

The Conservative Party and the Creation of the Welfare State

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By

Eric Caines

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*For my family, especially my wife Karen, and all those friends
who have encouraged and supported me during the gestation
of this book in the midst of a pandemic*

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LIST OF ABBREVIATIONS

ABCA	Army Bureau of Current Affairs
ACPPE	Advisory Committee on Policy and Political Education
BMA	British Medical Association
CPC	Conservative Political Centre
CRD	Conservative Research Department
EMS	Emergency Medical Service
IRA	Irish Republican Army
LSE	London School of Economics
PEP	Political and Economic Planning
PLP	Parliamentary Labour Party
PWPCC	Post-War Problems Central Committee
TUC	Trades Union Congress

CHAPTER ONE

INTRODUCTION

The principal aim of this book is to challenge a pervasive myth—that the Welfare State was created by the post-Second World War Labour Governments out of a clear blue sky (or should I rather say, a red sky). A central part of this myth is that the Welfare State constituted a damning rejection and outright reversal of the anti-social policies of the inter-war Conservative Governments. This book challenges those assumptions by tracking the growth of “welfarism” in the first half of the twentieth century. At the end of this period, in 1951, the Conservative Party returned to office. When they did so, they adopted social policies that marked the culmination of fifty years of developments in “welfarism.”

In a wider sense, this book also examines two processes of political reconstruction during the same half-century. The more obvious of the two is the formal reconstruction planning undertaken by the two wartime Coalition Governments, whose approaches I compare and contrast to assess questions of impetus and effectiveness. To what extent did the plans formulated by those exercises meet the expectations of social betterment built up during the two conflicts? The other process which I scrutinise is what I regard as the reconstruction of post-Disraelian, late nineteenth-century “Tory Democracy” as the “One-Nation” Conservatism of the 1940s and 1950s. From these two examinations there emerges, I believe, a clear view of the differences between the two principal parties concerning whether political change can best be achieved organically or through social engineering. Without pre-empting detailed discussions in later chapters, I set out broad definitions of the principal terms deployed here, as I use them throughout the book.

“Tory Democracy” was a form of paternalism, flourishing for twenty years or so after the Third Reform Act of 1884. Those enjoying power, privilege, and landed wealth felt an obligation to take increasing heed of the living conditions of the poor and propertyless, and to make various provisions for their improvement. The 1884 Act was the most democratising of Britain’s three major nineteenth-century suffrage reforms, as it enabled more than 60 per cent of adult males to vote. What historians

have found surprising, however, is that after the passage of the Act, almost nothing changed, in the sense that what occurred ran counter to leading theories of distribution and democracy. Conservatism not only survived, but sustained itself into the twentieth century—except for a thirty-four-month interregnum between 1892 and 1895. As Radicalism and Liberalism nearly disappeared from the stage of political power, the Conservative Party established itself as the dominant political force at the very moment of democratic expansion.¹

“One-Nation” Conservatism, named as such after the publication of a book under that title by Iain Macleod and Angus Maude in 1950,² described the protracted and somewhat reluctant adoption by the Conservative Party of the post-war political settlement—or, as some historians will have it, the acceptance of consensus politics. “One-Nation” Conservatism included what came to be known as “Butskellism”, a term coined by *The Economist* in 1954 to describe the common Keynesian features of the policies pursued by the Chancellor of the Exchequer, R. A. Butler, and his Labour predecessor, Hugh Gaitskell, in the early 1950s. These policies were intended to iron out the divergences between socialism and market capitalism. “One-Nation” Conservatism recaptured the balance achieved between economic and social policies by “Tory Democracy” more than half a century earlier. As “Tory Democracy” had done previously, “One-Nation Conservatism” came to dominate Conservative philosophy, particularly in the two decades leading to the emergence of Thatcherism in the 1970s.

“Welfare State” is less easy to define. When I use the term with capital letters, I am specifically referring to the social reform programme introduced by the 1945 Labour Government. But when, more frequently, I use the term without its capital letters, I am referring to the system brought into being by the growth of state welfare provision during the whole of the half-century from the early 1900s onwards. Some writers have attempted to differentiate between the pre-First World War and the post-Second World War periods. They argue that during the former period, provision was made only for minimum standards of pension and insurance cover for limited sections of the poor, whereas during the later period, welfare was provided at what have been termed “optimum levels” for the whole population. Others, however, have identified a continuous process of development between the two periods, and dismissed the distinction between a limited

¹ Daniel Ziblatt, *Conservative Parties and the Birth of Democracy* (Cambridge: Cambridge University Press, 2017), 109–10.

² Iain Macleod and Angus Maude, *One Nation: A Tory Approach to Social Problems* (London: Conservative Political Centre, 1950).

“social services state” and a fully-fledged “Welfare State” as spurious and misleading. I align myself with the continuity group, rather than the separatists, largely because my research has convinced me that insufficient attention has been paid to the significance of the measures brought forward by the 1924–29 Conservative Government, and principally by Neville Chamberlain. These measures anticipated later developments, and provided the starting point for the work done by William Beveridge in the 1940s.

This book also examines two other immensely significant factors which have a bearing on the many aspects of social reform and post-war reconstruction. The first is the emergence, on a national scale, of a left-wing national party—the Labour Party—dedicated to challenging the Conservative Party’s cross-class appeal. This development occurred during a period of mass democratisation, and after the wartime split of the Liberal Party had consigned it to insignificance. The principal issue addressed in the book is whether, on the one hand, the welfare state emerged as the delayed consequence of the series of crises between 1914 and 1945 that raised an irresistible left-wing demand for an urgent reshaping of the social underpinnings of society; or whether, on the other, that it emerged as the foreseeable outcome of a programme of social reform pursued consistently by Conservative (or Conservative-led) Governments. The first proposition links the welfare state with the two World Wars, the Great Depression, and the emergence of Labour, while the second ties the welfare state to the social instincts of the Salisbury and Balfour Governments before 1906, and the legislative provisions of the 1906 Liberal Government.

