liberals, Radicals and Social Politics 1892-1914, (Cambridge, 1973), pp. 189-234

[31] Ibid., p. 209.

[32] Minutes of NLC dinner found in I.R 73/2

valuation proposals largely illustrated the views of his constituency.[33] Land taxation, long a demand of the radical wing, would finally come to fruition.

Upon his appointment to the Exchequer, David Lloyd George embarked upon one of the most important stages of his career. The fiery spokesman of radical claims, having established much notoriety for his opposition to the Boer War, he matched his skills as a platform agitator with solid ministerial achievements. A successful minister for the Board of Trade during the tenure of Campbell-Bannerman, he was now poised to meet the challenges of finance. Considering his humble, provincial background, his rise was all the more impressive. Trained as a lawyer, he entered Parliament at the age of twenty seven. The early stage of his career coincided with the Welsh national revival.[34] Regionalist pride and populist appeal formed the fundamental pillars of his early political faith. Identified with the radical wing of the Liberal party, he came to national prominence as a leading opponent of the Tory conduct of the

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[33] I.R 73/2 (Papers relating to land taxation) On September 5 1908, the chancellor wrote to Chalmers : "I have many alternative suggestions to place before you. My mind has been musing on a Land tax-either uniform or graduated according to the size of the Estates. A Special Tax on ground rents and on all lands situated within the area of towns or within a certain distance of towns-graduated according to the size of the towns. I feel that if there is to be an extension of the pension system on contributory lines, the property which is improved by the labour of the community should contribute its share. Mining royalties uoght to be taxed for the same reason...You might just look into the revenue possibilities of a land tax on these lines. We will discuss merits when we meet."

[34] Chris Wrigley, David Lloyd George and the British Labour Movement, (Hassocks, 1976), p.3

Boer War.[35] Upon his achievement of cabinet status, he revealed his skills as a negotiator in industrial disputes.[36] Combined with his record at the Exchequer, Lloyd George established himself as the pre-eminent voice of British radicalism, eclipsing the role of the L.R.C.[37] His activities helped forestall the emergence of a leftist alternative to liberalism.

Most important of all, David Lloyd George was a brilliant public speaker who demonstrated exceptional demagogic skill. His colleague Herbert Samuel recalled :

> On the platform he was beyond compare. No one in our time could sway a great audience like Lloyd George. It was an exciting experience to sit by his side and watch the swiftly changing moods of five or six tousand people...as they answered the magic of the skillfull orator. Nature had endowed him with fine features, and an expressive voice of silvery tone. His language, usually colloquial, brought him at once into friendly touch with his mass audience... he was gifted also with a perennial flow of humour...that..infected all his hearers. But he commanded also a picturesque eloquence...which...succeeded in making his messages powerful and appealing.[38]

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[35] Bentley Gilbert, David Lloyd George, vol 1 (Columbus, 1987), pp.149-214.

[36] LLoyd George, pp. 87-89

[37] Wrigley, pp ix-x, p. 18, p 26; Beatrice Webb, Our Partnership, (London, 1948), pp. 465-466; Beatrice Webb, Diaries 1912-24, (London, 1952), p.8.

[38] Samuel, p. 88.

In an age when platform speaking was of prime importance, Lloyd George perfected the art of populist oratory. His talent proved a remarkable weapon in the political struggle that engulfed his Exchequer career. Though idealistic in his identification with the masses and his will to promote their social betterment, the chancellor was less scrupulous about the methods he employed to achieve his ends.[39] A pragmatist on the strategic field of public policy, he was also an opportunist in the tactical process of political debate and deliberation. Though many questioned his integrity, he demonstrated an unparalleled record as a political achiever.

Lloyd George's appointment shocked some. Since he was devoid of any background in economics, his ignorance of the intricacies of fiscal affairs was viewed with disdain by many of his associates. In the elite Gladstonian club of the Treasury, LLoyd George was viewed as an amateur intruder.[40] His isolation from the traditional realm of finance, though initially a handicap, eventually proved to be an advantage. Unsullied by the prejudices of clique and dogma, as represented by the Gladstonian orthodoxy , the chancellor was both receptive to new ideas and possessed the will to carry his reforms through. Lloyd George's pragmatism provided a new opportunity for the reorientation of conventional policies. Concurrently, his scanty knowledge and iconoclastic temper caused much uproar among his coworkers. Many bureaucrats, and even his undersecretary, viewed

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[39] Bentley Gilbert, David LLoyd George, (Columbus, 1987), p. 11-25.
[40] Murray, pp. 76-79.

him as incompetent.[41] The exacting demands he made on the bureaucracy, requesting a myriad of reports and studies[42], did little to aid matters. Finally, his questionable managerial skills further undermined his credibility. Impatient with the boring routine of office work, the chancellor often disappeared to play a few rounds of golf.[43] Unable and unwilling to be briefed by paper, he preferred to chat about ideas with his staff.[44] The atmosphere of the Exchequer combined feelings of overactivity and alienation. The environment became all the more strained with the preparation of a radical new budget.

In 1908, David Lloyd George had little to do with the drafting of that year's budget. If anything, he helped guide its legislative course. Most importantly, the government passed a related measure. A new pension scheme, based on non-contributory financing, would provide benefits for senior citizens. Whatever its wisdom[45], its financing, solely provided by the state, proved unrealistic. Initial budgetary forecasts were proved wrong, as the relaxation of benefit

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41 Ibid., p. 81, pp. 122-123.

42 Charles Hobhouse, Inside Asquith's Cabinet, (London, 1977), p.77

43 Ibid., p.72

44 Ibid., p.73.

45 A letter from A. Pease to Herbert Samuel reflects the disquiet which afflicted traditional Liberals. Pease was disappointed with the drift of Liberalism : "Generally, there appears to me, a disposition to multiply laws and restrictions on freedom+create artificial conditions, to an extent that is likely to impair our rights+liberties in a very un-English fashion-The idea that the State can take from one class+give to other classes and take the place of individual enterprise is a very corrupting one+goes to the root of human relationships...Take Old Age Pensions, a very few years ago we were told by the Liberal leaders now advocating+passing a non-contributory scheme, that it was wrong in principle subversive of thrift+only another name for...Poor Relief..." (Letter to Samuel of August 19 1908. See Samuel Papers A/155/iii/59)

guidelines in tandem with its financing, among other factors, resulted in a financial deficit.[46] The error of the programme's fiscal estimates was compounded by other budgetary considerations. The state debt, and more importantly, the naval building programme, presented the chancellor with a mounting fiscal crisis.[47] Social reform and naval expenditure threatened the viability of Liberal finance. Actual and potential increases in expenditure required additional revenue. Yet, as Goschen's experience demonstrated, and Harcourt's comments confirmed, the State had reached the limits of the existing tax structure.[48] Any increase in revenue yield could only be marginal. Only the overhaul of the tax system, realized by the pursuit of progressive reforms, offered a solution to the government's budgetary dilemma.

For the next eighteen months, the Exchequer focused on the preparation of the 1909 budget. The spending commitments revealed the political and ideological tendencies of the government, while the budgetary process demonstrated the multiple difficulties which confronted the Asquith Cabinet. At a basic level, taxation reflected the philosophical principles of the government. An emphasis on direct versus indirect taxes demonstrated a concern for economic

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[46] Murray, pp.81-86; Ernest Peter Hennock, British Social Reform and German Precedents, (London, 1987), pp1-36; Pat Thane, ed., The Origins of British Social Policy,(London,1978), pp.84-104; PRO CAB 37/93, see the 6 page morandum of May 18 1908 which deals with the financial situation.

[47] Lloyd George Papers C/26/2/3, Notes for speech, dec 1910, p.2.

[48] Robert Ensor, England 1870-1914, (London, 1936), pp.201-202. As Ensor points out, Goschen attempted to deal with the fiscal situation within the strict confines of Gladstonian practice. See Murray, p.21 for Harcourt.

inequality. On a practical level, it revealed a workable method of obtaining extra income. Tax rates were determined by economic forecasts and administrative considerations. The state was interested in potential yield and the practicality of revenue collection. Finally, the debate within cabinet reflected the political and personal divisions which permeated the ministerial echelon. Winston Churchill was a consistent ally, and John Burns a dedicated foe[49] , while the rest of the ministers reflected diverse interests; Asquith was quietly supportive, others, such as Haldane, seemed jealous of their ministerial prerogatives.[50] Spread over two dozen meetings[51] , the discussions articulated the distinct priorities of the different leaders. Furthermore, the budget's revolutionary scope prolonged its presentation. Cabinet meetings themselves were long and protracted. On March 23 1909, the cabinet devoted two hours to budgetary issues.[52] However, one should not exaggerate intracabinet differences.[53] Indeed, not one minister broke cabinet solidarity in the ensuing debate. A number of factors contributed to Lloyd George's success. The strength of new liberal sentiment in caucus, the decentralized nature of the cabinet and his sheer force of personality proved to be great assets in the elaboration of budgetary policy.

