Britain in the 20th Century Responses to Decline, 1895-1914

Professor Sir Vernon Bogdanor FBA CBE

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Ladies and gentlemen, we tend to see the years before the First World War in rather a hazy and romantic glow, as the peace before the storm. We are used to pictures of Edwardian garden parties and the like, as if those years were an endless, free and untroubled summer. In reality, our Edwardian forbearers were very worried, thinking people, and they were particularly worried by the idea that Britain was a declining power, from the zenith of her power in mid-Victorian times.

Britain had been the first country to undergo an industrial revolution, and she had built up, in the 19th Century, a great empire which covered nearly a quarter of the world's territory and about the same proportion of the world's population. This was the largest land empire the world had ever seen. However, she was increasingly worried that other countries were beginning to overtake her in industrial strength and in power. She was especially worried by two countries in particular: the United States, after the Civil War in the 1860s; and Germany, with the formation of the German empire in 1871, after Bismarck's victory over the French. Germany seemed a particularly threatening power with its great industrial resources, powerful educational system, strong army, and even its powerful navy, which it was beginning to develop at the beginning of the 20th Century. This was threatening for Britain because the British view had always been that if she had command of the seas, then there would be no need for a strong army and conscription, which was commonplace in the Continental countries, and was the hallmark of a military state. However, there had been a tacit agreement that Britain would preserve the freedom of the seas with a strong navy while Continental countries, though they might build up strong armies, would not challenge British naval dominance. However, in Edwardian times it seemed that Germany was beginning to do so, and so people were very worried about whether Britain could compete.

There was a worry, related to that, about our situation at home. The last of our imperial wars, the Boer War, had finished at the beginning of the Edwardian era in 1902 and during that war people were shocked at the large number of volunteers who were physically inadequate and therefore rejected for military service. People said that Britain could not keep the empire unless she had an imperial race, a strong people to man the empire, and conditions were not currently good enough. That was linked with the beginnings of social investigation in Britain, which revealed the extent of the poverty and malnutrition and generally poor physical conditions. This caused people to think that Britain was in decline in this regard too, perhaps from some imagined past, as things had actually never been better. Anyway, people were becoming more aware of these social conditions and wondering what could be done about them.

There were two answers to the question of how Britain was to meet this decline and they broadly corresponded with the two great parties of the Edwardian era: the Conservatives and the Liberals who were supported by the very small Labour party. The Conservatives called themselves the Unionists because they were a coalition between the Conservatives and Liberal Unionists.

Now, the first answer was the Conservative answer because the Conservatives were in power from 1895 to 1905, and they said that the best way to deal with the threat of decline was to use the empire

constructively.

Of course, Britain had been an imperial country throughout the 19thCentury, in the sense that she had been at the head of a great empire. However, one writer on the empire in the 1880s said that Britain had acquired the empire in a fit of absence of mind and that she had not noticed how she had done it. Some of it had been done by settlers moving out to the colonies from the mother country, building up institutions in Australia, Canada, New Zealand and South Africa, others by explorers, without necessarily the help or even the approval of British Government. Empire was not really a political issue for most of the 19th Century, except when the British were at risk in colonial wars, in South Africa for example, or Afghanistan - there were three Afghan wars in the 19thCentury, but we never actually succeeded in subjugating Afghanistan.

The end of the 19th Century was the period of Rudyard Kipling and all that and the major change was that imperialism became a self-conscious doctrine, a mission, and almost a religion. The high priest of that was the Colonial Secretary of the Unionist Government Joseph Chamberlain. Here, I must use the term "Unionist" because he had begun as a Liberal but had moved into the Unionist camp in protest against Gladstone's proposals for Home Rule for Ireland in 1886. He began life as a radical mayor of Birmingham, where he was very much on the left, but moved, so his critics said, to the right.