The second of the two factors related to social reform and post-war reconstruction is the relationship between war and social change. Some have argued that war, as the most destructive of all human activities, cannot contribute to social improvement—it can only delay it. From this viewpoint the First World War must be regarded as an interruption in the steady course of social and political improvement. In contrast, others see war as the supreme agent of change—or, as Leon Trotsky put it, the “locomotive of history.”³ In a similar vein, Karl Marx believed that “war passes supreme judgement on social systems that have outlived their vitality.”⁴ In other words, did the cataclysmic occurrences of the first part of the twentieth

³ Leon Trotsky, trans. Brian Pearce, *How the Revolution Armed: The Military Writing and Speeches of Leon Trotsky*, Vol. 1 (London: New Park Publications, 1979), 206.

⁴ Karl Marx, *The Eastern Question. A Reprint of Letters Written 1853–1856 Dealing With the Events of the Crimean War* (London: Swan Sonnenschein and Co., 1897), 576.

century hinder the creation of a welfare state, or did those events bring it to fruition earlier than might otherwise have been expected?

In his book *British Social Policy 1914–1939*, published in 1970, Bentley Gilbert wrote that:

[W]ar [is] at once a catalyst for reform and an obstacle to change. On one hand...war demonstrate[s] the utility of government activity in the fields of social and economic control and hence of the feasibility of other experiments in this direction in peace.⁵

Conversely, it can be argued, the Lloyd George reforms preceded the First World War, whilst the Attlee reforms followed on from victory in 1945. True; but what is easily overlooked is the effect of the Boer War (1899–1902) on the expectations of British society in the following years. (There were also other pressures, discussed later in this book, that shaped social expectations at the same time). As Richard Titmuss wrote in 1955—with clear reference, according to J.R. Hay, to the effect of the Boer War:

[D]uring wars, it [is] necessary to ensure solidarity on national rather than class lines. This require[s] better social provision and a narrowing of inequalities in society. In addition some blueprint of a better society as a result of war [is] vital. Improved social conditions become part of the nation's war aims.⁶

Other social historians have agreed with Titmuss about the important influence of the Boer War on the origins of the Liberal reforms. By implication, much of what he says can be applied to the situation following the First World War—although in the event, the promises of social improvements made during the war could not be kept, and led eventually to the downfall of the post-war, Lloyd George Coalition. Titmuss's thesis holds fully, of course, for the post-Second World War period, which will receive detailed analysis in later chapters. One difference between the two post-war periods is that expectations for the future may have been built on the progress made in the welfare areas before the First World War; in contrast, after the Second World War, there was a universal longing to avoid a revival of pre-war social conditions.

⁵ Bentley B. Gilbert, *British Social Policy 1914–1939* (London: B.T. Batsford Ltd., 1970), 1.

⁶ Richard M. Titmuss, *Essays on the Welfare State* (Bristol: Bristol University Policy Press, 2019); James R. Hay, *The Origins of the Liberal Welfare Reforms 1906–1914* (London: Macmillan Press, 1975), 16–17.

There are further links between war and social change that I will consider in this book. There is, for instance, substantial evidence that whilst in peacetime people may want increased spending on social services, but object to raising the taxation necessary to pay for it, a major catastrophe such as war, which requires higher tax levels to be imposed, makes higher post-war taxation tolerable and allows governments to embark on costly welfare projects—at least for a time.⁷ There are parallels between the formal arrangements set up by both wartime Coalitions to provide structures for post-war reconstruction. Another factor (which might more properly be called a paradox, rather than a parallel) was that the December 1918 election witnessed an extension into peacetime of Lloyd George's Coalition Government, whereas by the time of the July 1945 election, Winston Churchill had been forced to abandon his plans to continue his wartime Coalition. Finally, the figures of William Beveridge and Winston Churchill dominate both periods. If nominations were being sought for the two most dominant figures of the first half of the twentieth century, their names would surely be advanced. Although their fundamental interests varied widely and their relationship was marked by personal antipathy, their joint efforts during both periods in pursuit of social amelioration simply cannot be overlooked.

⁷ Alan T. Peacock and Jack V. Wiseman, *The Growth of Public Expenditure in the United Kingdom* (London: George Allen and Unwin, 2nd revised edition, 1967).

CHAPTER TWO

THE EMERGENCE OF MODERN WELFARISM

The origins of the welfare state as we know it today are, arguably, to be found in the Liberal Party's legislative initiatives after their resounding 1906 election victory—particularly in David Lloyd George's famous 1909 People's Budget, which provided finance for the Government's overall social welfare package. In 1909, Lloyd George had denounced the "selfish and stupid monopoly of land ownership"; and the Budget, which Lloyd George described as a "war budget" because it would "wage implacable warfare against poverty and squalidness", stunned Parliament when it was presented, and brought howls of protest from those it would most affect, particularly landowners. Yet at a time when the House of Lords' rejection of Liberal legislative proposals seemed to be "wearing the government down", the Budget campaign has been seen as a "masterpiece of political strategy", since it gave Lloyd George the opportunity he sought for the fight on the question of inherited property, and especially property in land.⁸

The Conservatives had, conversely, made it clear that they would use their great majority in the House of Lords to frustrate the Liberal Party's social legislation. In the three years before the Budget, they had mutilated Augustine Birrell's Education Bill beyond repair, on the grounds that it disadvantaged Church of England schools, and they had also rejected a Plural Voting Bill designed to prevent certain property-holders voting in more than one place. Its approach was so knee-jerk that the House of Lords—the so-called "watch-dog of the Constitution"—had become known as "Mr. Balfour's poodle." It was in this frame of mind that the Lords obligingly fell into the trap presented by the 1909 Budget, and found their veto transformed into a delaying power by the Parliament Act of 1911.⁹

⁸ Maurice Bruce, *The Coming of the Welfare State*, (London: B.T. Batsford Ltd., 1961), 181.

⁹ The course of events leading up to the 1911 Parliament Act was as follows. When the House of Lords rejected the People's Budget, Asquith in January 1910 called a general election, the result of which left him dependent upon the support of the Irish and Labour Parties. But Irish support was only available in exchange for Irish Home

However, not only was the Budget seen by its opponents as having more than a taint of socialism about it, it was also a clear rejection of the tariff reformers' belief that tariffs on imports could raise the necessary money to meet the staggering cost of the Government's vast improvements in social welfare and public works, along with the cost of the new Dreadnought battleships that had been commissioned.