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[49] Beatrice Webb, Our Partnership, (London, 1948), p. 411. John Burns had emerged as a conservative member of cabinet hostile to new reforms. See pp. 393-394.

[50] Hobhouse, pp.73- 78 ;Murray, p.149.

[51] Murray, p.151-152.

[52] William George, My Brother and I, (London, 1958), p. 223.

[53] CAB 37/98 no 49. "Income Supertax". On March 25 1909, L. Harcourt recalled his own experience in helping his father craft the 1894 budget. His plan was not as steep as the chancellor's. Notably, he included deductions in his proposals. In other words, he differed only in degree not objective.

For the chancellor, and the cabinet, the most contentious issue lay in the field of naval expenditure. Threatened by the growth of German naval power, the Royal Navy was anxious to maintain the two power standard. The emergence of the dreadnought had accelerated the arms race. In anticipation of 1909/1910, the Admiralty was prepared to request six or even eight new dreadnoughts.[54] Lloyd George, already grappling with deficit figures, emerged as an opponent of the naval buildup. He sought to limit the expenditure requested by the Admiralty. McKenna, the First Lord of the Admiralty, became the chancellor's main adversary. Allied with Churchill, Lloyd George stood the opposition down. Throughout the month of March, the cabinet was confronted with this policy divide. Only the combined antics of Churchill and Lloyd George, including the threat of resignation, had stopped McKenna's demands, despite the support of the P.M and the Foreign Secretary, and resulted in a four plus four ship compromise.[55] This victory demonstrated the political skill of the chancellor. It became clear that David LLoyd George would shape the government's budgetary agenda.

Progressivity determined the parameters of budgetary policy. Lloyd George and his associates had to elaborate measures that would raise revenue while maintaining a good measure of social justice. Simple in theory, taxation had to be considered from a

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54 Bruce K Murray, The People's Budget, (Oxford, 1980), p. 125.

55 Hobhouse, pp.76-77.

practical point of view. Any modification of the current system had to be administratively viable. Apart from the mathematical considerations, revenue collection had bureaucratic implications. It had to be determined whether the administration could effectively collect taxes without being bureaucratically paralysed. Both ideological and mundane aspects of policy could not be ignored. Within this context, a myriad of draft proposals were examined by the chancellor and submitted to cabinet.[56] Robert Chalmers, a senior civil servant, innovative and partisan in temperament, became the chancellor's most valued collaborator.[57] His financial expertise compensated for his political superior's ignorance. In the end, he as much as Lloyd George authored the budget.[58] In a series of notes he drafted, Chalmers defined the increases in income and surtaxes that seemed both desirable and viable.[59] His professional knowledge turned the chancellor's vision into a reality.

The Public Record Office archives reveal the chancellor's dedication to propressivity. Most of the schemes discussed invoked the principle of graduation. On October 19 1908, Robert Chalmers

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[56] PRO IR 73/1. The records kept in the archives offer an extensive, and repetitive, collection of memos and drafts concerning diverse financial and administrative topics relating to the drafting. On September 14 1908 emerged a suggestion for an increase of the income tax. By September 22, the chancellor was considering yield estimates of the diverse rates. It was clear that the tax increases would follow progressive lines. The calculations considered increases on both earned and unearned income. The estimates solely concerning an increase of 1 d in the pound on unearned incomes proved more advantageous.

[57] Murray, p.80.

[58] Margot Asquith, p.259. According to her, Chalmers was the true author of the bill.

[59] PRO IR 73/1.

presented the chancellor with a memo outlining proposals for an income tax and a super tax. As Chalmers noted, Lloyd George was most interested in varying incidence while increasing the charge on large incomes. The chancellor preferred an increase of the general rate from 1 s to 1s 6d in the pound subject to abatements.[60] Furthermore, Lloyd George was devoted to income discrimination. The distinction between earned and unearned income was critical to progressive taxation. By March 12 1909, Chalmers was examining the chancellor's proposal to reduce the income tax exemption to one hundred pounds for unearned income.[61] Most notably, the drafting of the super tax reflected the extent to which graduation inspired progressive tax policy. A memo written by Chalmers and Bradbury, circulated to the chancellor and the cabinet, reiterated the Exchequer's doctrine :

> Although it is desirable for the collection of such a tax that administrative arrangements should, within certain limits, be made ad hoc, the tax cannot be in theory regarded as an innovation, but is merely an extension of the existing income tax. The income tax has, however imperfectly, always involved recognition of the doctrine of equality of sacrifice in taxation ; and the practical illustration of the doctrine is to be found in the system of abatements-in other words, graduation. Hitherto, it is true that graduation has only been applied to small incomes, bu it is difficult to advance any logical defence for this limitation.[62]

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60 Ibid. An additional super tax would be added to those subject to the highest rates.

61 This proved administratively difficult as the distinction betwee earned and unearned income could not always be easily determined. Indeed, incomes could have mixed sources.Furthermore, by March 22 1909, the exchequer was considering the halving of abatements on unearned incomes in the 160 to 700 pound range. This affected an abatement total of 21 000 000 pounds.

62 I.R 73/1. Memo of April 2 1909.

Graduation now became a tool of progressivity as its use was expanded to increasing the tax incidence upon higher incomes. In other words, it served a redistributive purpose.

Within the party and the government, the chancellor was confronted with an arduous task. Much opposition was to be found in the parliamentary sphere. Elements within caucus and cabinet were soon aroused in their opposition. Moderates like Hobhouse were shocked by the chancellor's spendthrift approach.[63] By ignoring the influential strictures of Gladstonian orthodoxy, Lloyd George had assured himself of some opposition. Certain sections of the budget proved particularly controversial. A cave of reactionary and agricultural interests were worried about, if not hostile to land taxation.[64] To allay these fears, the minister assured that he would discriminate between agricultural and non-agricultural, between developed and undeveloped land.[65] In one stroke, he satisfied the demands of the land reform group led represented by Josiah Wedgwood, among others, while limiting dissidence from moderate elements. His success was limited by the partisan context. Indeed, non-Liberal, largely Tory landowning interests would soon seek to defeat the government's finance bill.

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[63] Hobhouse, p.74. Furthermore, within the committee stage, some still decried the use of the income tax. Lord Willoughby quoted Morley's biography of Gladstone to denounce the tax. (See I.R 63/15.)

[64] Jenkins, pp. 78-79. A number of rural Liberal M.Ps were worried by the political repercussions of the land taxes. They feared the loss of parliamentary seats. (See 12 page memo on "Taxation of Land Values" in I.R 73/2.)

[65] IR 73.

On April 29 1909, in a four hour speech, the chancellor introduced his budget. He outlined both the rationale and the methods he intended to introduce with the finance bill. The chancellor was determined to secure a solid financial basis for social reform.[66] To accomplish these measures he had to obtain the maximum amount of revenue within the measure of equitability. He increased the income tax rate on the upper classes, the surtax on higher incomes and raised certain duties . To a large extent, these increases affected only a minority of the population.[67] Furthermore, the land taxes that were proposed would only produce large yields after the first fiscal year.[68] If the budget was redistributionist, it was also future oriented, providing funding for long term projects. The fiscal equation would be permanently rebalanced while continued statist expansion seemed to be guaranteed.

According to the chancellor's statement, the government expected a large deficit based on current revenue and taxation figures. He anticipated a shortfall of 15 762 000 pounds.[69] Large for the time, this figure strengthened the case for further revenue. From

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[66] H.C.D, 5th Series, IV, p.501; Kenneth Morgan,ed., Age of Loyd George, pp.43-44.
[67] Blewett, p.70; PRO CAB 37/87. Only around 1000 000 people paid income tax. According to Blewett, the top 10% would bear 75% of the increases.
[68] H.C.D,5th Series, IV, p. 540.
[69] Ibid., p.473.

the outset, Lloyd George stressed the importance of the income tax. In the past, it had proven to be an extremely valuable tool as it provided income in excess of fiscal predictions.[70] As the government intended to rely on direct taxation, the increase in income taxes, death duties and surtax were of great interest. There would be no increase for those earning up to 3000 pounds a year; however, those above that level,currently subject to a 1 s in the pound rate, would face an increase of 2 d.[71] In fact, the government further steepened income tax graduation through the imposition of its supertax. Beginning at the 5000 pound a year level, it was levied in proportion to the total's difference with the 3 000 pound level at a 6d in the pound rate.[72] Finally, the death duties were modified according to the same principle. At higher levels, the chancellor shortened the steps of graduation. A maximum 15 % rate would be attained at the 1 million instead of the 3 million estate valuation.[73] In brief, the statement outlined a coherent taxation doctrine. Increase in direct taxation had mostly affected the nation's top income earners.

