

# THE PEOPLE'S BUDGET

An Edwardian Tragedy

GEOFFREY LEE



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## FOREWORD

Winston Churchill is not often thought of as a radical left-wing reformer, but in 1909 he was seen as a dangerous radical – and also a traitor to his class. ‘Cleon and Alcibiades’ – the demagogue shoemaker and the renegade aristocrat – were among the many nicknames for David Lloyd George and Winston Churchill, the ‘terrible twins’ behind the People’s Budget.

Some historians argue that the introduction in 1908 of old age pensions, and unemployment benefits, for the very poorest class in Edwardian Britain, made the difference ten years later between revolution and democratic ‘evolution’. Under Lloyd George’s premiership in 1918-22, Britain experienced social dislocation, strikes, high inflation and unrest, but did not follow Russia and Germany towards revolution. The safety net held: the social compact was assured: leadership made a difference.

Geoffrey Lee’s book is a masterful summary of this fascinating and important episode in our history. His focus is particularly on the land taxes advocated by Henry George, which were a special concern of my great grandfather, David Lloyd George, who had been raised in a small Welsh village of land owners (all Tories) and tenants (mostly Liberal) in the 1860s and 1870s. The political reforms broadening the voter franchise in the 19th century needed, in Lloyd George’s view, to be followed by economic reform, to alleviate poverty and increase taxes on large landowners. He was no socialist, however: and the present level of taxation in Britain with all the abuses of welfare and over-regulation would have appalled both Churchill and Lloyd George. The ‘Sands of Socialism’ clog up the machinery of business, as he used to say.

The two great architects of social reform in 1908 were also the two ‘Fathers of Victory’ in 1918 and 1945, and we owe them a great debt. But this episode in 1909 recounts the first close working partnership between *David and Winston*\* and the beginning of a friendship which was unbroken despite political vicissitudes for over forty years.

ROBERT LLOYD GEORGE

\*Title of Robert Lloyd George’s book published by John Murray in 2005

## CHAPTER ONE

### *A Golden Age?*

For a privileged few the brief period between the ending of the Boer War and the beginning of the First World War was a golden age. Led by the last king to give his name to an era the Edwardians basked in the warmth of a sun setting on the greatest empire that the world had ever known.

With Edward VII, in social terms a kind of latter-day Henry VIII, acting as role model, the smart set could enjoy its wealth and power in ostentatious displays that have since been paralleled only by oil-rich and untaxed foreign potentates.

George Orwell saw it as a tainted world:

There never was, I suppose, in the history of the world a time when the sheer vulgar fatness of wealth, without any kind of aristocratic elegance to redeem it, was so obtrusive as in those years before 1914. It was the age when crazy millionaires in curly top hats and lavender waistcoats gave champagne parties in rococo houseboats on the Thames, the age of diabolo and hobble skirts, the age of the 'knut' in his grey bowler and cutaway coat, the age of *The Merry Widow*, Saki's novels, *Peter Pan* and *Where the Rainbow Ends*, the age when people talked about chocs and cigs and ripping and topping and heavenly, when they went for divvy weekends at Brighton and had scrumptious teas at the Troc. From the whole decade before 1914 there seems to breathe forth a smell of the more vulgar, un-grown-up kind of luxury, a smell of brilliantine and creme de menthe and soft-centre chocolates, an atmosphere, as it were, of eating everlasting strawberry ices on green lawns to the tune of the Eton Boating Song.<sup>1</sup>

For the underprivileged many the story was different. At the turn of the century, Seebohm Rowntree, the Quaker chocolate manufacturer,

reported that 28% of the people of York lived in poverty, a proportion matched by Charles Booth's earlier research which showed that 1,300,000 of London's 4,200,000 were unable to lead a decent existence.

Arguments as to the cause of this poverty were many. Was it due to the idleness and improvidence of the working classes? Perhaps it was caused by personal failings, drink, vice or general moral decadence. Did the blame lie with imperfections in the workings of the markets, and of the capitalistic industrial structure itself? Was the economic system at fault? Did we have an inherently unjust society?