Now, in 1895, when the Coalition Government was formed, Lord Salisbury, the Conservative Prime Minister, told Chamberlain, who was the head of the Liberal Unionist wing that he could have any post he liked in the Government. You might expect Chamberlain would have chosen the Chancellorship of the Exchequer - indeed, I think most people thought he would choose that post, but he said that the post he wanted was that of Colonial Secretary. That post, of course, no longer exists, but he wanted to build up what he called "the underdeveloped state of the empire", to make British conscious of her imperial responsibilities and to use empire to avert decline.

This had two aspects. The first was that Britain should no longer maintain a passive stance towards the acquisition of territory, but the dependent empire had to be maintained, possibly by force or perhaps even extended, if Britain was to meet the competition of other European powers, particularly perhaps Germany, but also France and Russia, with whom we had had imperial disagreements.

However, most importantly, from the British perspective, was the question of what was to happen to the self-governing colonies: Canada, Australia, New Zealand and South Africa. Chamberlain said they should be more tightly linked to the "mother country", so there could be a common imperial policy. Therefore, while Britain on her own could not hope to compete with large countries like America and Germany, she could do so if she brought the empire together. Allowing the colonies to go their own way was no longer sufficient in the new international conditions which Britain now faced.

Some of the answers and debate is very similar to the debate we had in recent years about Europe. The protagonists, those who argued for empire, are very similar to those who argued for Europe to get together so that Britain could play a larger part in the world. Some people said that Britain could not hope to be a world power in the 1950s and 1960s, as she was too small to compete with America or the Soviet Union, but as the head, or perhaps leading European power, she might be able to do so.

A crude way in which that could be done would be to secure a federation. Now, some enthusiasts for Europe - there are not so many now - in the 1950s and 1960s, and during the Second World War, called for European federation. Similarly, some people in the 19th Century called for imperial federation, and an Imperial Federation League was formed in 1884 to try and secure that aim. The League's head, interestingly enough, was not a Conservative or Liberal Unionist, but a member of the Liberal Party, Lord Rosebery, who succeeded Gladstone as Liberal Prime Minister and was from the Liberal Imperialist wing of

the Liberal Party.

Now, the problem with the idea of the imperial federation is fairly obvious. It was similar to the problem with European federation. Presumably, imperial federation meant that there would be an imperial parliament which would be a superior parliament to the British Parliament at Westminster, and also to the Australian Parliament, Canadian Parliament and New Zealand Parliament. It would not just be the British Parliament dominating decisions

The British were certainly not going to accept decisions possibly made against their wishes by an imperial parliament, just as people today would not accept a decision made against their wishes by the French and Germans and Italians.

Perhaps equally importantly, from this point of view, the New Zealanders, the Australians and the Canadians had gained practical independence - they ran their own domestic affairs without any interference from Westminster. They were not going to give that up either, and so the idea went against the trend of colonial self-government. For the moment, it got nowhere.

Chamberlain then produced a second idea, which had a German title: it was a union for defence or war, which he called a kriegsverine. The empire countries would pool their resources together for defence purposes. Again, that links up with things people have said about Europe. We hear a lot of talk about a common European defence and security policy. Again, it ran up against the same objections. It seemed, at first sight, possibly a good idea, because, in the Boer War of 1899, the self-governing colonies, of their own volition, sent troops to help the British fight the Boers. You may say they had no quarrel with the Dutch in South Africa, but they nevertheless sent troops to help Britain, so there it seemed there might be some hope of cooperation. However, again, the self-governing colonies said that they would help Britain voluntarily, but would not subordinate their own defence considerations to those of Britain, just as today we would not subordinate our own defence views to those of the French, Germans and Italians. Despite the agreement with the French last week, we want to retain our freedom of action, as other countries do. So, that idea, for very similar reasons to the failure of the Imperial Federation, got nowhere.

