Title	LLOYD GEORGE AND THE SOCIAL REFORM BEFORE THE FIRST WORLD WAR
Sub Title	
Author	KASHINE, TOSHIKAZU
Publisher	Keio Economic Society, Keio University
Publication year	1977
Jtitle	Keio economic studies Vol.14, No.1 (1977.) ,p.67- 81
JaLC DOI	
Abstract	
Notes	
Genre	Journal Article
URL	https://koara.lib.keio.ac.jp/xoonips/modules/xoonips/detail.php?koara_id=AA00260492-19770001-0067

LLOYD GEORGE AND THE SOCIAL REFORM BEFORE THE FIRST WORLD WAR*

TOSHIKAZU KASHINE

I. INTRODUCTION

'Lloyd George is rooted in nothing.'[1] Such was J. M. Keynes' view. Yet Lloyd George's biographers, on the other hand, have regarded him as 'the most practical of statesmen'[2] or 'the most illogical of men in many ways'[3] by reason of his inconsistent political life. Certainly, his career was marked by apparently inexplicable contradictions. He was the pro-Boer advocate of the Empire; the fiercely partisan architect of coalitions; the anti-war supporter of a 'fight to the finish'; the old-style radical champion of state socialism; and the permissive, unpuritanical spokesman for the nonconformist conscience.[4] Lloyd George was thus a man with many ambitions and few principles. It is therefore not so difficult for us to understand why he should have been thought unprincipled. His political ideas and behaviour, however, originated more from an understanding of the crises, both at home and abroad, of British capitalism in the early twentieth century, as Lloyd George himself emphasised in his *War Memoirs.*

1. The shadow of unemployment was rising ominously above the horizon.
2. Our working population, crushed into dingy and mean streets, with no assurance that they would not be deprived of their daily bread by ill-health or trade fluctuation, were becoming sullen with discontent.
3. The life of countryside was wilting away and we were becoming dangerously over-industrialised.
4. Our international rivals were forging ahead at a great rate and jeopardising our hold on the markets of the world.
5. Great nations were arming feverishly for an apprehended struggle into which we might be drawn by some visible or invisible ties, interests, or sympathies.[5]

His political principles, in short, could be understood in terms of a response to the socio-economic climate of that time.

David Lloyd George, who died about 30 years ago on March 26, 1945, was almost certainly the most dynamic and forceful British political leader so far appeared in this century. He was 54 years in the House of Commons, 17 years continuously in

* I am very gratefull for Prof. R. Harrison and Dr. A. Mason of the University of Warwick, England, who kindly read my draft manuscript and offered several useful criticisms.

[1] J. M. Keynes, *Essays in Biography* (1951), p. 36.

[2] K. O. Morgan, *Lloyd George* (1974), A. J. P. Taylor's Introduction, p. 7.

[3] A. J. Sylvester, *The Real Lloyd George* (1947), p. 10.

[4] K. O. Morgan, *op. cit.*, p. 10.

[5] David Lloyd George, *War Memoirs, i* (1938), p. 21.

the Cabinet (both records for this century), and he was also one of the makers of the 'Welfare State' in its early stages. When he first entered Parliament in 1890 as Liberal M.P. for Caernarvon Boroughs, he declared that 'the day of the cottage bred-man has at last dawned.'[6] He thus made a start into politics, posing as the guardian of the poor. The first four years at Westminster were devoted to local Welsh affairs. The Boer war brought him into wider national and international politics when he stood out as a 'pro-Boer,' and attacked the war. He was beginning to move the politics of protest towards the politics of power when he became President of the Board of Trade in the 1905 Liberal Government. While he showed his ability to find a solution for industrial disputes during his service, he reinforced the Liberals' basic policy with the financial reform as the Chancellor of the Exchequer from 1908 onward. This essay will pursue the stages by which Lloyd George came to occupy the premiership's seat.

II. LLOYD GEORGE'S ATTITUDE TOWARDS SOCIAL REFORM*

Lloyd George, unlike his Liberal Cabinet colleagues, was worried by the rapid rise of the Labour Party.[7] In a speech he delivered at Cardiff on October 11, 1906, he pointed out that 'up to the present there has been no real effort to counteract the socialist mission amongst the workmen.' 'What will make this I.L.P. movement a great and sweeping force in this country?'

> 'If they (the Liberal Party) tackled the landlords and brewers and peers as they had faced the parsons, and delivered the nation from pernicious control of this confederacy of monopolists, then the L.L.P. would call in vain upon the working men of Britain to desert the Party that was so gallantly fighting to rid the land of traditional oppressions that had been tormenting, torturing, crushing Labour for generations.'[8]

In addition to this warning to the Liberals, he said so aptly that 'the assistance of labour' was indispensable for the Liberal Party not only to 'give direction to the policy of Liberalism', but also to 'give nerve and boldness to its attack'.[9] The basic aim of this speech was to persuade the Liberal Party to go forward on the path of social reform and to prevent the working class getting on to its own feet and developing its own political aims.

* I owe much of this chapter to C. J. Wrigley's unpublished Ph.D. Thesis, *'Lloyd George and the Labour Movement: With Particular Reference to the Years 1914–1922'* (1973), University of London.