However, Lloyd George also increased indirect taxes. The duties on spirits and tobacco were affected. The alcohol duty was raised by 3 s 9d per gallon while tobacco was subject to a raise

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[70] Ibid., p.474.
[71] Ibid., p.507.
[72] Ibid., pp.509-510.
[73] Ibid., pp. 511-512.

from a 3s to 8d in the pound rate.[74] These increases, though regressive, provoked little outrage. In fact, the budget's land valuation proposals provided the greatest controversy. The chancellor , like many land reform and taxation advocates, discriminated between land usage. The additional value land acquired, as the result of improvements for example, would be taxable at a 20 % rate.[75] As a result, land valuation targeted the more prosperous landowners. At the same time, the government sought to encourage land development. A 1/2 d in the pound levy was imposed on undeveloped land.[76] The creation of wealth was encouraged since the accumulation of capital values both drove the economy and generated new sources of taxation. As time wore on, the land valuation proposals mobilized the forces of opposition.

The very scope of the finance bill delayed a comprehensive response on the part of the opposition. Once the budget had been analysed, the Tories posited themselves as the defenders of the status quo. First and foremost, the extension of graduation was seen as a political and economic menace. The leader of the opposition, Arthur Balfour, solemnly declared :

> ...the danger of democracy has been always supposed by its enemies to be that the great body of the community will throw an undue financial burden upon a fraction of the community-that the great body of the people...having

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[74] Ibid., pp.543-548.
[75] Ibid., pp.537-538.
[76] Ibid., p.539.

> the whole power of taxation in their hands, may abuse it... [77]

Balfour claimed that the Liberals employed fiscal policy as a means of class resentment. Therein lay the specter of majority tyranny. Graduated taxation was a symptom of the chancellor's radical demagoguery. Furthermore, in economic terms, this fiscal approach would be self defeating. The wealth of the few benefitted the community as a whole.[78] The Tory leader turned the redistributionist rationale on its head. He espoused an elitist conception of wealth generation. The owners of capital generated wealth and employment for all. In brief, Balfour propounded a conservative interpretation of laissez faire.

In the same spirit, the leader of the opposition was the advocate of a strict interpretation of private property. The differential treatment of land violated individual rights. He attacked Georgian concepts : "...it is absurd to describe your differential treatment of property as a basis of anything even in the nature of elementary justice. I do not believe this doctrine of unearned increment will hold water."[79] The objection to the land taxes mirrored his criticism of income tax graduation. Differential treatment of individuals was interpreted as an infringement upon the principle of equality under the law. In the end, Balfour, first implicitly then explicitly, viewed the budget as an exercise in

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77 H. C Deb. 5th Series, Vol IV, 1909, p.755.
78 Ibid., pp.757-758.
79 Ibid., p.765.

socialism. Its measures interfered in the functioning of a society of free individuals :

> Whatever the House may do with them, even the fact that you have proposed them, I am quite sure had disturbed the mind of everybody who reflects on the many conditions on which an individualistic society...can alone flourish. Your scheme is arbitrary and unjust.[80]

In the realm of direct taxation, the Tory leader propounded a world view consistent with Gladstonian tradition. In an ironic turn of events, the Liberal party subverted the principles of its former leader.

In the Liberal camp, however, the budget was met with a general consensus of support. The bill reaffirmed the divide between the main parties. In clear terms it threatened financial privilege. Its controversial nature was compensated for by the fact that it solidified the government's political base. Austen Chamberlain, a leading Unionist member, had concluded :

> It is certainly a "great budget" and affords infinite matter for discussion and amendment, if we are allowed time. It will touch up a great number of people and make the Government many enemies, but I should think will be popular with their party gathering and afford many good texts for their tub-thumpers.[81]

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80 Ibid., p.773.

81 Sir Austen Chamberlain, Politics From Inside : an Epistolary Chronicle 1906-1914, (London, 1936), pp.176-177.

Chamberlain's prediction was vindicated by events. Radical members were pleased with the government's evolution. On May 3 1909, Chiozza-Money declared :

> I am a supporter of this Budget...because I believe it places the burden upon the right shoulders. That is the first great test by which I judge the proposals before us...What is the second great test ? It is this : that in addition to meeting the exigencies of the moment we should place our free trade taxation upon such a basis as to safeguard our financial future... [82]

Both the rationale and the provisions of the budget were congenial to progressive aims. A day later, John Brunner best summed up the radical attitude : " I am a Radical politician, and I have been for many years, and I acknowledge it with gratitude that this Budget is a gratification of my prejudices as a Radical politician.".[83] The lines of partisanship were clearly drawn. The speeches of both camps reflected two distinct rival fiscal philosophies. The claims of necessity and justice were met with cries of unfairness and the affirmation of individual freedom.

Initially, Tory strategy was unclear. Balfour was unsure whether he should instruct his forces to reject the bill or let it pass. The Tory majority in the House of Lords rendered this unlikely latter option possible. According to the constitution, the lower chamber held the power of the purse. A rejection of the finance bill

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[82] Op cit., pp. 812-813.
[83] Ibid., p.981.

by the upper chamber would set a constitutional precedent. Legal uncertainty implied political crisis. Such a dramatic gesture would have profound consequences. By the Fall, Balfour accepted this extremist stance. His party being divided by factional disputes, his leadership uncertain, he could both maintain unity and exert authority by launching an offensive against the common Liberal enemy.[84] A properly managed political crisis could serve Unionist aims. The government could be compelled to request a dissolution and the Tories would have a good chance of winning the election.[85] When the crisis occurred, however, these calculations proved simplistic given the intensity and dimensions of the conflict.

When the bill entered the Lords, Lansdowne and a majority of the peers were determined to defeat it. Affronted by this radical assault on aristocratic priviledge, the peers wished to reassert the power of the upper chamber. If the budget as a whole appeared "socialistic", the land taxes proved particularly unpopular.[86] The heirs of great landowning families could hardly acquiesce to such a diminution of their wealth and power. After a long and protracted debate, the Lords, with an overwhelming majority, defeated the bill.[87] The first shot in a protracted political war had been fired.

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[84] Blewett, pp.76-84.

[85] Murray, p. 211. The Tories hoped that Tariff Reform could appeal to the masses as an alternative to the budget's policies.

[86] Masterman, p.132.

[87] Margot Asquith, p.261. Some argued that the chancellor had deliberately created a budget that would invite rejection.For an exposition of this view, see Dangerfield's The

Both parties mobilized their partisans. Apart from the party representation in the parliamentary domain, budget support and protest organizations sought to cultivate popular passions in the extra-parliamentary arena. The Liberals and their foes flooded the country with printed propaganda.[88] This effort was matched by the oratorical campaigns of the political leadership. In such a contest, the Liberals outclassed their opponents.[89] Asquith, Lloyd George and Churchill, most notably, dominated the field. The impassioned rhetoric of the chancellor provided the discourse with much flavor and extremism. His words were double edged in their impact.[90] As he rallied his supporters, he united his opponents. First and foremost, the Welsh radical stressed his identification with the people. On July 30 1909, he had declared :

> We are placing burdens on the broadest shoulders...Why should I put burdens on the people ? I am one of the children of the people...I was brought up amongst them. I know their trials; and God forbid that I should add one grain of trouble to the anxieties which they bear with such patience and fortitude.[91]

Strange Death of Liberal England, (London, 1936). The present author concurs with Jenkins's Mr Balfour's Poodle, Cross's The Liberals in Power, Rowland's The Last Liberal Governments and Murray's The People's Budget in believing that the budget did not reflect such a machiavellian purpose.

[88] Jenkins, pp.86-90.

[89] Blewett, pp.110-113.

[90] Indeed, Tories were so incensed by his demagoguery that it helped rally their forces.

[91] "The Budget and The People", Liberal Publication Department (Budget League), Reproduction of Limehouse speech of 1909, Lloyd George Papers C/33/2/11.

Though effective with the mass of Liberal sympathizers, such populist rhetoric, by implication, questioned the democratic legitimacy of the Unionists. These demagogic comments paled when compared with more controversial discourses replete with the language of class warfare. As the weeks passed, the rhetoric became ever more extreme. At Newcastle, in October, he defended the Liberal record as the stewards of private property. He announced :

> Why should liberalism be supposed to be ready to attack property ? I lay down as a proposition that most of the people who work hard for a living in this country belong to the Liberal Party. I would say another thing without offence-that most of the people who never work for a living belong to the Tory Party... [92]

The Tories were cast as upscale parasites unable or unwilling to contribute productively to the community. They wanted to profit from the fruits of the common people's labour. Lloyd George's language could be even more extreme. He attacked the very instituion of the House of Lords and insulted the aristocracy. At a meeting in Wales, he characterized the peers as feudal barons who had trampled the rights of the masses for centuries while stealing much of the land.[93] Such language marked the desperation of the political debate. The budget became the nexus of class struggle. The Lords had declared a revolution and the masses would lead it.[94] The failure to pass the finance bill provided the chancellor with a great

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93 92 Caernavaron Herald, Dec 24 1909, Lloyd George Papers C/33/2/30

94 Newcastle Daily Chronicle, op. cit.

opportunity. His short term political failure provided the opportunity to reap great political dividends.