There was a clearly visible discrepancy between rich and poor that was threatening the stability of the country. Apart from those with genuine concern for the wellbeing of their fellow human beings, even the most cynical of politicians were beginning to express alarm at the implications of the growth of endemic poverty.

Rowntree pointed out that nearly half of the potential army recruits in York, Leeds and Sheffield failed their medical examinations. Interestingly, 90 years later this figure was still as high as 40% (*The Times*, July 10, 1994).

Arthur Ponsonby, a radical MP, had in 1909 satirically compared a poor man of no occupation (through illness) with a rich man of no occupation: 'Married. Two children. Four houses. London house sixty-two rooms, one of the country houses considerably larger. Thirty-six indoor servants.'

In 1902 General J.F. Maurice lifted the Rowntree figure of people unfit for military service to 60%. This was confirmed by the director-general of the Army Medical Service. As a consequence, the Balfour government set up the ominously named Inter-Departmental Committee on Physical Deterioration (1903-04). From this came suggestions for regular medical inspections of children and the feeding of the hungry ones by the local authorities.

Social reform was now promoted by all progressive politicians, whether Conservative, Liberal or from the newly emerging Labour Party. What they all failed to address was the causes of poverty. Instead they concentrated on attempts to ameliorate it. Thus we see the birth of a welfare state that would have been unnecessary if efforts had been

made to find the roots of economic injustice and eradicate them.

There were facts in plenty for them to look at. In 1904 incomes were divided thus:

1,250,000 received £585,000,000, which equalled £468 per person.

3,750,000 received £245,000,000, which equalled £65.33 per person.

38,000,000 received £880,000,000, which equalled £23.16 per person.

According to Leo Chiozza Money, in 1908, 66% of capital wealth was owned by 1.4% of all families. The possession of land was an important component in the wealth equation, although a series of disastrous harvests and competition from new countries had seen agriculture in almost continuous decline from its high-farming, mid-Victorian glory until the outbreak of the First World War.

As Lady Bracknell says in *The Importance of Being Earnest* (1895) 'Land has ceased to be either a profit or a pleasure. It gives one position, and prevents one from keeping it up.'

Nevertheless, landowners had great political clout, making up the majority of the House of Commons until 1885 and, rather more influentially, of the Cabinet until 1906. Asquith, who became prime minister in 1908, was only the second head of government who did not come from a landed family. The first was Disraeli, that idiosyncratic mould-breaker par excellence.

The New Domesday Survey of 1873 had shown that fewer than 7,000 men owned more than four-fifths of the land. Some 44 had estates of more than 100,000 acres, although death duties and the long agricultural depression was to whittle away these vast holdings.

On the surface, this discrepancy between the richest and the poorest did not provoke any visibly dramatic protest. On the contrary, as Maynard Keynes was able to report in *The Economic Consequences of the Peace*, life in the brief period just before 1914 had advantages and possibilities that were new and, as it happened, were mostly never to exist again.

The greater part of the population, it is true, worked hard and lived at a low standard of comfort, yet were, to all appearances, reasonably contented with this lot. But escape was possible for

any man of capacity or character at all exceeding the average, into the middle and upper classes, for whom life offered, at a low cost and with the least trouble, conveniences, comforts and amenities beyond the compass of the richest and most powerful monarchs of other ages. The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery on his doorstep; he could at the same time and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share without exertion or even trouble in their prospective fruits and advantages. He could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality, could despatch his servant to the neighbouring office of a bank for such supply of the precious metal as might seem convenient, and could then proceed abroad to foreign quarters ... and would consider himself greatly aggrieved and much surprised at the least interference. But, most important of all, he regarded this state of affairs as normal, certain and permanent, and any deviation from it as aberrant, scandalous and avoidable.<sup>2</sup>

The truth was that a great deal of this power and opulence rested on the vast empire that had grown up without plan or particular intent on the part of the British people. Geographically, the country was ideally placed in the centre of the trading world. It had acquired 12.5 million square miles of foreign territory inhabited by a quarter of the human race, to which it could, as the 'workshop of the world', sell its manufactured goods in exchange for raw materials and food. England was producing 60% of the world's coal and steel, 50% of the cast iron and nearly 50% of its cotton goods in 1860. By 1870 it produced one-third of the world's manufactured goods and had the world's highest per capita national income.