[6] Quoted in W. W. Davis, *Lloyd George, 1863–1914* (1939), p. 84.

[7] In the General Election of 1906, the Labour Representation Committee which became the Labour Party shortly after the election sponsored fifty candidates. Of these twenty-nine were elected; the I.L.P. which had sponsored ten candidates saw seven of them elected and another eleven M.P.s were members of the I.L.P. including Keir Hardie, J. R. MacDonald, Philip Snowden and J. R. Clynes.

[8] *Western Mail*, October 12, 1906, Lloyd George Papers, B/4/2/28. I am indebted to the First Beaverbrook Foundation for permission to use the Lloyd George Papers in the collection of the House of Lords Record Office in London.

[9] *Ibid.*

This was not the first time that Lloyd George had given a warning to his own party in the face of the growing labour movement. He had already expressed his opinion with the appearance of the Independent Labour Party that the working class should organise within the Liberal machinery. He spoke before an audience at Bethesda on October 22, 1892 shortly before the information of the I.L.P. that the claims of the working people, he thought them to be of no more than secondary importance, should be inscribed on 'the programme of an officially recognised Party in the State', then their demand for an independent political party would be unnecessary. In fact, he believed firmly that the Liberal Programme 'invoked the emancipation of labour from its trammels, the elavation of working man by educating him, by removing from his path temptation to the formation of habits which degrade and enslave him'.[10] He urged thus the Liberals to promote a reform policy and the working class that there was no necessity for a separate Labour Party at all.

So Lloyd George emphasised the need to get rid of the four trusts which were major obstacles to the liberalism.[11] First of all, the great land trust. In alluding to the land question, he said at Berkhamsted on March 30, 1907, 'If you want to know what is really at the root of every social problem, it is land. Land is at the root of housing question, of the rural industries question, of railway rates and all the problems of the days'.[12] Needless to say, land reform was an important part of his political creed and led to his land tax policy in the 1909–1910 Budget. Second was the drink monopoly—the great brewing combine. He thought that poverty was in part due to the people's habit of drinking and that the drink monopoly aggravated evils of the people. He therefore advocated the temperance movement and State control of the brewing industry. Third was the monopoly of education. His education policy was to establish the state school system which was founded on the ideas of social justice and religious equality, as against the church school of the Church of England. His last one was the monopoly of the governing classes. In his opinion, the House of Lords was nothing but a part and parcel of Toryism, and 'if the House of Lords is a revising Chamber, let the Members start by revising their own privileges'.[13] He put this claim for the reform of the House of Lords into action after their rejection of his People's Budget. In short, Lloyd George was convinced that the Liberal policy could be reinforced in terms of sweeping away the so-called feudal privileges, although his attack upon these monopolies seemed to be like Churchill's opinion that 'Socialism attacks capital; Liberalism attacks monopoly.'[14]

[10] *North Wales Observer*, October 28, 1892.

[11] See his Newcastle Speech on April 4, 1903 in H. Du Parcq, *Life of David Lloyd George vol. iv* (1912), pp. 617–626.

[12] *Berkhamsted Gazette*, March 30, 1907, Lloyd George Papers, B/5/1/11.

[13] *Citizen*, November 26, 1906, *ibid.*, B/4/2/37.

[14] W. S. Churchill, 'Liberalism and Socialism', Liberal Publication Department, *Pamphlets and Leaflets for 1909*, Leaflet No. 2181.

With such an attack upon the monopolists, Lloyd George felt liberalism to be absolutely incompatible with socialism. He was strongly opposed to politics on a class basis, particularly, politics of a revolutionary party 'which will sail under the colours of Socialism or Independent Labour'.[15] He therefore thought that 'it is better that you should have a Party which combines every section and shade of opinion, taken from all classes of the community, rather than a party which represents one shade of opinion alone and one class of the community alone.'[16] Considering this from another angle, as he spoke with remarkable frankness on the political activities of the Labour Party at Glasgow in 1907, he admitted for them to 'amend and tinker of bills in the Liberal Workshops or in the great Parliamentary factory.'[17]

His skillful handling of the Labour Party can be also observed in his attitude towards industrial relations. With regard to the Trade Disputes Bill of 1906 to provide protection for collective bargaining after the Taff Vale verdict in 1901 had menaced the basic right to strike,[18] Lloyd George pledged himself to support this bill on the ground that 'protection of the trade unions was the best thing for capital as well as labour.'[19] This view of labour and capital seemed to be based upon his conviction that 'capital may get a better remuneration without reudcing wages' and that 'wages might be increased, and still get better returns for capital, above all, the improved conditions of Labour will bring the end of civil war between capital and labour, which destroys industry and creates bitterness and strife.'[20] His policy of social reform, in short, was nothing else than an expedient for ending the class war. In other words, he was convinced that revolution must be headed off by timely social reform. Such his belief can be demonstrated by his letter to A. J. Balfour on February 18, 1920, when he expressed his full approval of Balfour's 'formula of reform against revolution',[21] that is, 'social legislation... is not merely to be distinguished from Socialist legislation, but is its most direct opposite and its most effective antidote.'[22]