The political crisis had the potential to revive Liberal fortunes. The mediocre record of the Liberal governments, once a liability, could now be ignored. The government could deflect attention to the actions of its opponents. A campaign directed against the Lords could ignite mass support. By portraying the conflict as one which pitted aristocratic privilege against democratic legitimacy, the Liberals could turn their parliamentary defeat into an electoral advantage. For the cabinet, it was clear that an election had to be called since a second finance bill could not be reintroduced in the same session.[95] Dissolution had to be requested from a position of strength. The ministers considered the importance of a new electoral register, deemed to be to their advantage, and the desirability of a postponment based on the assumption that the Liberals should not be seen as capitulating to the opposition.[96] In the end, the election was called for January 1910. The camppaign proved eventful as both sides curried for mass approval. By the end of the campaign, the Liberal strategy, focusing on the Lords, lost some of its appeal as the Tories exploited the naval scare and pushed tariff reform to the forefront of the agenda.[97] The Unionists accepted the necessity for social reform

[95] CAB 37/100
[96] CAB 37/101
[97] Blewett, pp.116-123; Jenkins, p.111.

while providing an alternative fiscal rationale. This strategy permitted the opposition to shed any reactionary image with which the Liberals might want to associate them.

The election results were mixed. The Tories had regained some seats while the Liberals registered losses. The government, considering its Irish and Labour allies, maintained a working majority. More importantly, the results demonstrated the deep divisions which marked the country. North and South, urban and rural areas were split along partisan lines. The major parties reverted to their traditional bases of support.[98] Such a breakdown, in the end, benefitted the incumbents most. The Liberals had managed to contain the Labour Party and the Tories by maintaining a strong national coalition. Furthermore, Asquith remained in power. The precarious financial situation was soon resolved as Parliament passed financial resolutions anticipating passage of the finance bill. Meanwhile, strains emerged within the governing coalition. The Irish demanded amendments to the budget in order to secure their support. Despite the conciliatory disposition of the chancellor[99] , his colleagues proved adamant in their opposition. The ministry refused to rescind the Whiskey tax.[100] This episode notwithstanding, the finance bill passed both houses thus securing the previous year's budget.

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[98] Ibid., pp381-395.
[99] Hobhouse, pp.88-89.
[100] Ibid.

The Tories permitted passage while remaining hostile to the government's position. Political necessity had forced their hand. They intended to recoup their losses in the process of constituional negotiations. The two major parties initiated talks over the constitutional issue. On the government side, a series of schemes were considered. The reform of the composition of the Lords, the suspensory veto and the creation of a dual chamber deputation were explored.[101] The Liberals sought to reimpose, in statutory fashion, safeguards on the power of the upper chamber. The opposition sought to fashion a veto determined by the nature of the considered legislation. In other words, they wished to prevent a recurrence of the People's Budget. The veto would only concern organic legislation affecting the position of the Crown.[102] This attempt to limit the statutory liberty of the lower chamber proved unacceptable to the Liberals. They remained the champions of the democratic body.

The constitutional impasse led to a reappraisal of the political situation. David Lloyd George even considered the creation of a coalition government devoted to a moderate reformist

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101 CAB 37/103, CAB 37/105

102 Robert Ensor, England 1870-1914, (London, 1936), pp422-423, The Tories aimed Home Rule with this scheme. Furthermore, they wanted to prevent what they viewed as legislative gimmickry. Lloyd George had included elements normally kept separate from the finance bill. For example, for land taxes a separate valuation bill would normally have been necessary.

programme.[103] Needless to say, these discussions led nowhere. The government decided to force the Tories into submission. Since a second election was inevitable, they decided to capitalize on a renewed mandate by passing a Parliament bill with or without opposition support. More precisely, the Government, after having obtained the acquiescence of the monarch, would appoint, if need be, a few hundred Liberal peers to assure passage in the upper house.[104] In this strained atmosphere, the election was called for December 1910. The results confirmed the electoral verdict of the previous January. Under such conditions, the Unionists capitulated to Liberal demands. The passage of the Parliament bill was the final act in a drama precipitated by presentation of the 1909 budget. The consecration of fiscal progressivity not only guaranteed social reform but confirmed the democratic evolution of the British political system.

Through the pressure of events, the Liberal party evolved from its Gladstonian position to an explicitly statist position. The landslide of 1906 proved a mixed blessing, since the scope of that victory could not be matched by great accomplishments. Benefiting from anti-Unionist feeling and the continued appeal of old issues, the Liberals, initially, could not provide a positive programme of statist expansion. Having not received such a mandate, beholden to a

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[103] Secret discussions to this effect included the leadership of the opposition. See Hobhouse, pp.98-99; Jenkins, pp161-166.

[104] Arthur C Murray, Master and Brother, (London, 1945), pp.72-73.

conservative leadership, the evolution of the domestic situation inspired a modification of the direction of public policy. The financial plight of the government, the modification of a political environment defined by the polar extremes of Labour and tariff reform, the economic situation and a decline in popularity modified the climate of decision making. The emergence of Lloyd George and Churchill gave a precise direction to the shape of this political reappraisal. As representatives of radicalism, they responded to the situation by introducing unorthodox approaches to their respective fields. Within the field of finance, LLoyd George reafirmed the centrality of the budget by giving it new scope. Political and administrative difficulties were the harbingers of new opportunities.

Chapter 3 : The National Insurance Act of 1911

The passage of the National Insurance Act of 1911, combining health and unemployment insurance, was the second great reform of the Asquith government. Though the budget had sparked a political and constitutional crisis, the controversy which surrounded the National Insurance Act illustrated the complexity of an issue that dwarfed the budgetary process. In particular, the health insurance scheme aroused the opposition of great Edwardian interest groups. The insurance industry, the friendly societies and the medical lobby were hostile to a programme that appeared to threaten their interests. In the end, the final passage and enactment of the scheme could only be achieved through endless consultation, compromise and confrontation. On the other hand, unemployment insurance proved less controversial. The government's proposals reflected a political consensus concerning the issue. In a sense, the National Insurance Act demonstrated the contradictory pressures of the political environment. Indeed, statist initiatives were not monopolized by a particular group. More importantly, new policy departures had to contend with the traditional pressures of the political process. By contending with competing interests, policy illustrated not only the influence of ideology but the importance of political strategy. In the following pages, I shall examine the roles of Churchill, Beveridge and Lloyd George, as well as the multiple political and

administrative pressures that characterized the genesis of insurance legislation.

Winston Churchill, along with David Lloyd George, incarnated the aspirations of Liberal reformism. As head of the Board of Trade, the former complemented the work of the latter. Indeed, it was under Churchill's supervision that the unemployment insurance scheme was developed. A renegade Tory aristocrat, Churchill proved as controversial as his Welsh colleague. He was born in 1874, the son of Lord Randolph Churchill and Jennie Jerome.[1] His parentage was all the more significant since the paternal example inspired his own political career. A champion of Tory democracy, Lord Randolph's meteoric rise was matched by his abrupt fall. One might surmise that the failure of that political career compelled the son to vindicate his father's memory.[2] Though originally destined for a military career, the young Churchill gained fame as a correspondent. In particular, his daring escape from Boer captivity established his heroic persona.[3] By the time he returned to England, Churchill was eager to reap the benefits of glory. In 1900 he was elected to Parliament from Oldham.[4] Though a member of the Conservative party, the young M.P rapidly established himself as a maverick

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[1] Randolph S Churchill, Winston S Churchill, vol 1, (Boston, 1966), p.1.
[2] Paul Addison, Churchill : On The Home Front 1900-1955, (London, 1992), p.16.
[3] Op. cit., chapter 14 (pp. 470-490.).
[4] Ibid., chapter 16 (pp.515-528.).

within his caucus. This streak of independence would eventually lead to the crossing of partisan lines.

Randolph's son demonstrated that combination of opportunism, idealism and instability that would mark his political career. His political isolation became intolerable with the emergence of tariff reform. A staunch advocate of free trade, Churchill could not abide by a party that seemed to depart from the principles of fiscal orthodoxy. As a result, he switched to the Liberal camp.[5] Though a latecomer to the party, the renegade compensated for his tardy arrival by his dynamic espousal of new liberalism. A review of his speeches and writings illustrates Churchill's ideological bias. On March 7 1908, in a letter to The Nation, the prime organ of the new liberal intelligentsia, he clearly articulated his radical creed. A propos the Liberal party, he announced :

> It has not abandoned in any respect its historic championship of liberty, in all its forms under every sky; but it has become acutely conscious of the fact that political freedom, however precious, is utterly incomplete without a measure at least of social and economic independence...It is in such a situation, party and national, that the movement towards a Minimum Standard may well take conscious form. It is a mood rather than a policy; but it is a mood which makes it easy to perceive the correlation of many various sets of ideas, and to refer all sorts of isolated acts of legislation to one central and common test...asserting the just precedence of public interests over private interests...supplying the patent inadequacy of the existing Social Machinery.[6]

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[5] Churchill, vol 2, (Boston, 1967), chapter 2 (pp. 47-79.).
[6] The Nation, March 7 1908.