The Government's reforming intentions had been made clear even before the Budget. In 1908, the Government had obtained Parliamentary approval for an Old-Age Pensions Act. In the same year, preparatory work had started on the creation of a system of Labour Exchanges, with the necessary legislation carried in the summer of 1909. The Budget itself set out a principle with considerable future significance by introducing child allowances for employees on small incomes. Looking ahead, it also signalled the introduction of a system of unemployment insurance which was drafted in 1910, and became law as Part I of the National Insurance Act of 1911. Part II of the Act introduced health insurance for all low-paid workers aged between sixteen and seventy.¹⁰ In framing their programme

Rule, which had been a non-issue since 1906. The answer was seen to lie in changing the balance of political allegiance in the Lords, but Asquith was unable to persuade Edward VII to use the royal prerogative to create enough new peers to overturn the existing Conservative majority in the Upper House. The King died in May 1910, and during the period of mourning which followed, efforts were made to negotiate a constitutional settlement agreeable to all parties. Lloyd George even tried to make a political deal via the formation of a national government, but Balfour was unable to accept Home Rule as part of an agreed package. Asquith therefore pressured the new King, George V, to agree to create as many new peers as were necessary to override the House of Lords, which he agreed to do but only after another general election had confirmed support for the Liberal Party. As it happened, the result of the December 1910 election almost replicated that of the January election, and left the Irish Nationalist Party still holding the whip hand. The King kept his word, the Parliament Bill became law, the Budget was then passed by both Houses, and the stage was set for the passage of a new Home Rule Bill.

¹⁰ (a) The Old-Age Pension Act 1908. The Act's provisions were quite modest, with a maximum payment of five shillings a week. They were subject to means-testing and payable only to people over 70, earning less than £31.10 a year. The payment of pensions had seemed at the time the only effective way of distancing the elderly from dependence on the Poor Law (see later in this chapter). (b) The Labour Exchanges Act 1909. The Act was devised by Winston Churchill after his appointment as President of the Board of Trade in 1908, in collaboration with W.H. (later Sir William) Beveridge, who was subsequently made Director of the new service with responsibility for establishing it nationwide. In his book *Unemployment: A Problem of Industry* (London: Longmans, Green, and Co., 1909), Beveridge examined the problem of low wages and found that the unemployed were, in most cases, the

of reforms, the Liberals had been conscious of the need to disrupt the labour market as little as possible, for fear of offending economists and industrialists and of alienating their lower middle-class support by introducing unacceptably expensive schemes. Yet the Liberals also hoped that their schemes would, to some degree or other, divert the attention of the working class from more radical socialist proposals.

Given that the additional expenditure to fund all these social and other commitments required substantial tax increases, the 1909 Budget introduced important changes to the graduated income tax system by distinguishing between “earned” and “unearned” income, as well as by extending the supertax demands on upper income levels. “Land value duties”, which required the payment of a levy on the unearned increment produced when land was sold or leased, were also introduced. As we have already seen, in their fury at this attack on the landed interest, the Conservatives used their majority in the House of Lords to defeat the Budget, but the Liberal victory which followed the second general election in 1910 enabled the passage of legislation to drastically curtail the Lords’ veto powers. Despite continuing opposition, therefore, the Budget was eventually carried and provided the springboard for the development of the full Liberal reform programme.

The Liberal Government’s initiatives have generally been designated as “modern” or “progressive”, or increasingly as the “New Liberalism”, to

casually unemployed. The Labour Exchanges were renamed Employment Exchanges in 1916 and passed to the Ministry of Labour on its establishment in that year. (c) Unemployment insurance, introduced in Part II of the National Insurance Act of 1911, involved contributions from workers, their employers, and the state. The scheme restricted the payment of insurance of seven shillings a week, for up to fifteen weeks a year, to a limited number of trades—principally building and engineering, which gave it a somewhat experimental feel. Payments became due only after a search by claimants for suitable work through a Labour Exchange had proved unsuccessful. The scheme was actuarially sound, unlike the post-war “dole” system for which its machinery was utilised. It assumed an average unemployment rate among eligible workers of 8.46 per cent. (d) Part I of the 1911 National Insurance Act introduced health insurance for all workers between sixteen and seventy and earning less than £160 per year. The scheme was funded by contributions payable by workers, both male and female, and by the state. Insured workers were entitled to claim for up to twenty-six weeks, as well as treatment from a doctor on a list of government-approved practitioners who would be paid a set fee for the service provided. An allowance could also be claimed—by men—to cover the cost of an attendant for their wives during childbirth. The system was opposed by the British Medical Association as being in restraint of trade, as well as by Friendly Societies and private insurance companies.

distinguish them from the older libertarian or anti-statist Liberalism and the widely-held view that the Labour movement was the real force behind progressive radicalism.¹¹ On this latter point, however, Michael Freeden suggests that many, even today, are still disposed to believe that the areas into which this new thinking supposedly transported Liberalism were so close to Socialist thought as to render a clear distinction impossible. Freeden's belief, though, is that the New Liberalism was:

emphatically liberal. Its configuration of core convictions followed already established patterns, while placing slightly different stress on the relative weight of each of them within the core. The new liberals constituted an explicit social and cultural reaction to the glaring evils of the industrial revolution...and underlined the pressing need to accommodate the ascendant working class in terms of an economic redistribution commensurate with its newly acquired political power.¹²

This latter point was bolstered by the fact that Labour was concentrating increasingly on narrow, non-ideological, basic, life-enhancing, trade union concerns.¹³

“New Liberalism” was intended to be viewed as humanely different from the provisions of the Poor Law system. When he crossed the floor of the Commons in 1904 to join the ranks of the Liberal Party, Winston Churchill said that he hoped to see his new Party's policy based on the cause of “the left-out millions”. The essence of New Liberalism was not so much that the old stress on individual self-help and freedom of choice and action was discarded, as that it was overlaid or overtaken by new policy emphases

¹¹ Being “progressive” has generally been taken to mean that welfare reforms have resulted from a deep appreciation of social problems, fostering a consequential altruistic desire on the part of governments to help the weaker members of the community. Titmuss, however, believed that welfare provision could also be used as a form of social control or as an instrument to stimulate economic growth, in which respects, by benefiting a minority it could indirectly promote greater inequality. Richard M. Titmuss, “Poverty Versus Inequality,” in *Poverty*, eds. Jack L. Roach and Janet L. Roach (Harmondsworth: Penguin Books, 1972), 321; Rimlinger (quoted by Hay) agrees, pointing out, for example, that “Health services would ensure that the worker was returned to the labour force as soon as possible after illness [...] unemployment benefits would help to maintain levels of consumption during an economic depression.” See James R. Hay, *Origins of the Liberal Welfare Reforms, 1906–14* (London: Macmillan Press Ltd., 1977), 16–17.