III. THE STRUGGLE OVER THE PRINCIPLE OF THE 'RIGHT TO WORK' BETWEEN THE LIBERAL PARTY AND THE LABOUR PARTY

During the opening years of the twentieth century, it was revealed by Seebohm Rowntree that the working people fell into a state of misery because of the starvation wages which were insufficient even to maintain their own physical

[15] *Manchester Guardian*, November 7, 1904, Lloyd George Papers, A/12/2/45.
[16] *Ibid.*
[17] *The Glasgow Herald*, November 1, 1907, *op. cit.*, B/5/1/31.
[18] For details of the Trade Disputes Bill of 1906 see H. A. Clegg, Alan Fox and A. F. Thompson, *A History of British Trade Unions Since 1889* (1964), pp. 393–395.
[19] *North Wales Observer*, January 26, 1906, Lloyd George Papers, B/4/1/25.
[20] *Lincoln Leader*, December 13, 1902, *ibid.*
[21] Lloyd George to A. J. Balfour, February 18, 1920, *ibid.*, F/5/5/3.
[22] Quoted in R. Miliband, Parliamentary Socialism (1973), p. 37.

efficiency.[23] Worse still, they suffered from the rapid rise in prices as well as a chronic unemployment. The Table 1 shows more clearly about the situation of the working people of those days. The working class thus experienced an absolute as well as a relative fall in their wages.

TABLE 1. EARNINGS AND FOOD PRICES, 1900–1914

Year	Nominal Wages (1900=100)	Unemployment (%)	Retail Prices (1900=100)	Real Wages (1900=100)
1900	100	2.5	100	100
1901	99.0	3.3	100.4	97.8
1902	97.8	4.0	101.0	95.3
1903	97.3	4.7	102.8	92.5
1904	96.8	6.0	102.4	91.3
1905	97.3	5.0	102.8	92.4
1906	98.7	3.6	102.0	95.7
1907	102.1	3.7	105.0	95.1
1908	101.5	7.8	107.5	89.8
1909	100.3	7.7	107.6	88.2
1910	100.7	4.7	109.4	88.2
1911	100.9	3.0	109.4	91.8
1912	103.4	3.2	114.5	89.7
1913	106.5	2.1	114.8	93.1
1914	107.0	3.3	116.8	90.7

Source: *Labour White Papers-No. 1*, The Conditions of the English Working Classes, 1900–24 (1925).

In fact, the social surveys carried out in London by Charles Booth and in York by Seebohm Rowntree suggested that over one third of Britain's urban population was living at or below subsistence level. These social investigations aroused public opinion and political argument on the problem of poverty. Henry Campbell-Bannerman delivered a speech at Perth on June 5, 1903, for example, in which he said that 'in this country we know—thanks to the painstaking investigations of Mr. Rowntree and Mr. Chas. Booth, both in different fields and by differnt methods, but arriving at the same results which have never questioned—we know that there is about 30 per cent of our population underfed, on the verge of hunger, doubtful day by day of the sufficiency of their food. Thirty per cent! What is the population of the United Kingdom? Forty-one million. Thirty per cent of 41 million comes to something over 12 million.'[24] Lloyd George also expressed a vivid impression of Booth's work: 'Read Charles Booth—his account of the mean streets of some of London slums is a like a supplement to Dante's Inferno.'[25]

We have examined the conditions of the working people in the first fourteen years of this century. This will help us to explain, why after 1905, while the Liberal Party was in power, the social and labour legislations were being enforced in succession,

[23] B. S. Rowntree, *Poverty: A Study of Town Life* (1902), pp. 134–135.
[24] Quoted in P. Snowden, *The Living Wages* (1912), p. 28.
[25] Dan Rider (ed.), *The Wit and Wisdom of Lloyd George* (1917), p. 59.

and why the Labour Party continued to introduce their right to work bill annually, except in 1910, until the outbreak of war in 1914.

To begin with, I will proceed to consider the development of the right to work. Apart from the opinion of H. Cox, the Liberal die-hard, who insisted that 'similar proposals were actually embodied in the statute law of England more than three hundred years ago',[26] he seemed to be right when writing that 'one of the first acts of the new government (which was established just after the French Revolution in 1848) was to decree the right to work which our English socialists sixty years later are now shouting for as a new thing.'[27] According to K. Marx who defined the concept of the right to work in his *The Class Struggle in France 1848 to 1850*, it was 'in the bourgeios sense, an absurdity, a miserable, pious wish. But behind the right to work stands the power over capital; behind the power over capital, the appropriation of means of production, their subjection, to the associated working class and, therefore, the abolition of wage labour, of capital and their mutual relations.'[28] The right to work can be thus traced its origin in the February Revolution in France.

In England, it was H. Russell Smart, a member of the I.L.P. who developed a system of the right to work in his pamphlet of the same title in 1895. He maintained that 'the workman has been struggling sixty years to win his political liberty, the next step must be to gain his economic freedom, or the right to labour and to live.'[29] He proposed that 'a man who is able and willing' should have 'the right to work and retain such a proportion of the fruits of his industry.' In detail, Smart appealed.[30]

1. Permanent employment, affording absolute security of existence.
2. A rigid Eight Hours Day in all trades not affected by direct legislation.
3. A minimum wage of 24s. per week in all industries.