Thus, Winston Churchill was well representative of new liberal opinion. Short on specific proposals, he illustrated a reformist mentality which permeated progressive politics. His use of language revealed the semantic and conceptual importance of ethical rationales combined with a concern for efficiency defined within a communitarian framework.[7]

Within the Asquith cabinet, Winston Churchill and David Lloyd George were the representatives of radical opinion. While the latter had been appointed to the Exchequer, the former was assigned to the Board of Trade. Ensconced in these two influential ministries, this duo could shape the future of domestic reform. Their common interests were reinforced by LLoyd George's influence on the younger man.[8] Churchill acknowledged the powerful attraction that bound him to his peer. As he later recalled in Thoughts and Adventures, first published in 1932 :

> No man can have worked as closely as I have with Mr Lloyd George without being both impressed and influenced by him...When I crossed the floor...it was by his side I took my seat...It was he who gave to orthodox Liberalism the entirely new inflexion of an ardent social policy. All the great schemes of insurance which for good or for ill have entered for ever into the life of the British people, originated or flowed from him. He it was who cast our finances intently upon the line of

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[7] For example, one might consider the texts collected in Liberalism and The Social Problem, (London, 1909).

[8] Violet Bonham-Carter, Winston Churchill as I knew Him, (London, 1994), pp.163-164.

> progressive taxation of wealth as an equalizing factor in the social system.[9]

The mutual interests of these two figures gave birth to the National Insurance Act. The first part of the bill dealt with unemployment insurance. As such it reflected the efforts of the Board of Trade. The second part, dealing with health insurance, was the fruit of the Exchequer's efforts. Finally, overall responsibility for the bill came under the aegis of Lloyd George.

Churchill assumed his new duties brimming with enthusiasm. In fact, he was so ambitious and energetic that he disrupted the atmosphere of the cabinet.[10] As demonstrated by the PRO archives, he continually bombarded his colleagues with notes and opinions. More importantly, he sought the advice of those thinkers who might provide him with progressive policies. The minister began frequenting the Webbs and their circle. Hoping to influence the outcome of public policy, Beatrice and Sidney Webb hosted gatherings which assembled the rising stars of progressive politics.[11] During these soirees, Churchill came to know the famous couple. Beatrice recalled :

> Winston had made a really eloquent speech the night before and he has mastered the Webb scheme, though not going the whole length of compulsory labour exchanges. he is brilliantly able-more than a phrase monger I think-

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9 Winston S Churchill, Thoughts and Adventures, (London, 1932), pp.58-60.

10 C.P Scott described him as "unstable" in The Political Diaries of C.P Scott 1911-1928, (London, 1970), p.53; Charles Hobhouse considered him "disruptive" in Inside Asquith's Cabinet, (London, 1977), pp. 73, 76.

11 Masterman, for example, was a regular guest.

> and he is definetely casting in his lot with the constructive state action. No doubt he puts that side forward to me-but still he could not do it so well if he did not agree somewhat with it.[12]

These social contacts underscored the radical image he presented to the public. Furthermore, this excerpt illustrates the nature of Fabian influence upon new liberalism. Though he generally agreed with the need for insurance linked to labour exchanges, Churchill did not blindly parrot Webbian views. By eschewing the compulsion favored by the Webbs, the minister defined a reform alternative on liberal lines. Indeed, the pursuit of Liberal reforms overshadowed Fabian efforts. As demonstrated by the reception of the Minority Report of the Poor Law Commission in 1909, Fabian reformism was frustrated by its political impotence.

However, one should be careful not to overly marginalize the Fabian role. The recruitment of William Beveridge, a friend of the Webbs, was of critical importance to the future of social policy. Beveridge gained repute as a journalist. Writing for the Tory Morning Post, he had become an authority on social refcrm. His expertise was associated with the issue of unemployment. In a series of lectures delivered at Oxford, published in 1909 as Unemployment : A Problem of Industry, he expressed a sophisticated understanding of the question. Upon his recruitment in 1908, he laboured to implement policies which culminated from his analysis of the social problem. As he recalled in his memoirs published in 1955, social insurance

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[12] Beatrice Webb, Our partnership, (London, 1948), pp. 416-417.

was the practical implication of the minimum standard. Though written after the achievements of the Beveridge report and the Attlee government, his recollections applied to the ideological environment surrounding the Asquith reforms. He declared :

> Security implies possession, as of right, of income sufficient for family needs at all times-both when the breadwinner of the family is earning and when he or she is unable to earn through causes beyond his control-sickness, infirmity, accident, unemployment, old age or death... Social insurance means that the spreading of the income is achieved not wholly by general taxation but in substantial part by contributions taken from earnings while they are being made.[13]

Insurance, like graduated taxation, was also a tool of economic redistribution. The state guaranteed a minimum standard of living in the face of conditions which threatened the individual. The transindividual nature of the social problem thus rationalized this statist departure.

In Unemployment : A Problem of Industry, Beveridge discussed the evolution of public ideas and public policy, summarizing the failure of past efforts. He stressed the centrality of the unemployment issue to social conditions. A symptom of dysfunctionality, unemployment was the result of a defective economic system. It was the result of an improper organization of industrial life.[14] Economic changes and fluctuations affected the labour supply. These changes related to technological advance while

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[13] William Beveridge, Power and Influence, (new York, 1955), pp. 54-55.
[14] Ibid., Unemployment : a Problem of Industry, (London, 1909), p.193.

the fluctuations referred to the cyclical, seasonal and casual variations in labour employment.[15] State support could alleviate, if not eliminate, the perverse effects of this socio-economic phenomenon. Government programs could diminish the size of the labour reserve pool by limiting its span of duration while providing for the maintenance of its members.[16] For the lecturer, the necessary governmental response was clearly defined. He advocated both unemployment insurance and labour exchanges as solutions to the unemployment problem.[17] The provision of labour market information, coupled with a guarantee of temporary income maintenance, would both ease the plight of the unemployed while reducing the scope and intensity of unemployment.

When Beveridge joined the Board of Trade, the ministry lay at the nexus of domestic policy. By virtue of its minister, as well as the breadth of its responsibilities, the Board was destined to play a critical role in the formulation of social policy. Beveridge later wrote :

> The Board of Trade, when I joined it, was a large and varied Department on the point of becoming larger. It covered commerce and industry, shipping, railways, copyright, patents, and labour questions, so far as these last were the subject of action by Government; in practice, in July 1908, this meant labour statistics and conciliation in trade disputes. The labour side of its work received a large extension in two ways soon after I joined the Board-by the establishment of labour

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15 Ibid.
16 Ibid.
17 Ibid., pp.229-230.

> exchanges in 1910 followed by unemployment insurance in 1911...[18]

In brief, the Board of Trade was at the vanguard of statist expansion. The new recruit became part of a political and administrative team that elaborated both the exchange scheme as well as unemployment insurance. Along with Churchill and Llewelyn Smith, a senior bureaucrat, he helped shape the legislative agenda of Liberal reform.

Unemployment insurance and labour exchanges were the fundamental elements of Liberal unemployment policy. The introduction of these measures aroused relatively little controversy . On the one hand, these schemes neither threatened great interests nor endangered the working of the free market. The very modesty of the Liberal proposals mirrored a large political consensus. The introduction of the exchanges in 1909, and of unemployment insurance in 1911, met with wide acclaim. This appeal demonstrated the extent to which a new conception of society, the economy and the state had permeated the political discourse. Differences emerged as to the nature and extent of statist policies. However, the role of the state had increased beyond the precepts of minimalism. The Labour Exchanges Act established a network of bureaus which collected and disseminated data concerning the labour market.[19] The system rationalized the flow of labour by coordinating the needs of workers with those of the economy. Rather than impinging on the market, the Act facilitated its functioning. Similarly, the first part

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[18] Power and Influence, p.71.

[19] Jose Harris, Unemployment and Politics, (Oxford, 1972), pp. 351-356.

of the National Insurance Act proved uncontroversial. The limited scope of the insurance measures, reserved to a narrow selection of occupations, did not endanger the economic system.The passage of the Unemployment Act of 1905 demonstrated how the concept of insurance, however modest and incomplete, was gradually transforming the nature of social politics.

The evolution of public attitudes towards public relief, the current downturn in the economy and sagging Liberal fortunes spurred the government to action. Churchill's Board of Trade figures concerning 1908 painted a distressing economic picture.[20] Liberal byelection results indicated a swing against the government.[21] By focusing on what many viewed as the most important issue of the day, the government could placate the working classes and revive its political prospects. Both honest concern and self interest coincided. In a political and intellectual environment where reform sparked much interest and discussion, Liberal social policy found new impetus. Thus, both Churchill and Lloyd George were served by the contemporary social, political and economic contexts. Under their aegis, senior bureacrats shaped Liberal unemployment schemes. In

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[20] A series of employment memos drafted by the Board of Trade, and submitted to cabinet, highlited the current economic difficulties. The memo of August 17 1908 (CAB 37/94) described a period of unusual severity for the working classes. The Board noted a rise in unemployment coupled with a drop in wages and an increase in food prices. On October 10 1908, the unemployment memorandum expressed alarm : " There can be no doubt that we have already entered upon a period of exceptional distress and industrial dislocation; and these conditions may be sensibly aggravated as the winter advances."(CAB 37/95, p.1)By the following month, the Board noted that an economic depression had swept over much of the industrialized world. In Britain, the situation had worsened due to trade disputes (CAB 37/95, memo of November 2 1908.).