¹² Michael Freeden, *Ideologies and Political Theory* (Oxford: Clarendon Press, 1996), 194.

¹³ William H. Greenleaf, *The British Political Tradition, Vol II. The Ideological Inheritance* (London: Methuen, 1983), 155–59.

and collectivist pressures designed to make it more attuned to the conditions and problems of the day. Deserving mention among the early advocates of New Liberalism are Charles Masterman and Herbert Samuel. In Masterman's edited volume, *The Heart of The Empire*, which appeared in 1901, he stressed the need for a real and effective social policy if the appeal of Liberalism was to be sustained. He continued to urge a progressive social policy after entering Parliament in 1906, and was critical of the absence of sufficiently strong reform proposals in the programme of the Campbell-Bannerman Government. Later, as a junior Home Department Minister, he was closely involved in the formulation of Lloyd George's Health Insurance schemes, and of measures to extend state control over working conditions in mines and shops. He believed that the Liberal Party, while not being prepared to contemplate the adoption of a Socialist state, should be open to arguments in favour of industrial control and rationalisation, including the nationalisation of monopolies, and the extension of the democratic ideal from the political into the economic field. Sadly, he died prematurely in 1927.

Herbert Samuel had a much more prominent (and much longer) career than Masterman, entering the Liberal Cabinet in 1909 and leading the Party in the early 1930s. His defence of New Liberalism was much more high-flown than Masterman's; yet it was no less powerful over the longer term, and was probably more effective. He wrote widely on philosophy, and in 1902 he asserted the primacy of moral law as the basis for any consideration of political matters which, as he saw it, laid a duty on the state to secure for all its members the fullest opportunity to lead the best possible life. He rejected the arguments of the older school of Liberals that the State was incompetent and that social reforms weakened self-reliance. He believed that circumstances had changed and that State action, as promoted by New Liberalism, was having beneficial effects, and adding to the sum total of human happiness.¹⁴

Closely related to New Liberalism was a brand of Liberalism known as Liberal Imperialism. This stressed the core values of the New Liberalism by promoting a progressive policy on social matters more highly than anything else. At the same time, unlike the majority of New Liberals, Liberal Imperialists championed the Empire, although not with a view to British world domination—rather, its intention was to develop mutually beneficial economic co-operation. They also backed a programme of “National Efficiency”, as did some Conservatives, seeking a more rationally organised and more scientific State. They regarded Earl Rosebery as their

¹⁴ Greenleaf, *British Political Tradition, Vol II*, 155–59.

leader, and among their advocates were the likes of Richard Haldane and Edward Grey. (In 1915, Haldane was ejected from the Liberal Government as a German sympathiser, but later became Lord Chancellor in the 1924 Labour Government. Grey, later Earl Grey, was the Liberal Foreign Secretary at the outbreak of the First World War.)¹⁵

Another important factor during the pre-First World War period was the influence brought to bear by the Fabian Society which, since its foundation in 1884, had been active in the development and furthering of left-wing public policies. In the period between 1900 and 1914, legislation enacted by “Conservative and Liberal Parties, in the name of ‘Social Welfare’, national efficiency, or industrial rationalisation”, represented a distinct and accelerating trend towards the Fabian Collectivist State.¹⁶ As [George Bernard] Shaw later put it, “the Fabian policy was to support and take advantage of every legislative step towards Collectivism, no matter what quarter it came from.”¹⁷ And “it was the New Liberals, led by Lloyd George, who were in the vanguard of this new movement, while the Old [Asquithian] Liberals, loyal to the Party’s Gladstonian roots, were left to lament the withering of the Victorian liberal ideological tradition.”¹⁸

The Poor Law had come to be widely regarded as anti-progressive. Progressive historians have treated the residue of the Poor Law as something akin to a pathological anachronism in twentieth-century British social policy. Writers such as José Harris, however, contend that there is greater continuity between the welfare state and the Poor Law than is sometimes thought.¹⁹ In this respect, I believe an understanding of the principles which informed the Poor Law system, and how it was administered, can contribute to a realistic appreciation of the ground-breaking nature of the Liberal agenda.

The Poor Law, as it existed before the 1906 election, had been introduced by the Poor Law Amendment Act of 1834. This was a response to the growing realisation of the conditions which industrial development was creating, and the social problems arising from the uncontrolled growth

¹⁵ John Campbell, *Haldane: The Forgotten Statesman Who Shaped Modern Britain* (London: Hurst and Company, 2020), 149.

¹⁶ Rachel S. Turner, *Neo-Liberal Ideology. History, Concepts, Policies* (Edinburgh: Edinburgh University Press, 2008), 56.

¹⁷ Greenleaf, *British Political Tradition Vol II*, 380.

¹⁸ Richard Cockett, *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931–1983* (London: HarperCollins, 1995), 15.

¹⁹ José Harris, “Enterprise and the Welfare State: A Comparative Perspective” in *Britain Since 1945*, eds. Terence R. Gourvish and Alan O’Day (Macmillan, London, 1991), 56.

of major centres of population. Since the 1830s, following an earlier Royal Commission report, the Poor Law had been used as a deterrent intended to cut costs by driving away all but the most obvious cases of need. Those whom the Poor Law was meant to help fell into three groups: the “impotent poor”, who, because they could not support themselves in old age or because they were sick, were offered places in poorhouses or almshouses; the “able-bodied poor”, such as children, who for whatever reason were unable to work and were thus given an opportunity to learn a trade; and the “idle poor”, who merited punishment of some sort and who were generally sent to “houses of correction” where they were employed on menial but demanding jobs, such as picking ropes apart or breaking stones. Relief came in two forms—“outdoor” and “indoor” relief. “Outdoor” relief, given as cash allowances or as goods or services, was for those in work but who could not make ends meet because they had dependants. “Indoor” relief was for those in the categories described above who were unable to support themselves at all.