At the 1895 I.L.P. Conference, the Huddersfield branch under the leadership of Smart moved a resolution claiming that 'one of the citizen's inalienable right should be the right to work and enjoy the fruits of his own labours.'[31] In 1895, it was thus first accepted as an important problem that the British working class had the right to work in order to emancipate themselves.

At the beginning of this century, the demand for the recognition of the right to work increased, as unemployment became severe. The I.L.P. and the S.D.F. agitated around the question among the unemployed. While both parties argued that the ultimate solution of the problems of unemployment lay only in the abolition of capitalism in favour of socialism, they carried out their programmes—an eight-hour working day, the abolition of child and famale labour, the establishment of

[26] Harold Cox, 'The Right to Work', *Quarterly Review* 208 (January, 1908), p. 205.
[27] *Ibid.*, pp. 206–7.
[28] K. Marx, *The Class Struggle in France 1848 to 1850* (Moskow 1972), p. 62.
[29] H. Russel Smart, *The Right to Work* (1895), p. 3.
[30] *Ibid.*, pp. 2–5.
[31] *The Labour Leader*, February 9, 1895.

national relief work such as afforestation and coastal reclamation projects. Behind these suggestions were two principles: that the problem was the responsibility of the state and that national and local government should bear the financial cost of any relief system.[32]

In April, 1905, an attempt to cope with the growing unemployment was made by the Balfour Government. Their response was a programme of work relief, via the Unemployed Workmen's Act, which seemed to be 'the first faint recognition of a public duty towards the unemployed.'[33] The purpose of this Act was to 'establish organisation with a view to the provision of employment or assistance for unemployed workman in proper cases.'[34] The labour movement was critical of many of the smaller details of this Act but generally welcomed it, because it affirmed three important principles: State responsibility for the unemployed; the unification of the London boroughs for the purpose of tackling the problem; and the equalisation among them of the rates burden created by the measure.[35]

On the other hand, it was Lloyd George who realised most clearly what the Act had done. Though he voted for the Bill, he noticed that it contained 'the germs of a revolution', for it recognised 'the right of a man to call upon the state to provide him with work, even if it did nothing to provide it.'[36] He regarded that the 1905 Unemployed Workmen's Act was nothing less than a complete admission of the right to work. In fact, referring to this Bill in a letter to his brother, he wrote that 'it is one of the most revolutionary departures of modern times and the Tories don't realise what they have let themselves in for.'[37] While he thus pointed out that it had laid down a principle which was bound to be extended, he also indicated, during the discussions of the Unemployed Workmen's Bill in the Commons, that 'the Bill was like a motor-car without petrol or only such a petrol as it would beg on the road—an elaborate machine without motive power.'[38] His prediction was not beside the point. It did not lead to any practical results due to the lack of any real financial foundation. In short, the Unemployed Workmen's Act of 1905, as Keir Hardie criticised its defect, was not up to the expectation of the unemployed:—

> 'The intention which underlay the original draft of the Bill to provide assistance for the genuinely unemployed workman has been completely lost sight of, and the whole of degrading and hateful methods of the worst form of Poor Law administration have been set up instead.'[39]

In the following year, two noteworthy opinions of the right to work were

[32] K. D. Brown, *Labour and Unemployment 1900–1914* (1971), pp. 13–34.

[33] G. D. H. Cole, *A Short History of British Working-Class Movement 1789–1947* (1947), p. 297.

[34] *Knight's Local Government Reports, with Local Government Statutes, Orders 1905*, p. 175.

[35] K. D. Brown, 'Conflict in Early British Welfare Policy: the Case of the Unemployed Workmen Bill of 1905', *Journal of Modern History*, 43 (1971), p. 622.

[36] *Parliamentary Debates*, Commons 4th Series 1905, vol. 151, cols, 432–3.

[37] W. George, *My Brother and I* (1958), p. 173.

[38] Parliamentary Debates, *op. cit.*, col. 432.

[39] Keir Hardie, *John Bull and His Unemployed* (1905), p. 11.

published. One was "*My Right to Work*" written by R. B. Suthers who was a member of the Clarion Group, and the other was H. R. Smart's "*The Right to Work*" as one of the tracts issued by the I.L.P. The former, which began with 'I am one of the unemployed', spoke for the unemployed people of those days and called for the right to work.