The Edwardian era saw the Empire reach its zenith. Driven by a mixture of desires – the quest for power and profit, tempered by religious zeal and a wish to educate and enlighten those felt to be less fortunate



than themselves the British went forth as if on a divine mission. Lord Curzon believed the British Empire 'the greatest instrument for good that the world has seen'.

Africa had proved a fruitful base, with three great chartered companies, the British East African Company (1888), the Royal Niger Company (1886) and the British South Africa Company (1889), already well established. The last had Cecil Rhodes as its managing director and with it he had brought the vast territories of the Transvaal under British control. An English clergyman's son, Rhodes had made his money in Kimberley diamonds and Rand gold, turning to politics and becoming premier of the Cape Colony in 1890. He was to die in 1902 as the Boer War was ending, leaving his fortune for scholarships to Oxford for young men from the colonies, the United States and Germany.

A merchant's clerk in the East India Company, Robert Clive, had founded another empire in the space of 12 years. A century and a half later, in 1911, George V was confirmed as Emperor of India in the monumental buildings which Lutyens had designed in New Delhi.

Sir John Norton-Griffiths, known as Empire Jack, built the Benguela railway in Angola between 1904 and 1907, the Longitudinal line in Chile, set up a colony at Calgary in Canada and founded the Imperial League.

Beside the entrepreneurs was a whole army of public-spirited men from good families who administered these new colonies; not for money but out of a sense of adventure and a sense of duty. Critics who decried them and called the system which gave rise to their positions 'outdoor relief for the upper-classes' failed to understand the moral tone they set and the counterbalance they projected against glittering, go-getting millionaires such as, for example, Beit, Barnato, Oppenheimer and Rhodes in South Africa. They set standards in local and national government that made self-government possible when imperialism began to lose its appeal.

The Empire was both a burden and a blessing and when Campbell-Bannerman became Liberal prime minister in 1905 he conceded that 'true imperialism' meant the transfer of power from Britain to the

colonies. In effect, this meant that trade, often on preferential terms, continued by the expenses of administration did not, although there might be the cost of providing military protection.

He also had to face the reality that the rest of the world was catching up with Britain industrially. Foreigners were setting up factories, often behind tariff walls, that ended their need for Britain's exports. The great Lancashire cotton industry found its markets declining in Europe and the United States. By 1900 it depended on exports to India, China and the Levant. These too were in decline as Asia started to build its own cotton mills.

British farms could not compete with transatlantic, prairie-grown wheat. Ever cheaper transport costs drove down import prices almost on a yearly basis. The agricultural population was in continuous decline and farming ceased to have any real economic importance until the outbreak of the First World War.

Unemployment during the Edwardian period ranged from about 330,000 to 1,425,000, and the 1904-05 depression had sparked the Balfour government into setting up a Royal Commission to investigate. 'Something in our social organisation is seriously wrong' was its conclusion, although it failed to say what the 'something' was.

The Boer War, so costly in terms of lives and money, drew to its close at the beginning of the century. Its legacy in costs was added to the increasing expenditure on the army and navy forced on the government by the endless international crises and ever present threat of war.

The golden age had dark undercurrents which were to test the mettle of British politicians to the full and, as we shall see, lead to changes of great significance to the governance of the country. That the key to solving our economic and social problems was in the hands of these politicians and not used is the great Edwardian tragedy.

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1. George Orwell, *Such, Such Were the Joys*. Copyright © The estate of the late Sonia Brownell Orwell and Martin Secker and Warburg Ltd.
  2. J. Maynard Keynes, *The Economic Consequences of the Peace*. Macmillan.