Administration of the system was the responsibility of the local authorities. The view of the Royal Commission, upon whose recommendations the legislation had been based, was that the way in which it had been managed in ever more difficult circumstances had resulted in undue generosity to people—usually the “lowest class of labourers”—who were content, once they had received the help available, to enjoy a standard of living which, however harsh, was better than that which could be provided by any paid work they might find. The result was that by the beginning of the twentieth century, more than half of all expenditure on public social services was that disbursed by local authorities. In this respect, there was great unevenness, with wealthy suburban areas with limited social needs being relatively lightly rated, while poorer central areas of population with considerable social deprivation struggled to meet the financial demands made on them.

This left the new Liberal Government with a dilemma. It could reconstruct the whole system of local authority financing by providing revenues which would iron out the unevenness, or it could introduce new national services. Neither prospect was appealing in terms of the likely expenditure required. One of the earliest initiatives of the Campbell-Bannerman Government, therefore, recognising that radical changes in popular and official attitudes towards social welfare had made the proposals of the 1834 Royal Commission almost completely out of date, was to set up a new Royal Commission in 1905 to re-examine whether the Poor Law system was still an appropriate and useful measure for tackling social hardship. The Commission produced two reports in 1909. Both reports

regarded “poor relief” as an out-of-date concept; but whilst the “Minority Report” wanted the system abolished in its entirety and its work redistributed, the “Majority Report” opted for a much less drastic approach. The tone of the “Minority Report” reflected the thinking of Beatrice Webb, who believed that the mere keeping of people from destitution—in short, from starvation—did not accord with modern ideas of social responsibility. The “Majority Report” argued that poverty was a moral issue, and would only be solved if individuals had sufficient motivation to help themselves. The State should keep its distance and the Government should drop any plans it might have to introduce insurance schemes that offered people anything like pensions and unemployment benefits.

Before any acceptable programme of change could be agreed, however, war intervened and nothing happened until 1929, by which time Poor Law reformulation had been overtaken by subsequent legislative developments.²⁰ The Conservative approach to social reform both before and after the election of the Liberal Government was tied to the need for tariff reform. It was widely recognised by the Party that the main interest of the working class was material improvement. Yet how was this to be provided? Employment was seen as the economic taproot of social reform, and Joseph Chamberlain repeatedly stressed the employment advantages of protective tariffs. At the beginning of the century, the Conservatives were drifting out of popularity, their prestige damaged as the Boer War dragged on. Something had to be done to restore the Party’s fortunes, and Chamberlain decided to show how the Empire could be made into a paying proposition. To achieve this, he proposed that a tariff wall should be built around England “for the sole purpose of knocking holes in it through which Imperial goods might pass” tariff-free.²¹ As Chamberlain said in a speech in the Albert Hall on 7 July 1905:

[T]he question of employment is at the root of all the social reforms of our time... There is no dole from the State. There is no relief of taxation. There is no legislation which the wit of man can devise, no artificial combination to raise the rate of wages, which will weigh for one moment in the balance against a policy which would give to our people some substantial increase in the demand for their labour.²²

²⁰ Chris Renwick, *Bread for All: The Origins of the Welfare State* (London: Penguin Books, 2018), 53–57.

²¹ George Dangerfield, *The Strange Death of Liberal England* (London: Serif, 2012), 24.

²² Quoted in Ewen H.H. Green, *The Crisis of Conservatism. The Politics, Economics, and Ideology of the British Conservative Party, 1880–1914* (London: Routledge, 1996), 243.

This sentiment was echoed by Balfour, who told the electors of Stockport in 1910 that “Tariff Reform will undoubtedly do great things for the unemployed.”²³ Alfred Milner modified the case a little—but only a little—when he argued that there were various means of dealing with Britain’s social difficulties, either by labour registries or by legislating against “sweating.” All such measures, however, though they minimised the evils, did not go to the heart of them; at the root of them all lay the problem of unemployment. Tariff reformers saw the Liberals’ social reforms as an impractical foundation for any scheme designed to alleviate problems without touching the underlying causes. They were “a quack remedy... an anodyne which would speedily paralyse the patient.”²⁴ Most Conservatives saw tariff reform as “a policy of imperial preference, industrial protection and as a means of gathering revenue for unspecified social reforms...in response to the Liberal Government’s labour and social policies.”²⁵

There were many Conservatives, however, who took a dim view of Chamberlain’s preaching. If free trade was given up, it would undercut an essential feature of “the Victorian economic consensus, with no guarantee whatsoever of success in securing the working-class vote as a result.”²⁶ Indeed, it has been claimed that the differences on the issue which dominated the Conservative approach to the 1906 election were the principal cause of the Liberal landslide. And, as I have already noted, in their despair the Conservatives turned to the House of Lords as their means of running the country: “It was with these hereditary allies that Mr Balfour and his colleagues proposed to harry the vast majority opposed to them.”²⁷

The severe depression which occurred between late 1907 and mid-1909 appeared to justify the claim that the Liberal social reforms only addressed symptoms, and not causes, of the hardship arising from unemployment. The depression also led to a surprising Conservative gain in

²³ William E. Dowding, *The Tariff Reform Mirage* (London: Methuen, 1913), 255.

²⁴ Green, *Crisis*, 246.

²⁵ Green, *Crisis*, 4. See also Keith W.W. Aikin, *The Last Years of Liberal England 1900–1914* (London: Randall, Hunt and Aikin, 1972), 40–41: “The Tariff Reform issue had its immediate origins in 1902, when the Boer War had caused a deficit for which [Chancellor] Hicks Beach found additional revenue by imposing a “registration” duty of one shilling on imported corn and flour, thus reviving a tax that had been abolished in 1869. This duty had only a symbolic importance...[As we have seen], the political repercussions were far-reaching and were to dominate British politics until the 1906 election.”