> 'I am one of the unemployed. I want work. I am willing to work. I am able to work. I can not find work. I want work. I demand work and wages. Yes, I demand work. I do not beg for work. I demand work. I claim it as my right.[40]

His programme which claimed the right to work not as a charity but as an undoubted right was not there. He proposed measures for increasing the wages of the poor, and for reducing the hours of labour; reform of taxation, the legal minimum wages, raising trade union standard and old age pensions. In addition he advocated the establishment of national industries; housing schemes, land settlement schemes and reafforestation, new roads, canals, foreshores. All these measures based on his idea of 'production of wealth for the use of the whole people, not for the profit of a few.'[41] On the other hand, Smart defined his previous views more minutely that 'the right to work is a charter of industrial freedom, the emancipation of labour from capitalist tyrany' and that 'till it is obtained there can be neither social nor moral progress, when it is obtained all other things become possible.'[42]

In 1907, against the growing discountent with the unemployment policy of the Government among the working people, the controversy on the right to work was translated to the Labour Party. It led to an arguement between J. R. MacDonald and Smart about the parliamentary policy of the Labour Party. To sum up their discussions, while the former contended that 'the road to Socialism was to be made easy by moulding the measures of the Party in power, by criticising their details and improving them where possible by collectivist amendment',[43] the latter maintained that 'the routine work of Parliament and administration, criticisms and amendments of Government measures, might win support and admiration for an individual from thoughtful students of public affairs, but they do not gain the enthusiasm or the allegiance of the masses.'[44] Above all, there was a big gap between MacDonald and Smart over the right to work. Smart stressed it as 'the kernel of the socialist policies'[45] and MacDonald criticised his view as an empty theory; 'the idealism of Smart's special Right to Work Bill'.[46] More important, however, were the opinions of those members of the rank and file who joined in this discussion. A rank and file named Charles Fox, for example, wrote to the *Labour*

[40] R. B. Suthers, *My Right to Work* (1906), p. 1.
[41] *Ibid.*, pp. 113–4.
[42] H. R. Smart, *The Right to Work* (1906), p. 15.
[43] *The Labour Leader*, May 17, 1907.
[44] *Ibid.*, May 31, 1907.
[45] *Ibid.*, May 17, 1907.
[46] *Ibid.*, May 24, 1907.

Leader of June 7 that 'we want more than "the right to work"; that is one point in a new twentieth century charter':—

> 'From birth to say, five years of age—"the right to mothering". This involves leisure and security for all women labouring with child. From 5 to 15, "the right to education". This, from the sensible citizen's standpoint, means physical efficiency and nourishment, where needful, supplied free, as well as brain food. Now comes our centrepiece—15 to 60, "the right to work"; and it must be work that not only carries with it existence, but the chance of "pleasure in work". Finally from 60 to the close of life, "the right to rest" should be everyman and woman's sure and certain hope; and in the cult of the centre right, let us never forget the reverence and precedence due to grey hair.'[47]

The rank and file improved thus the intraparty controversy of the right to work their demand for 'a full charter of rights' in the twentieth century.

In July of the same year, the Labour Party introduced for the first time their solution to the unemployment problem: the right to work bill. This Bill consisted of 12 clauses, which aimed at the creation of national works by a new central unemployment committee, the establishment of commissioners to develop and co-ordinate local works and the utilization of rate money by the new unemployment committee.[48] The most crucial item in this Bill was its third clause, which provided that when a man had been registered as unemployed, it was the duty of the local authority to supply him with work or maintenance. Naturally, the working people gave wholehearted support to this clause which recognised 'the right of the unemployed workman to demand an opportunity to work'.[49] But contrary to their expectation, the Labour Party's proposal was shelved in the Commons, because Government business had proceeded very slowly in the first half of 1907, owing to the obstructionist tactics of the House of Lords and internal problems within the Cabinet caused by the sudden death of Campbell Bannerman.

Although the Labour Party could not enact the right to work bill, if the right to work movement spread among the working class, it could prove a threat to the Liberal Party. The Liberals' fear increased rapidly when Victor Grayson and Pete Curran won the by-elections at Clone Valley and Jarrow respectively, both their victories being largely due to the emphasis which they had placed on unemployment.[50] The Liberal Party had to therefore explain why the Government refused to support the right to work bill:—

> 'The Government opposed that Bill not from the lack of sympathy with the unemployed but because the remedy proposed would have been as bad

[47] *Ibid.*, June 7, 1907.

[48] J. R. MacDonald, *The New Unemployed Bill of the Labour Party* (1907), pp. 3–15.

[49] *Ibid.*, p. 6.

[50] In introducing the Right to Work Bill on July 9, 1907, MacDonald pointed out that 'Curran's success was due to his support for the measure'. *Parliamentary Debates* 1907, 4th Series vol. 177, col. 1446.

> as, if not worse than, the diseases it was desired to cure.... Though the Bill did not oblige the authority to pay standard rates of wages, it did not prohibit their doing so. This has been tried before, and always with disastrous results. It has created more unemployment than it has averted, at the same time caused the expenditure of large sums of public money without any corresponding public advantage. The fact that this should have been proposed only proves how difficult it is to suggest anything that shall once and for all get rid of unemployment.'[51]

Above all, as Asquith pointed out in the Commons, they could not accept absolutely the Labour Party's Bill which involved 'the complete and ultimate control by the state of the full machinery of production.[52]

As for Lloyed George, it is not so easy for us to congecture his attitude towards this Bill. Hitherto, he has been thought to be favourably disposed the right to work bill. Cerainly, he followed reluctantly his own party's general trend against the bill by absenting himself from the debate in the House of Commons.[53] Yet it is doubtful that he fully approved the Labour's Bill. Speaking on behalf of W. S. Churchill at his Manchester by-election on April 21, 1908, he proclaimed that the right to work bill was a bad one.'The worst service that you can render to any causes is to suggest wild, stupid, silly, impractical remedies.'[54] Perhaps, his response to this Bill could be understood at least in part in terms of his promotion to the Chancellorship of the Exchequer; he would have to find the money when the Bill became law. The right to work movement, however, affected Lloyd George's approach to social reform—it made him think seriously about the problem of financing social reform, and this led to the People's Budget.