[21] Lucy Masterman, C.F.G Masterman, (London 1938), p. 134.

particular, William Beveridge and Robert Llewelyn Smith designed the U.I scheme finally adopted.[22] The Board of Trade's main challenge was to be found in the administrative field. Concerns with financial viability complicated the Board's policy development.

As state insurance came to define the social policy debate, the government was moved to examine foreign insurance models. The sheer force of neccessity compelled this outward turn of attention.[23] In November 1907 , Beveridge had submitted a memorandum to the Board dealing with foreign insurance programmes. He examined a variety of European models including the German example. His study drew four conclusions. Firstly, voluntary insurance was unworkable since it drew only high risk cases.[24] Low risk cases would find little incentive to participate in the scheme. Secondly, the "Ghent" system of subsidizing voluntary insurance plans would not cover those most in need.[25] Coverage would still be limited to private insurance subscribers. Thirdly, compulsory insurance required an employer contribution.[26] This would limit state and worker responsibility. Fourthly, because of the infinite variation of risk between occupations, a compulsory scheme shpuld be limited to certain groups.[27] Coverage would be guaranteed to

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22 Harris, pp. 310-311.

23 Ernest Peter Hennock, British Social Reforms and German Precedents, (Oxford, 1967), pp.168-179. In particular, British attitudes towards German methods evolved from hostility to admiration.

24 Power, p.371.

25 Ibid.

26 Ibid.

27 Ibid.

those most in need. These observations established the general guidelines for the Board's subsequent efforts.

The state was reversing domestic precedents. In the past, trade unions disbursed insurance to their members. From now on, the state would guarantee coverage on a national basis. A tripartite contribution, including workers, employers and government, would increses the prospective funding pool. The programme was limmited to occupations most affected by labour fluctuations. Llewellyn Smith drafted a proposal that covered those involved in shipbuilding, engineering and construction. It was estimated that 3 000 000 people would be eligible.[28] initial financing estimates were of 2d a week for workers and 1d for the State and employers.[29] The initial estimates provided for a modest support programme. The discharged could collect benefits from 7s 6d a week depending on the length of the unemployment period.[30] These limited plans demonstrated the cautionary nature of Liberal policy. Coverage was limited and the existing relief machinery remained untouched. Ideological, political and financial considerations rendered this piecemeal approach necessary.

The final scheme was submitted to cabinet in April 1909. The contributions of both employers and the state were increased.[31] (2d for the first and 1 1/3 d for the second). Benefits were graduated

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[28] CAB 37/96/159
[29] Ibid.
[30] Ibid.
[31] CAB 37/99/69.

downwards from 7s to 5s a week for 15 weeks.[32] Estimated cost of the scheme was estimated at 1 000 000 a year for the next five years.[33] The estimates granted the state much room to maneuver. Actuarial calculations considered an unemployment range of 4 to 14% with an average of 27 days of unemployment.[34] The cabinet studied the proposals. As usual, Burns worried about the moral aspect of the question : the scheme should not undermine public character.[35] Notwithstanding, by the summer the scheme was ready for enactment.

A number of factors postponed the enactment. On May 19 1909, Churchill declared to the House :

> We cannot deal with the insurance policy this session for five reasons. We have not the time now. We have not the money yet. The finances of this insurance scheme have got to be adjusted and interwoven with the finances of the other schemes which my right hon. Friend the Chancellor of the Exchequer is engaged upon now for dealing with various form of invalidity and other insurance. [36]

The scheme was organically linked to the rest of the reformist agenda. The budget, health insurance and labour exchanges were interrelated. Furthermore, the minister was aware of the potential controversy that compulsion might arouse. Through consultation he wished to build a consensus around his programme. Bureaucratic

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[32] Ibid.
[33] Ibid.
[34] Ibid.
[35] Burns Papers, Diary May 6 1909
[36] Hansard, May 19 1909, p.510.

innovation could only be successful if supported by popular consensus.

Churchill's caution was justified given the importance of the interest groups involved. Unions and management could easily be aroused by any initiative that might encroach on their interests. Compulsion embodied a new stage in state responsibility. At Ipswich, in 1909, the Trade Union Congress conference condemned compulsory insurance unless administered by labour.[37] Furthermore, the controversy over the budget threatened the entire basis for reform. The attention of the political establishment had been diverted to other matters. These problems retarded the enactment of insurance. The integration of the Board of Trade proposals with those of the Treasury rendered the situation all the more delicate.

Consultation between the departments began during the winter of 1910-11. The meetings betrayed a sense of interdepartmental rivalry. Harris writes :

> In January 1911 the health scheme had no objective existence outside the mind of the chancellor ; even there it consisted of little more than a little series of disconnected propositions...Unemployment insurance, on the other hand, had been on the legislative production line for more than two years...and the scheme had been further postponed...because of his failure to produce a plan for health insurance... [38]

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[37] Harris, p.317.
[38] Harris, pp.321-322.

Discrepancy in development rendered integration difficult. Both plans had to be thoroughly developed before integration would be possible. This fact threatened the future of the programme. The actions of the chancellor of the exchequer would determine the fate of unemployment insurance.

David LLoyd George viewed himself as the father of social insurance. As such, he wished to gather all programmes under his authority. He had already requested such a move from cabinet. This demand was rejected, but passage of an integrated bill would come under his authority.[39] Lloyd George was left dissatisfied. He attacked the financial and administrative provisions of the Board of Trade.[40] These criticisms did not scuttle the programme. Fortunately, Llewelyn Smith proved a match for the chancellor.[41] Having met this latest challenge, work could now proceed.

In the Spring of 1911, the chancellor presented the National Insurance Bill to the House. According to the minister, insurance was the product of necessity. Not more than one third of those trades most vulnerable to unemployment benefitted from coverage.[42] Furthermore, the private insurance system did not adequately serve the public interest. Many defaulted on their policies because of their inability to continue payment.[43] In brief, the state was compensating

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[39] Ibid.
[40] Ibid.
[41] Ibid.
[42] Hansard, 5th Series 1911 vol 25, p.611.
[43] Ibid., pp.611-612l

for the inadequacies of the market. The government must aid those most vulnerable :

> ...there is a real need for some system which would aid the workmen over these difficulties. I do not think there is any better method, one more practicable at the present moment, than a system of national insurance which would invoke the aid of the State and the aid of the employer to get over these difficulties...[44]

The proposal of a contributory system reflected the victory of pragmatism over ideology. Viability made compulsion necessary. In the end, the unemployment scheme was rapidly disposed of. According to the final plans, the benefits were to be of 7s a week for 15 weeks while unions were given the opportunity to administer the scheme.[45] Without much fanfare, the relevant legislative clauses were disposed of over the next six months.

Health insurance became the focal point of controversy. Great Edwardian interest groups, such as the British Medical Association, the Friendly societies and the insurance companies were jealous of their prerogatives. They eschewed any plan that might limit their freedom or inhibit the optimal accumulation of profit. The authorities were faced with a serious political challenge. Health insurance was the brainchild of David Lloyd George. His personal experiences had aroused enthusiasm for the scheme. Upon his return from Germany, in the late summer of 1908, his enthusiasm had been evident. His interview with the Daily News revealed the great

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[44] Ibid., p.613.

[45] Bentley Gilbert, The Evolution of National Insurance in Great Britain, (London, 1966), pp.277-279.

impression that the German model had made.[46] This experience guided the chancellor's efforts.

In the Spring of 1910, a tentative plan had been elaborated. Subject to age and income limits, based on a contributory system beginning at 16 and ending at 70, it provided a different scale of benefits according to the invoked provision.[47] These plans were submitted to financial examination. According to actuarial estimates, the plan would cost 6 000 000 a year for the first four years.[48] The report demonstrated the gargantuan nature of the challenge thus faced. Furthermore, the British were lagging behind their continental rivals. Braithwaite recalled :

> I noted that L.G was discouraged by finding how much had already been done in Germany, but attracted by the notion of making employer or employed pay for extra sickness caused by either, and this already was to depart from the Government guarantee.[49]

The extent of state involvement would be central to the debate. Radical and conservative attitudes clashed over the desirability of public responsibility.

The officials of the Treasury were apprehensive about the state contribution. For example, Braithwaite was hostile to a state guarantee.[50] The chancellor did not share these qualms. Indeed, he

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[46] Op. cit.
[47] Henry N Burnbury, ed., Lloyd George's Ambulance Wagon . Being the Memoirs of William J Braithwaite, (London, 1957), pp.73-77.
[48] Ibid., pp.77-79.
[49] Ibid., p. 87
[50] Ibid., pp. 87-88.

proved to be a visionary. He believed that his modest measures would foreshadow a later period of extensive state responsibility. In a letter of March 7 1911, LLoyd George wrote :

> Insurance necessarily temporary expedient. At no distant date hope State will acknowledge full responsibility in the matter of making provision for sickness breakdown and unemployment...Gradually the obligation of the State to find labour or sustenance will be realized and honourably interpreted.[51]

These comments reveal a vague protoKeynesian and protowelfarist belief in government responsibility. The chancellor, in fact, seemingly anticipated a state providing welfare services undergirded by a full employment economy. This vision, however vague or romantic, was nevertheless prescient. In the meantime, political reality limited the practical scope of his ambition.