²⁶ David Willetts and Richard Forsdyke, *After the Landslide: Learning the Lessons of 1906 and 1945*, Centre for Policy Studies (September 1999): 28.

²⁷ Dangerfield, *The Strange Death*, 25.

a by-election in Mid-Devon, in January 1908. Before then, however—indeed, even before the 1906 election—the Conservative Party had begun to consider how to employ the revenues raised by tariffs, focusing on old age pensions which, as an issue, had a long pedigree. The scheme brought forward in May 1904 proposed that a person who had maintained himself as a good citizen, in what might be called the working years of his life, would be entitled to a pension of not less than 5 shillings and not more than 7 shillings per week. This Conservative proposal would have been even more generous, if enacted, than the Liberal Government's 1908 measure. Philosophically, it would have made pension entitlement a "right" rather than a charitable acknowledgement of failure, or an inability to provide for one's old age. In 1906 and 1907, Austen Chamberlain pressed the need for pension legislation on several occasions, although it has been suggested that he did this defensively, when it became clear that the Government intended to bring forward their own plans. Perhaps as a matter of tactics, the Conservatives warmly welcomed the Government's measure, even if there was some unsuccessful pressure to have pensions funded by a contributory scheme rather than by the state, the argument being that such a system would enable the payment of larger pensions.

Similarly, in the area of domestic policy concerned with the so-called "labour question", the Conservative idea that labour registries would reduce the problems associated with casual labour was, in a sense, a forerunner of the Churchill/Beveridge system of Labour Exchanges introduced in 1909. Despite differences as to how the Exchanges might be funded, with the Tories seeing it as another argument for tariff reform, when the Liberal scheme was introduced, it was regarded as politically non-controversial. Indeed, Bonar Law told the Commons that, "the establishment of Labour Exchanges is, I think, one on which certainly everybody is pretty well agreed."²⁸

These points indicate that in order to avoid attracting a negative image in the field of domestic policy, and recognising the need to relate to the "mass electorate", the Conservative Party showed itself increasingly receptive between 1903 and 1910 to the idea of developing a distinctive set of social reform policies—even though this produced much debate, *inter alia*, about the relationship between the "State and the Individual." In the words of the Conservative weekly *The Outlook*, the question was "Does the State exist by and for the Citizen, or does the Citizen exist by and for the State?"²⁹ Social provision was still seen by many Conservatives as a

²⁸ Hansard, Parl. Deb. 16 June 1909, 5th ser., vol. 6, col. 1045.

²⁹ "The New Leaf", *The Outlook*, 2 January 1909, quoted in Green, *Crisis*, 260.

manifestation of socialism, a feeling reinforced by recurring rumours that the Liberals were planning to co-operate with the Labour Party at the next election. It was also charged that the Government was, in effect, carrying out a social revolution without a mandate, its measures not having been broached in the Party's 1906 election manifesto and not therefore having been approved by voters.

Furthermore, it would have been surprising if such apparent objections of principle had not been reinforced by resentment at the increase in the financial liabilities being imposed on the well-off. Many, however, engaged positively with the Collectivist versus Individualist debate, and started to tip the balance of opinion within the Party in favour of the former, which involved shaping a new class appeal—an appeal that was becoming evident by the time of the 1910 elections.³⁰ The crop of new Conservative MPs in 1910 was less well disposed to the ongoing avoidance of domestic matters, the result of this state of affairs being the establishment of the Unionist Social Reform Committee. In some ways, the Committee anticipated the Conservative Research Department, which was established almost 20 years later. The Unionist Social Reform Committee possessed no real endorsement, and both Bonar Law and Balfour remained aloof from it.³¹ Bonar Law also distanced himself from Lloyd George's national insurance scheme in 1911. To the dismay of many in his Party, however, he did not seize the opportunity to lay the foundations for a distinctive Conservative alternative scheme based on voluntary provision rather than compulsory state provision.

The attitudinal changes finding their expression in both main parties at the beginning of the century were in fact detectable ever since the franchise extension of 1885 introduced a more socially conscious cadre of MPs into Parliament. Although it took twenty years for this shift in social awareness to come to full fruition in the Liberal Government's post-1906 reform programme, the Conservative Unemployed Workmen's Act of 1903 (renewed by the Liberal Party in 1905) was an indicator of what lay ahead. The Act still reflected the principle that unemployment was better tackled by the provision of work rather than by financial assistance, and called for the establishment of Distress Committees by local authorities to give grants to businesses as a means of increasing employment opportunities. One of its wider aims was to reduce dependency on the Poor Law. At the same time, as a further recognition of the incidence and causes of social disadvantage, both the growing Labour movement and the Trades Union Congress

³⁰ See Green, *Crisis*, Chapter 10.

³¹ Willetts and Forsdyke, *After the Landslide*, 28.

produced extensive reform programmes which included free education, a comprehensive health service, old age pensions, measures to deal with unemployment, and the abolition of the Poor Law. What they were looking for was the establishment of an “optimum” rather than the “minimum” standard of living, favoured by Sidney Webb, Asquith and others. Asquith put the matter powerfully when he asked:

What is the use of talking about Empire if here, at its very centre, there is always to be found a mass of people stunted in education, a prey of intemperance, huddled and congested beyond the possibility of realising in any true sense either social or domestic life?³²

Achievement of an “optimum” standard of living was also the core idea of the “National Efficiency movement” which likewise emerged in the early years of the 1900s. Anxiety about the physical, moral, and military strength of the nation had been raised by revelations about the health of army recruits during the Boer War, as well as by the studies of social impoverishment undertaken by Charles Booth and Seebohm Rowntree.³³ While the movement helped to give social reform the status of a respectable political issue, its practical influence on politics was reduced when its energies were dissipated by the pursuit of such fantasies as the realignment of politics to create a separate party, to be led by the former Liberal Prime Minister Lord Rosebery, dedicated to its ideas. By backing Rosebery against Campbell-Bannerman, the Webbs significantly reduced their chances of directly influencing the first Liberal administration.³⁴ Despite this, the idea of national efficiency became part of the political language of the time. Indeed, there were businessmen both within the Liberal Party, as well as outside its membership, who supported social welfare measures as likely to contribute to the efficiency of the workers, and not simply to improve the quality of their lives.