In the second half of 1908, in Parliament, Labour's attentions were concentrated on the Old Age Pensions Bill which Liberals proposed as their own policy to replace the right to work bill. The interests of the working people were turning to new topics as well—from the right to work to the controversial Budget of Lloyd George. The demand for money for pensions and for further social legislation led to the problem of raising new sources of revenue, and thus to the Budget of 1909.

IV. THE INTRODUCTION OF "PEOPLE'S BUDGET"

On the following morning, April 30 after Lloyd George had introduced the Budget in the Commons, every newspaper commented on it simultaneously. They varied in their headings from 'great Democratic Budget'[55] to 'Red Flag Budget'.[56]

[51] Liberal Publication Department, *Pamphlets and Leaflets for 1908*, Leaflet No. 2162, 1/4/08.

[52] *Parliamentary Debates*, Commons 1908, 4th Series, vol. 186, col. 85.

[53] For details of the Liberals' attitude towards the right to work Bill, see J. A. Marriot, 'The Right to Work', *The Nineteenth Century*, June 1908, p. 999

[54] *Manchester Guardian*, April 22, 1908.

[55] *Morning Leader*, April 30, 1909.

[56] *Daily Express*, April 30, 1909.

Beginning with the problem of Dreadnought building, as the *Morning Advertiser* criticised it as 'Omnium Gatherum Budget',[57] the Budget went on to urgent social problems; Old Age Pensions, and the removal of the pauper disqualification, the measures of insurance against invalidity and unemployment; the development in such objects as afforestation, scientific agricultural research and instruction, co-operation, and rural transport; also motor traffic and road maintenance for which funds were to be specially raised and placed at the disposal of the Central Authority.[58] The basic point of his Budget statement is summed up in his following words, 'it is essential that we should make necessary provision for the defence of our country. But surely it is equally imperative that we should make it a country even better worth defending for all and by all.'[59] The Budget was therefore designed to provide the revenue for the inevitable expansion of expenditure in the areas of national defence and social reform. In fact, the former rose from £30,480,000 in 1887–1888 to £63,030,000 in 1909–1910, above all, the Navy expenditure increased nearly three times from £12,320,000 to £35,800,000 during the same period, also the latter which had represented 5.5 per cent of the 1888–1889 total expenditure increased rapidly to 16.4 per cent, i.e., from £487,000 to £25,820,000.[60]

Lloyd George had to propose new taxes which were inevitable to obtain this necessary revenue.[61] He intended to proceed with his new taxation policy on three principles: 'of such an expansive charactor' as to grow with the growing demands of the country; 'of such a non-injurious character' on that trade or commerce which constitutes the sources of our wealth; and 'of such an all-embracing character' that all classes of the community in this financial emergency ought to be called upon to contribute.[62] On this taxation policy, he imposed the new taxes including an increase on the income tax. Among the new taxes, public attention was directed to super tax and land tax. *Punch* cartooned Lloyd George as the Giant Gorgibuster: 'Rich Fare' for his next meal—'Fee, fi, fo, fat, I smell the blood of a plutocrat.'[63] Certainly, his proposals for tax reform were not only to increase the revenue by raising the rate of the direct and indirect taxes, but also to improve the existing unfair tax burden, via intensifying the differential tax. As the approximate balance sheet (Table 2) shows, however, the real thrust of his tax reform seems to have been toward mass taxation—taxes upon tobacco, beer and whisky.

It is needless to say that Lloyd George's Budget led to a division in public opinion. The Budget on the whole was received with marked approval by the Liberal Party and the Labour Party, but evoked a rising storm of protest from the Conservative Party. First of all, the Liberals showed off it as the "People's Budget", since, firstly it

[57] *Morning Advertiser*, April 30, 1909.

[58] *Parliamentary Debates*, Commons 1909, 5th Series, iv, cols. 472–549.

[59] *Ibid.*, col. 548.

[60] B. Mallet, *The British Budgets 1887–1913* (1913), pp. 500–504.

[61] He had to deal with total deficit—due mainly to Old Age Pensions and the increased Navy Estimates—of £15,762,000.

[62] Lloyd George, *The People's Budget* (1909), pp. 22–23.

[63] *Lloyd George* by Mr Punch, with an introduction by W. A. Locker (1922), p. 2.