The Friendly societies, the insurance companies and the medical profession formed a powerful troika of special interests. Their opposition could defeat the plans of the government. The Liberals tried to avoid confrontation and include these groups in their plans. Initial meetings revealed the many political difficulties that had to be surmounted. In October 1909, the chancellor met with society leaders ; on this and other occasions, they expressed hostility to state intervention.[52] Acceptance could only be garnered by assuring them that the government did not intend to threaten private interests. From that point on, Lloyd George sought to

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[51] Ibid., pp.121-122.
[52] Gilbert, pp.294-295.

neutralize opposition by downplaying the expansion of public responsibility. The state intended to supplement the inadequacies of the current system.[53] By limiting their goals, promising to improve but uphold the current system, the advocates of national insurance demonstrated their political finesse.

This modest and incremental approach dictated the chancellor's future initiatives. He inclined towards conciliation over confrontation. The complexity of the matter at hand justified his approach. For example, the chancellor would drop the death benefit to avoid further opposition from the Friendly societies.[54] These difficulties hardly anticipated future problems. Each interest group promoted a distinct agenda. The medical profession was already in conflict with the societies. The one wanted to maximise income while the latter wished to provide an expanding membership with the requisite health care services.[55] In this context, it was all the more difficult to create a national health insurance consensus. Furthermore, the industrial insurance companies presented an all the more powerful interest. The size and wealth of the industry could bring tremendous pressure on any party it chose to confront.[56] Thus, both the content and presentation of health insurance had to be modest.

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[53] Ibid., pp.296-297.
[54] Ibid., pp. 299-300.
[55] Ibid., p.311.
[56] Ibid., pp.325-326.

The Exchequer's public relations initiatives were constant. As the Times reported on November 3rd 1910, Lloyd George, the day before, had met with a deputation from the Manchester Unity of Oddfellows which opposed state insurance; the host reiterated his intention of working with them in pursuit of his effort.[57] To build a political consensus, the government constantly lobbied the interests. On December 1 1910, the chancellor published a letter assuring full consultations with the insurance companies.[58] Given the continued suspicion of government, it was clear that consultations were insufficient to eliminate hostility. In January 1911, Lloyd George decided that insurance companies and Friendly societies could become approved distributors of state benefits.[58.5] In political terms, the minister had scored a brilliant coup. His plan would survive by encouraging the active participation of its opponents. By employing private institutions to provide public services, he assured the position of both.

The invitation was conditional. Braithwaite drew up a series of conditions which determined which societies would meet with state approval. Over a few rounds of golf[59] , the chancellor made his decision. Most importantly, the conditions affected the administration of the societies, assuring democratic representation on the advisory committees as well as a dual local and central

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[57] Times, November 3 1910.
[58] Times, december 2 1910.
[58.5] Gilbert, p. 341.
[59] Burnbury, pp.128-129.

supervision of operations.[60] The drafters wished to preserve the dominance of public interest over private advantage. Democratic safeguards were to guarantee the integrity of national insurance.

On March 30 1911, the cabinet received a draft of the National insurance proposals. For the chancellor, sickness was a major cause of pauperism. Of the 50% of the population that had made provision for sickness, premiums were often too high to be sustained while coverage for temporary sickness did not provide for permanent breakdown.[61] The rationale for health insurance was social not medical. Contributions were to vary according to age and responsibility. Men would pay 4d a week, women 3d while employers and the State would contribute 2d each.[62] Benefits were provided for a variety of scenarios. Medical visits and invalidity, to name a couple, were covered.[63] The scheme was supported by a modified financing scheme. In April 1911, the actuaries report had recommended a number of changes. People over 65 at the time of inception were not to be covered, weekly contributions would continue till 70, all young persons employed under the age of 16 would contribute while the first 13 weeks of the sickness allowance was to be reduced.[64] These calculations rendered the scheme less generous yet financially viable. Within cabinet, John Burns remained critical. Particularly, he opposed the excessive sickness clause.[65]

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[60] Ibid.
[61] CAB 37/106/40.
[62] Ibid.
[63] Ibid.
[64] CAB 37/106/53
[65] Burnbury, pp. 133-134.

According to the minister, the state should not encourage abuse and moral sloth.

Reception to the bill was initially positive. Within the House of Commons, the acquiescence of the major parties demonstrated the extent to which social reform determined the parameters of the political debate. Neither the Labour party nor the Tories presented coherent opposition to the government. Caught off guard, James Ramsay MacDonald initially praised the Liberal initiative.[66] The Opposition did not exercise its prerogative. Indeed, in his correspondence, Austen Chamberlain, the Unionist leader, commended the health scheme while expressing reservations about an unemployment insurance plan he viewed as tentative and incomplete.[67] Interestingly enough, the most vocal opposition was to be found within the Liberal caucus. Handel Booth, a Liberal M.P, criticized excessive state intervention in the private sector. The member declared :

> There was nothing in the opening statement to-day that convinced the House that in every way, wherever the Bill proposes to go, it is the right province of the State...I am a little afraid that in one or two aspects of this Bill the State is going a little needlessly into the domain of private enterprise. Our ground is covered by these agencies.[68]

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66 Off Rep. 5th Series. Parl deb. Commons. 1911 vol XXV, pp.654-655.
67 Chamberlain, pp. 336-337.
68 Op. cit., p.669.

The defense of the private sector was nuanced. Booth presented himself as a moderate critic rather than a reactionary opponent of reform. He claimed to support reform as defined on his own terms.

Secondly, Handel Booth maintained that the state had an important role to play in domestic affairs. He opposed the extent to which the Liberal government had extended the responsibility of government. Moderate reform, however vague or unspecified, was an alternative to Liberal socialism. Booth maintained :

> This is a scheme of State socialism. There is no doubt about that. The State is to look after these people as well as it possibly can. I am not saying that the State should not concern itself about the health and the welfare of the poor. I am glad it does. At the same time, I want to warn the House that those friendly societies...are a great heritage, and must not be lightly disturbed.[69]

In brief, the maverick M.P did not condemn the aims of the National Insurance bill. Rather, the member criticized the scope of the chancellor's plans. Consciously or unconsciously, this ambiguous position permitted the member to dissent from his leadership's proposals while claiming support for the aims of the bill. In fact, Booth was merely representing interest group anxieties. Indeed, the honorable member became the hero of the insurance lobby.[70] Booth's intervention demonstrated how the government's plans could elicit interest group hysteria.

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69 Ibid., p.670.
70 Gilbert, pp 372-373.

In the next weeks, the government encountered new problems. The British Medical Association wanted to limit the obligation of practitioners to provide services covered by the plan.[71] In fact, they objected to a system that might regulate their activities and limit their income. The National Insurance Commission would soon become embroiled in a conflict with the B.M.A over the payment rate. The commission was created in November and placed under the chiarmanship of Robert Morant.[72] Morant had no illusions about the difficulties he faced. He considered the July 12 1912 enactment date unrealistic.[73] Conferences held during the Spring and Summer revealed hostility towards medical income caps. Professional freedom and profit overshadowed the hippocratic oath. On May 17 1912, for example, Dr Machan argued that doctors should decide the issue on a local basis; in his view, a large number of doctors supported payment per attendance.[74] These ideas subverted the principle of national insurance. It undermined the purpose of the advisory committees. A crisis would be reached over the benefits provided by actuarial estimates.

It had been determined that the programme would contribute 6s per head for every person on a doctor's panel.[75] The medical lobby was disatisfied. Indeed, on February 29 1912, they had demanded a

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71 Burnbury, p.179.
72 Bernard Allen, Sir Robert Morant, (London, 1934), pp.267-268.
73 Burnbury, p.264; Allen, pp.273-274.
74 PIN 2/16, p.6
75 Allen, pp 275-276.

rate of 8s 6d (exclusive of drugs).[76] By the time the Act went into operation, the issue remained unsettled. The situation became explosive. On July 18, James Blair, a visceral opponent of the plan, was elected chairman of the B.M.A while the delegates voted to refuse treatment under the terms of the Act.[77] Refusal to comply with the law would destroy the health insurance plan. Faced with this physician's revolt, Lloyd George tried to accomodate the medical interest. On October 23 1912, at a meeting of the Advisory committee, he proposed to increase the medical allowance by half.[78] This partial meeting of demands, while it demonstrated the goodwill of a government that was put to the wall, could not placate the demands of an arrogant medical leadership. At a December 21 meeting of B.M.A representatives, there was a vote to refrain from full participation in the scheme.[79] As the crisis continued, the state authorities became more aggressive. Wild rumours circulated that the government intended to create a public medical service.[80] The government retook the initiative when it sought to capitalize on divisions within the medical community. The B.M.A did not represent all physicians. Furthermore, to those doctors whose earnings were limited, a scheme that would provide state subsidies might be beneficial.[81] The battle was won when the government published the names of physicians who were willing to participate in the scheme.