In a broader historical sense, two major political consequences of the Liberal programme adopted after 1906 can be identified. The first is that

³² Hay, *Origins*, 31.

³³ The accurate statistical knowledge contained in the surveys conducted by Booth, Rowntree, and others went some way to undermining the view, held by many, that personal character deficiencies were the primary cause of poverty.

³⁴ Campbell-Bannerman, though unable to deny that some 30 per cent of the population were living in poverty, insisted that there was no crisis. Up until the eve of the 1906 election, he sought to avoid committing the Liberal Party, of which he was the leader, to any measures to deal with unemployment, or even old age pensions—the need for which had been under discussion since the late 1880s. See Hay, *Origins*, 33.

the programme, with its ever-expanding financial demands, showed that the Liberal Government—despite including in its ranks long-standing opponents of collectivism—had decisively “transcended the economic and social creed of Gladstone.”³⁵ Indeed, by focusing its tax demands on landholding, the “People’s Budget” had associated the Treasury with the growing urban wealth of the country and, moreover, appealed to free traders by providing an attractive Liberal alternative to the Conservative policy of tariff reform. Though the implementation of the Budget was stalled by its rejection in the House of Lords (the first time such an extreme action had been taken for over two hundred years), it was passed after a second general election in 1910 in which Lloyd George campaigned on the issue of “the peers versus the people.” When the National Insurance Bill was brought before Parliament in 1911, Lloyd George was encouraged to adopt what was, in effect, a measure of redistributing income by compulsion, for both its Health and Insurance schemes. This was achieved by providing for the contributions to be divided between employees (prospective beneficiaries), employers, and the State. As such, this expressed his clear desire to establish a welfare state on collectivist lines—by focusing not simply on the confiscation of wealth, but on creating a unified society. It could thus be argued that any expenditure that raised the material conditions of the poor was in the interests of the wealthy, who should therefore bear their fair share of the costs. “Fairness”, not unexpectedly, was an issue that rumbled on for some time.

The second consequence of the Liberal Party’s programme was that the Party had, in effect, doomed itself, and made inevitable its future “replacement by the Labour Party as the major spokesman for the Left.”³⁶ In the words of George Dangerfield, “[w]ith the election of fifty-three Labour representatives, the death of Liberalism was pronounced: it was no longer the Left.”³⁷ Beatrice Webb, however, thought differently. As she wrote in 1910:

The big thing that has happened in the last two years is that Lloyd George and Winston Churchill have taken the *limelight* not merely from their own colleagues but from the Labour Party. And, if we get a Liberal majority and payment of members, we shall have any number of young Fabians rushing

³⁵ Kenneth O. Morgan, *The Age of Lloyd George: The Liberal Party and British Politics, 1890–1929* (London: George Allen and Unwin, 1971), 46.

³⁶ Morgan, *Lloyd George*, 38 and 40.

³⁷ Dangerfield, *The Strange Death*, 24.

from Parliament fully equipped for the fray—better than the Labour men—and enrolling themselves behind the two Radical leaders.³⁸

There matters stood, with the continuing implementation and consolidation of the Liberal reforms after the 1910 elections, up to the point where the country was drawn into a war which was to last for more than four years. During this time there was a plethora of challenges assailing the Government, including domestic problems largely arising from strikes that were galvanised by a growing socialist pacifism with revolutionary overtones. Nevertheless, it was felt both important and necessary to create a national agency for post-war planning, and thus a Reconstruction Committee was established. This body was tasked to develop policies which, *inter alia*, might go some way after the war towards healing the dangerous class divisions which were becoming only too obvious and threatening as the existential struggle continued.³⁹ The Committee, approved by the War Cabinet in March 1917, replaced an ineffective Committee appointed a year earlier. This is not to say that before it evolved into a Ministry of Reconstruction later in the year, the new Committee made much of a mark; the same criticism, it has to be said, was also later levelled at the Ministry itself. Yet these initiatives symbolised Lloyd George's belief that reforms would have to be undertaken in the immediate post-war period before, as he put it in a speech in early March 1917, there was any "hankering" on the part of the working class to re-embrace pre-war conditions.

Though his conviction on this score cannot be doubted—he insisted whenever the opportunity arose that he had "always stood during the whole of [his] life for the under-dog"—suspicions were voiced that he was politically motivated. In particular, it was alleged that he was moving Christopher Addison to become Minister of Reconstruction in order to make room for Churchill at the Ministry of Munitions, the post of which Addison was the somewhat undistinguished incumbent. Churchill had been in political limbo since the Gallipoli disaster in the autumn of 1915, and his new appointment angered Addison and also caused discontent among Tory MPs, who had made Churchill's removal from the Admiralty in 1915 a precondition of the Party's preparedness to serve in the Asquith Coalition.

It was not until August 1918, after the failure of the German spring offensive, that Lloyd George was able to turn his mind to the need to plan for a much-delayed general election. If victorious, he could then continue to improve the condition of the people by carrying further the raft of pre-war

³⁸ Morgan, *Lloyd George*, 154.

³⁹ Gilbert, *British Social Policy*, 6.

policies which he had masterminded, and supplementing them with whatever new ideas emerged from the deliberations of the Reconstruction Committee. As events transpired, the opportunity to further this aspiration fell to the “Coupon” Coalition formed in January 1919. The War Cabinet continued to function until December, while Lloyd George was absent at the Paris Peace Conference, from which he returned as a hero. The Labour Party had fought the election as an avowed Opposition, and the few who remained in the newly-elected Coalition resigned from the Party.