TABLE 2. THE BUDGET BALANCE SHEET FOR 1909–1910

Receipts	£	Expenditures	£
Income Tax	3,500,000	*Old Age Pensions*	7,000,000
Death Duties	2,850,000	*The Navy*	3,000,000
Liquor Licences	2,600,000	*The Development Fund*	200,000
Stamp Duties	650,000	*Labour Exchange*	100,000
Land Values	500,000	*Valuation for Land Tax*	50,000
Spirits	1,600,000	*Improvements of Roads*	600,000
Tobacco	1,900,000	*Estimated Lessened Yield of Existing Taxes*	3,200,000
	£14,200,000		£14,150,000

Source: The Liberal Publication Department, *Pamphlets and Leaflets for 1909*, Leaflet No. 2221.

was fair to all classes, secondly it taxed wealth, not wages, thirdly it encouraged industry, instead of discriminating against it, fourthly it did not tax the food of the people, and finally every penny of its taxes went into the cofferes of the State.[64] The reaction of the Labour Party, despite its criticism of the indirect taxes, also was warm. On the morning following the Budget proposals, they met under the chairmanship of Arther Henderson to discuss it at the House of Commons, and decided that 'with certain reservations as to details, to give a general support to the Proposals.'[65] On the other hand, the Conservatives thought quite the opposite. The Tory presses attacked on the Budget with one voice. The *Daily Mail* called the Budget 'plundering the middle classes',[66] the *Telegraph* described it as a 'penal Budget',[67] and the *Times* considered that 'the doctrine of social ransom has never been carried quite so far,' 'the fundamental right of ownership was a stake', especially in connection with the land classes.[68] For them, in short, 'What a Budget it is!', as Austen Chamberlain explained in a letter to Mrs. Chamberlain, 'all the rumours were wrong and there is the super-tax and the land value tax and the unearned increment tax, besides countless other changes and increases.'[69]

Here we must examine the reasons why Lloyd George introduces such a controversial Budget. In the first place, we can find one of them in the conception of the Development Grant in his Budget proposals. This Grant aimed at improving the national resources of the country—it was to begin at the modest figure of £200,000, and was to be applied especially to afforestation, to experimental farming, and to the encouragement of agricultural co-operation and rural transport, but it was avowedly conceived only as a beginning, as the fund was to be swelled automatically

[64] *Pamphlets and leaflets for 1909*, Leaflet No. 2362.
[65] *The Westminster Gazette*, April 30, 1909.
[66] *The Daily Mail*, April 30, 1909.
[67] *The Telegraph*, April 30, 1909.
[68] *The Times*, April 30, 1909.
[69] Austen Chamberlain, *Politics from Inside* (1936), p. 176.

by those savings on the estimates or unexpected increments of taxation. As the *Nation* pointed out so aptly, 'it would seem as though the old idea that Englishmen, having colonised the world, might at length discover their own country.'[70] To him, the major problem was to attempt re-organisation of national resources for national use, in other words, modernisation of British capitalism through this national development project. One more significance was comprised in this scheme. As the Labour Party recognised it was a distinct innovation in the sephere of state responsibilities,[71] this project was also clearly aimed at Labour, being in a sense a substitute for the Party's Right to Work Bill.

In the second place, we can see another reason in his journey to Germany in August 1908. Lloyd George had already publicly proposed to round off the British pension system by a general scheme of national insurance early in the same year. Before drafting the actual Bill he wished to make a complete study of that very comprehensive system which had been operating in Germany since 1893.[72] This journey gave him a vivid impression of her patriotism as well as some useful information on Bismarckian social legislation. When he learned that German military strength was due to an enlightened welfare programme, as he told Harold Spender during the journey, he feared that Britain might be another Carthege and Prussia another Rome.[73] It is safe to say, therefore, that he put his experiences in Germany to practical use in drafting his Budget. In fact, he said in his Budget statement that 'when Bismarck was strengthening the foundations of the new German Empire, one of the very first tasks he undertook was the organisation of scheme which insured the German workmen and their families against the worst evils which endure from these common accidents of life.'[74] Social reform was necessary for the security of national safety. He thus explained why he submitted the financial proposals for national security and national well-being.

It was also obvious that Lloyd George's Budget was a response to the growing strength of Labour which had asked for the fair incidence of taxation. The distribution of taxable wealth and of imperial taxation of those days may be

TABLE 3. DISTRIBUTION OF TAXABLE WEALTH IN 1907

	Persons	Wealth	Taxation
Rich	680,000	£12,000 million	£38 million
Middle class	5,100,000	£ 3,000 million	£42 million
Working class	38,000,000	£ 1,000 million	£40 million

Source: J. W. Foster Rogers, The Surplus Wealth Tax, *The Westruinster Review*, February 1908, p. 172.

[70] *The Nation*, May 1, 1909.
[71] P. Snowden, 'The Budget, From a Socialist's Point of View', *The Socialist Review*, June 1909.
[72] Lloyd George, *War Memoirs*, *i*, p. 17.
[73] For details see, H. Spender, The Prime Minister (1920), pp. 348–9.
[74] Parliamentary Debates, *op. cit.*, col. 484.