Then Chamberlain came up with a third idea, which was much more skilful, and very similar to the idea that animated the European Community, as the European Union was when it started, or Common Market. The founders of Europe realised that if they said to the countries of Europe that they had to join together in a federation, they would not agree to that. So, they decided to approach it indirectly by starting with agreements that were in the self-interests of the individual countries. It started, in the post-War era, with France, Germany, and any other country that wanted to join, getting together in a coal and steel community, by which they promised to share coal and steel production and create a common market in coal and steel. That was in the interests of both countries as it would lower prices; improve efficiency. There was no harm in that and seemingly no dangerous federalist tendencies.

The argument was that this would spill over to other changes. For example, people asked who was to regulate the coal and steel community. For that, it was decided that they needed a High Commission which preceded the European Commission. People then asked how the Commission would be accountable. For this purpose a European Assembly - the precursor to the European Parliament - was created. Then people thought that if they were gong to cooperate in coal and steel, then they should in agricultural, fisheries, and other industries. It was then thought that if the countries were going to cooperate in these areas, it was absurd to go on using national currencies so they created a common currency like the Euro. If there was a common currency they thought that they should not allow some countries, like Greece, to be so reckless. They thought they ought to supervise what they were doing by controlling their budgets a bit, and moving towards a common fiscal policy. You can see, gradually, step by step, almost without people noticing in a way, you move to political union by harnessing the self-interests of the countries towards it.

Now, this was Chamberlain's idea at the beginning of the 20th Century. He said that if he approached the idea of imperial federation frontally, he would get nowhere. The colonies were very eager to maintain their self-governing traditions. However, the colonies were eager to help Britain economically and the Canadians had said they would do give Britain a preference on her tariff for wheat. They would set up a tariff against all other countries, but give Britain preferential entry into her markets provided that the British were willing to respond by giving the Canadians preferential access to their manufactured goods. So here, there was the chance of an exchange of preferences between the two countries, which could lead in the longer run, to a much greater degree of imperial cooperation. He thought he could create within the empire, a tariff union with perhaps free trade or lower tariffs within it as compared with other parts of the world. This was the prospect that Chamberlain put before his colleagues in the Unionist Government. The Unionists, although they were imperialists, were profoundly shocked by this, for a number of reasons.

Firstly, they said, if there was a preference for Canadian wheat, it meant that there would have to be a tariff against foodstuffs from parts of the world which were not part of the British Empire. They said that "Britain is a free trade country, and we have been free trade since the 1840s." The 1840s were known in Britain as the "Hungry Forties" because, with a tariff on wheat, from the Continent, the price of food rose, and poor people were not able to afford it. The British people were highly attached, sentimentally and ideologically to the idea of cheap food, and they told Chamberlain that if he went back to the days of dear food he would not win a General Election if he decided to tax the workers' food. Indeed, one of the main propaganda efforts of the opposition Liberals was to put two loaves on the table on a poster: one was a very large load, the free trade loaf, and the other was a small loaf, the tariff reform loaf. The Liberals said that the Tory proposals meant that you would be paying more for your food.

Chamberlain said that this was worth doing because you would get a lot of benefits. Not only would it link the Empire together, it would have a more practical advantage. He said tariffs would bring in revenues, and with the revenues, he could finance social reform. Chamberlain had begun his career, as I said, as a radical mayor of Birmingham. He was very concerned with the condition of the people, and very worried by the sort of evidence showing poor social conditions. Therefore, one of the things he said that could be done with the tariff was to introduce old age pensions. For this, as he put it, small difference in the cost of food, the people would receive great benefits: both the social benefits of pensions, but also, in the imperial sphere, an increase in British power.

Chamberlain failed to convince his colleagues of this argument. Some of his colleagues were sympathetic, but they said that they had to go fairly cautiously on this: they could not take the risk of a tax on food. They could not accept that part of the programme even though they might go some of the way with him.

Chamberlain said he would resign from the Cabinet and campaign in the country for tariff reform, to try and show his rather timid colleagues that he really could win that argument. In 1903, he made a powerful speech in Birmingham, his constituency, and said "The time has come to abandon free trade," which Britain had had since the 1840s. He said the time had come to abandon that and adopt a different policy, and he was going to campaign for that by resigning from the Government, and trying to push the Unionist Coalition in that direction.