Furthermore, in order to outflank disenchanted Asquithian Liberals, those Labour candidates who were given the “coupon”, ensuring that they would not be opposed by Lloyd George Liberals, were required to give a pledge that they would support the Coalition. This was an attempt—not entirely successful as it turned out—to ensure that a Coalition Government would not have too great a preponderance of Conservative members. At the final count, however, there were 335 Conservative Coalitionists, 133 Coalition Liberals, 28 Asquithian Liberals, and 63 Labour MPs. The Asquithian Liberals who had not received the coupon formed part of the Opposition, leaving open the possibility that they might enter into a compact with the Labour Party. The key winners were clearly the Conservatives. They supported Lloyd George as the man who had “won” the war, who was representing the country in the peace talks and who, it has been claimed, was at the time arguably the most powerful figure in British public life since Oliver Cromwell. It made sense too, in political terms, for the Conservatives to support the most popular man in the country in order to keep the Liberals divided; but it did not augur well for continuing progressive reform.⁴⁰

As might be imagined, in the absence of the cohesive and powerful presence of the Prime Minister immediately after the war, there was an initial unreality about the state of politics. Everyone seemed to be conducting a holding operation until the peace talks were concluded. Yet there was also a growing mood of concern amongst many Liberal

⁴⁰ The December 1918 general election was the first parliamentary election in which women were allowed to vote. Women over 30, who resided in the constituency or occupied land or property with a rateable value above £5, or whose husbands did, had been given the right to vote by the Representation of the People Act passed in November 1918. Those qualifying to vote comprised 39.64% of the electorate. A number of women stood for election but only one, Constance Markievicz, was elected. She, however, as a member of Sinn Fein, chose to sit in the Irish Dail rather than the House of Commons. The first woman MP to sit in the Commons was Nancy Astor who was elected in December 1919. The significance of the women’s vote on the outcome of subsequent elections is dealt with in the next chapter.

Coalitionists who, though anxious to cling onto the national ideal enshrined in the Coalition formula, found it difficult to see how, with such a large Conservative representation, they could be Coalition Liberals and Nationalists at the same time. In practice, the two parties worked in parallel rather than in unison, with both treasuring their independence. The Coalition Liberals became even more disconcerted when in October Lloyd George, albeit reluctantly, disbanded the War Cabinet. He then restored the pre-war Cabinet, with nineteen members; in a reflection of the make-up of the Coalition, a majority of the Cabinet Ministers were Conservatives.

The establishment of the new Cabinet resulted, to a large degree, in the return of party politics and the termination of the wartime truce. This state of affairs was underlined when a by-election in Spen Valley saw the Coalition Liberals come bottom of the poll, with the seat captured by Labour. Lloyd George's answer was "fusion"—the welding of the Coalition Liberals and the Conservatives into a formal new national organisation. In 1920, however, it was the case that most Coalition Liberals were more anxious to leave the door open for a permanent reunion with the Asquithian Liberals, rather than to form a permanent union with the Tory Party. They were not prepared to sacrifice, as casually as Lloyd George appeared to be, age-old Liberal policies on such matters as free trade, as well as the Liberal name itself. Indeed, they perceived Lloyd George's emphasis on national programmes as harbouring right-wing implications. As Lord Riddell noted in his diary:

L. G. has steadily veered over to the Tory point of view. He constantly refers to the great services rendered by captains of industry and defends the propriety of the large share of profits they have taken...he seems convinced that Socialism is a mistaken policy.⁴¹

Lloyd George wanted strong government and private enterprise—but private enterprise that would give the workers the certainty of fair treatment. What he wanted has been described as the Labour Party programme without class struggle; or, as Churchill put it, the new party would combine the "patriotism and stability of the Conservative Party with the broad humanity and tolerance of Liberalism."⁴²

The Conservative leader, Andrew Bonar Law, a 53-year-old Canadian iron magnate, was an obscure figure by comparison with the

⁴¹ Lord Riddell, *Intimate Diary of the Peace Conference and After, 1918–1923* (London: Gollancz, 1993), 179.

⁴² Charles F.G. Masterman, "The New Democratic Party," *Contemporary Review*, Vol. 117 (February 1920): 158.

Prime Minister. As a result, he was soon perceived by many of his Party colleagues as being out of his depth. He had enjoyed a large element of luck in his rise to the leadership, in which neither of the other two contenders, Austen Chamberlain and Walter Long, had been thought capable of uniting the Party. He was, in effect, the leader the Party had turned to, because they could find no one else. His only noteworthy contribution to the conduct of the war, it has been said, had been the assistance he had given Lloyd George in the overthrow of Asquith in December 1916. Yet his appeal lay in the fact that he represented the two main causes which had captured the attention of Conservatives in 1911: Tariff Reform, and Ireland.⁴³ With a deep understanding of economics, he fashioned a coherent Unionist policy

⁴³ The Irish problem had troubled British politics for more than a century. It originally had economic and religious roots—exploitation of the peasants by their landlords, and perceived anti-Catholic discrimination. Both these grievances had been remedied: landlords had been bought out; the Protestant Church had been disestablished; and Roman Catholics had been emancipated. During the First World War, the remaining single issue was that of national independence. Ireland was still part of the United Kingdom, and its governance was overseen from Dublin Castle. Things were different on the ground. An independent Parliament, or Dáil, had been set up by the Sinn Fein victors in the 1918 general election. The Republic, proclaimed at Easter 1916, was reaffirmed and the Dáil conducted business as though the British no longer existed. De Valera, sole survivor of the leaders of the 1916 rising, was elected President of the Dáil. Though Sinn Fein was non-violent, the resurgent Irish Republican Brotherhood, reconstituted as the Irish Republican Army (IRA) commanded by Michael Collins, launched an armed struggle on behalf of the Republic against the British “invaders.” In 1920, the British used what came to be seen as “terror squads”—the Black and Tans and the Auxiliaries—to combat the IRA. Order was not restored and in 1920 the Government of Ireland Act provided for two Home Rule Parliaments. One was based in Dublin, while the other represented the six Ulster counties in Belfast, overseen by a Council of Ireland, but Sinn Fein refused to recognise the southern Parliament and Ulster refused to recognise the Council of Ireland. The Ulster Unionists, however, accepted both partition and their own Parliament as their own government, and Ulster was the only part of Ireland to receive Home Rule. George V opened the first North of Ireland parliament in 1921. When negotiations about the future status of Ireland broke down over the proposal that Ulster should be put under Dublin for a limited period of a month a year, Bonar Law, who had left office on the grounds of ill-health in March 1921, threatened to return and lead Unionist opposition unless Ulster was left independent. What was in effect civil war continued until an Irish Free State was approved by the British parliament in 1922 and Ulster was formally separated from the rest of Ireland. See Alan J.P. Taylor, *English History 1914–1945* (Oxford: Clarendon Press, 1965), 153–59.