estimated as Table 3.[75] If an assessment were made, as it should be, in proportion to accumulated wealth, the figures would appear as Rich, £90 million, Middle Class, £20.5 million and working class, £7.5 million respectively. From this we can understand the middle class are charged £19.5 million above their proper share, and the working class pay £32.5 million too much, while the rich contribute £52 million less than they should do in proportion to the value of their real and personal estate. In other words, about 1.5 per cent of the whole population owned the bulk of the wealth, and the rest of the community paid the bulk of taxes. Against the increasing discontent with such an unfair tax burden among the ranks of labour, the Labour Party held a Special Conference on the Incidence of Taxation on January 27, 1909. The Conference passed unanimously a resolution which set fourth the ideas of the Party on the general question of taxation, and so formulated the financial demands for which the Party must press in the coming session of Parliament.[76] This resolution called for a drastic reform of the system of National Taxation, which laid down the principle that it should be derived from those best able to pay it and who received the most protection and benefit from the State. After expressing its determination to resist all proposals to increase mass taxation, the Conference declared that the present indirect taxes which fell oppressively on the industrial classes should be repealed and that it was Conference opinion that the cost of social reform should be borne by the socially-created wealth appropriated by the rich in the form of rent, interest, and profit. The Labour Party called for the following reforms in the next Budget, (1) A Super-Tax on Large Incomes, (2) Special Taxation of State-confered Monopolies and (3) Increased Estate and Legacy Duties, together with a really substantial beginning with the taxation on land values.[77] It seemed undoubtedly that Lloyd George incorporated their demands in his tax reform proposals. He aimed at diverting the demands of Labour's more drastic tax proposals by means of his tax reform policy. On the other hand, from the Labour Party's point of view, as Keir Hardie pointed out, 'had there been no Labour Party in the House of Commons there would have been no such Budget.'[78]

The Budget, said Lloyd George at the end of his speech, was a war Budget, a means of raising money 'to wage implacable warfare against poverty and squalidness'.[79] Nevertheless, the "People's Budget", as we have seen, was not only a war budget against poverty and squalidness, but also a war budget, in a literal sense, to prepare the country for the coming struggle for world hegemony against German Imperialism. In Churchill's phrase, in short, 'the Budget so far from being a revolution, is one of the things which will stop revolution.'[80]

[75] J. W. Foster Rogers, 'The Surplus Wealth Tax', *The Westminster Review* February 1908, p. 172.
[76] P. Snowden, 'Socialism and the Coming Budget' *The Socialist Review* March 1909, p. 8.
[77] *Labour Party Annual Report*, 1909, p. 106.
[78] *The Labour Leader*, May 7, 1909.
[79] Parliamentary Debates, *op. cit.*, col. 549.
[80] Quoted in the Liberal Monthly, August 1909, p. 8.

V. CONCLUSION

On November 9, 1909, the "People's Budget" was sent to the House of Lords with a majority of 230 (379 to 149), but it was rejected in the Lords by 350 votes to 75 three weeks afterwards. The landowners, who formed the powerful nucleus of the Conservative Party, by rejecting it, raised a constitutional issue which Lloyd George and the Liberals for years had wanted to settle.[81] He attacked them as if he would never again such an opportunity. 'Any hesitation, or indecision, or procrastination would be fatal', he thought, and 'it would only be a sham if the Liberal Government were to be content to send their Bills to the House of Lords and simply to pick up the crumbs which the peers allowed to fall from their table.'[82] If the Lords, he therefore thought, used the veto both to prevent the Commons dealing with a financial matter and to block democratic legislation, then the veto should be abolished. He proceeded with a plan to enact the Parliamentary Bill.

At the climax of the conflict with Lords, Lloyd George made a proposal for an all-party coalition which bore the title, "Coalition against Party Government for dealing with social reforms."[83] He argued in this memorandum that 'some of the urgent problems awaiting settlement, problems which concern intimately the happiness and efficiency of the inhabitants of these islands, their strength and influence, can only be successfully coped with by the active co-operation of both the great Parties in the State.' While Parties would always disagree on certain vital issues at that moment, he continued, the most important questions were not only capable of being settled by the joint action of the two great Parties without any sacrifice of principle on the part of either, but could be better settled by such co-operation than by the normal working of Party machinery. And he emphasised that 'there are first of all questions which come under the category of Social Reform: they affect the health, the vitality, the efficiency, and the happiness of the individuals who constitute the races that dwell in these island.'[84] Although his plans in 1910 showed his passion for a transcendent national synthesis that would soar above partisan strife, it was not until a couple of years after the outbreak of the First World War that he realised it. He succeeded in forming a Cabinet with supreme executive power on December 7, 1916.

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[81] For details of the Liberals' reform of the House of Lords see, C. C. Weston, 'The Liberals Leadership and the Lords' Veto, 1907–1910, *The Historical Journal, xi, 3,* (1968), pp. 508–37.

[82] Lloyd George, *Mr. Lloyd George's Messages to the People*, No. 1, 1910. In these leaflets (No. 1–7), he emphasised nationalism and succeeded in rallying the working class in a heated battle with the Lords.

[83] *"Confidential Memo; Coalition against Party Government for dealing with social reforms"*, August 17, 1910, Lloyd George Papers, C/16/9/1.

[84] *Ibid.* For details of Lloyd George's coalition proposals see R. J. Scally, *The Origins of the Lloyd George Coalition: The Politics of Social-Imperialism, 1900–1918* (1975), pp. 187–210. See also G. R. Searle. *The Quest for National Efficiency* (1971), pp. 177–204.