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[76] Ibid., p.277.
[77] Ibid., p.278
[78] Ibid., p.279.
[79] Ibid., p.280.
[80] Ibid., p.281.
[81] Ibid. Many doctors on contract practice in large towns made little more than 4 s perhead. Under the proposals, they could double their salaries.

On January 3 1910, 10 000 names were presented to the public.[82] By the end of the month, the struggle was over. Health reform had been won.

The elaboration of national insurance reflected the complexity of the political environment. Ideology, interest, personality and the simple pressure of reality contributed to the development of the reform agenda. The correlation of these distinct and contradictory forces produced results that were difficult to foresee. Throughout the policy process modifications were made on ideological, political or administrative grounds. In such a multicausal context, social policy cannot be attributed to simple reductionist interpretations. It was clear, however, that the support of powerful political leaders and the relevant administrative staff, rendered vague ideas into practical reality.

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[82] Masterman, p.250.

Conclusion

By the eve of the Great War, the nature and scope of state responsibility had been radically redefined. The evolution of liberal ideology and politics, and the movement for national efficiency, reflected a fundamental shift within the political and intellectual environment. Though the ideological discourse did not wholly determine the nature of the Asquith reforms, at the very least it contributed to the evolution of the policy process. Furthermore, the parameters of the political debate, and its prevalent semantics revealed the importance of the progressive intelligentsia. However, the reforms of the Asquith cabinet were as much the products of calculation and chance as they were the manifestations of principle. The singular personalities of Churchill and Lloyd George were critical to the reform agenda. Meanwhile the twin pressures of tariff reform and the L.R.C favored a positive Liberal programme. The pressures of economic recession, fiscal necessity and electoral survival narrowed the political and policy options available to the Liberal Party. The continued trend towards urbanisation, and the maturation of the industrial economy, presented social challenges of serious political consequences. Statist expansion was one of the products of this environment.

The transformation of the British social and economic landscape inspired an ideological revolution . The discovery of poverty, and its linkage to the Manchester system, sparked a crisis of conscience among progressive intellectuals. Moral outrage,

however, translated into the advocacy of new political approaches. Henry George's tax proposals were symptomatic of this change. More importantly, as time passed more reformist thinkers came to view the state as the medium for social redress. The idealist conception of a positive state eventually matured into the doctrine of new liberalism. What had once been an expression of moral outrage became a call for state sponsored intervention and redistribution. The work of socialist intellectuals, like the Webbs, demonstrated the radical potential of statist responses. The cult of national efficiency was merely an exercise in social engineering. The nature of the political process, however, limited the definition of social reform.

The advent of the budget of 1909 demonstrates the complexity of the public policy process. Initially, the government was pressured by fiscal exigencies. New sources of revenue had to be found for state expenditure. The search for revenue compelled the introduction of revised fiscal approaches. The budgetary crisis, however, provided the Liberals with new opportunities. The chancellor could now reorient budgetary policy. In turn, this breathed new life into the cause of social reform. At this juncture, the ideas and measures promoted by the progressive intelligentsia, and their political acolytes, replaced the worn principles of orthodoxy. Furthermore, political and electoral pressures favored this change. Indeed, new liberalism was the means to liberal survival.[1] In the end, the entire process demonstrated how the pragmatic drive for solutions was

[1] Peter Clarke, Lancashire and the New Liberalism, (Cambridge, 1971)

matched by the ideological evolution of the political and intellectual classes.

The National Insurance Act of 1911 confirmed this reality. However, it also illustrated how administrative procedure, and interest group pressure, could significantly alter government policy. Though William Beveridge might have largely influenced the content of the legislative agenda, the decisions of Churchill and LLoyd George determined the hierarchy of policy priorities. The outcry over health insurance assured the modification of Liberal plans. The chancellor's willingness to compromise illustrated how the spirit of pragmatism overshadowed the interests of ideology. As a result, the insurance scheme did not fundamentally alter the relationship between interest groups and the state. Though the latter had assumed greater social prerogatives, its responsibilities were exercised through the medium of private sector agencies. Public and private interests enjoyed a symbiotic relationship. Paradoxically, this incremental change proved dramatic within the context of the times.

In a society long accustomed to the rhetoric and reality of state minimalism, any extension of state prerogatives was deemed to be revolutionary. The transformation of public attitudes, as witnessed by the statements and actions of new liberal politicians and thinkers, illustrate the depth of this social evolution. The conscious advocacy of statist responses to social need defined much of the political left. The parameters of political debate had shifted

in tandem with a society transformed by a myriad of social and economic forces. The advocacy of new ideas and approaches was inherently related to the insecurity of a community bereft of its traditional illusions. Both the perception and the reality of economic insecurity and disparity eroded the appeal of convential wisdom. Social reform, in the political and the ideological senses, attempted to reorder a society subjected to contradictory pressures. Collective action became the prescription for perceived individual impotence. In the end, state expansion was both a structural and a psychological reality. The wide scope of this phenomenon explains its historical importance. As W.H Greenleaf argues, the growth of public power transformed British politics and society.[2]

The role of the state evolved along with the nature of the political community. The extension of the franchise and the emergence of class politics were the harbingers of modern mass politics. In this new era, the political elite had to cater to a wider audience. The popular implications of political responsability required the exercise of new forms of leadership. In the realm of public policy this implied the development of measures wich corresponded with the claims and needs of the people. Social reform was a response to this new public environment. Thus, the political agenda came to be driven by the call for reform. Furthermore, the electoral environment was riven by class politics. Yet the attitudes of the working classes cannot be easily ascertained. Henry Pelling argues that the working classes did not welcome the expansion of

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[2] W.H Greenleaf, The British Political Tradition, 4 vols (London, 1983)

the state.[3] The latter was promoted by middle class reformers.[4] In other words, the Liberal reforms were a paternalistic response to the social question.

In an article in the Historical Journal, Pat Thane expands upon Pelling's work. Her research provides a nuanced answer to the question of class attitudes. Unlike Pelling, Thane stresses that working class opinion had shifted prior to 1906, and as a result of pressures exerted through bodies such as the L.R.C, contributed to the movement towards Liberal reform.[5] However attractive, this analysis can distort the power relationship between different political and interest groups. The Liberal reforms originated within the Liberal ranks and not from without. Meanwhile, the Labour party was but a junior partner of its Liberal counterpart. Furthermore, the author believes that popular opinion was not monolithic. Worker institutions displayed a variety of attitudes towards state welfare.[6] In the end, Thane eschews a tendency towards simple generalizations. Though inevitably related to the emergence of mass politics, the advance of the statist agenda had a nuanced relationship with working class interests and pressures.

The evolution of the political discourse presented a great challenge to the political right. The Tory-Unionist coalition had to

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3 Henry Pelling, Popular Politics and Society in Late Victorian Britain, (New York, 1968)
4 Ibid.
5 Pat Thane, "the Working Class and State 'Welfare' in Britain 1880-1914", 27 Historical Journal 4 (1984), pp. 892-896.
6 Ibid., p.880.

reconcile itself to a new political environment characterized by a fertile intellectual background. Caught on the defensive, the Tories accepted the necessity of reform while seeking to preserve the status quo. This dilemma heralded a confused ideological climate. Some, like Hugh Cecil, championed a brand of social reform. His work, Conservatism, published in 1912, argued that Conservatism and socialism were not necessarily incompatible.[7] Thus, Toryism could be a vehicle for statist reform. Concurrently, the tariff reform movement advocated a measure of domestic improvements. In the end, however, Toryism became the last citadel of Victorian values. Matthew FForde argues that the Tories advocated the principles of individualism and laissez faire in response to statist initiatives.[8] The right sought to limit state growth by coopting reformist appeal with limited proposals.[9] These measures were less a program for reform than a tactical maneuver in defense of the status quo. Opportunist rhetoric cloaked fundamental misgivings. Yet the Tories were unable to stem the tide of public growth. The Conservative approach demonstrates the extent to which the proponents of social reform determined the political agenda.

The Liberal reforms of 1909 and 1911 formed the nexus of an evolving political environment. Political change was matched by a marked ideological shift which mirrored the transformations of the

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[7] Hugh Cecil, Conservatism, (London, 1912), p.169.
[8] Matthew Fforde, Conservatism and Collectivism 1886-1914, (Edinburgh, 1990)
[9] Ibid.

society at large. The very importance and complexity of these phenomena transformed the role of the state and its relationship to society and the individual. The policy process, in itself, illustrates the multiple pressures which swayed the electoral system and the political establishment. As a result the relationship between the diverse elements of the political and ideological arena were caught in a confused maelstrom of events, pressures, calculations and necessities.

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