He might have had some success if conditions had remained as they had been when he made that Birmingham speech in the middle of a recession. In times of depression, people are worried more about prospects of employment than they are about the cost of living, but, as ill luck would have it for him, economic conditions started to improve, and Britain began to enjoy inflationary boom conditions, so people became very worried about the cost of living. It soon became apparent that people were frightened, to a degree that you may think perhaps today seem irrational, about the dangers of a rise in the price of food.

So, Chamberlain's campaign failed, and not only failed, but it led to the most colossal defeat the

Conservatives have ever had, eclipsing even that of 1997.

Tariff reform remained a central policy of the Conservative Party, and Conservatives came to look at it again in 1920s, when Britain really was depressed, and in 1923, Stanley Baldwin went to the country on a similar proposal to Chamberlain's, calling for a tariff to deal with unemployment, but he too was defeated. It was an albatross and a vote-loser.

Britain eventually came to adopt tariffs in the Great Depression of the 1930s. The National Government, which was a bit like the present Government in some ways, a Conservative-Liberal coalition, and in 1932 it signed the Ottawa Agreements with the Commonwealth countries, establishing a preferential tariff between Britain and the self-governing colonies. There was a great irony about that because the Chancellor of the Exchequer who introduced those Ottawa Agreements into Parliament was none other than Joseph Chamberlain's son, who became much better known, sadly, later in the in the 1930s, as a leading apostle of appeasement as Prime Minister. Neville Chamberlain is best remembered for the umbrella, Munich and the speech about "peace in our time", but he was the Chancellor of the Exchequer who introduced the Ottawa Agreements in 1932. At that time, someone said about Richard Cobden, the founder of free-trade in 1846 and a key man in the victory over the Corn Laws, that "No one can now remember whether Cobden was a man or a horse."

The immediate effect, as I say, of the tariff reform campaign was to bring the Liberals back into government. It had looked as if they would never get back to power again, but they won a landslide in 1906, and this is perhaps a significant yet rather a dismal lesson in a way. The Unionists had won in 1886 by their opposition to Home Rule on a negative. As soon as they came together with a positive, they broke up, and the Liberals got into power, not, as many think, because they were promising radical social reforms. They were not. The Liberals got to power on a negative. They said that they were coming to power to ensure that there was no fiddling around with free trade. That was the main thing which they were interested in and they were not going to do any more than that. It was not a victory for social reform. Interestingly enough, the Prime Minister of the new Liberal Government, now a forgotten figure, but significant in his day, Sir Henry Campbell-Bannerman, said: "The policy upon which the Government has taken office, and upon which they have been supported by their friends, is the policy of retrenchment," in other words, a policy of cutting public expenditure, not a policy of social reform.

The Liberal victory, as I said, was a greater landslide than Blair won in 1997. There was a 12% swing to the Liberals, and the Unionists lost no fewer than 245 seats, much larger than the 94 Gordon Brown lost which was thought to be pretty bad.

This was an important landslide victory for the Liberals but it was also symbolically important for Britain, because it meant that imperialism lost the moral strength that it seemed to have. During the 20th century, rather than there being a strengthening of the imperial tie, there was a gradual withdrawal from the Empire. Britain was not going to be, as Chamberlain had hoped, a self-consciously imperialist power. Secondly, the Liberals were going to create, despite their policies in 1906, a welfare state, which, in outline, was not perhaps as different as you might imagine today from what Labour created after 1945. That Liberal government is as significant as that of Attlee 1945, and although, in the 1980s, Margaret Thatcher said she wanted to undo a lot of what she called socialism, I think a lot of those landmark policies and fundamental aspects of the welfare state remain, which really no one dare tamper with.

Several principles were introduced by the Liberals in their Government from 1906. The first new principle was the acceptance of the use of taxation as an instrument of redistribution, and the use of a budget for social reform. This was cemented by the famous budget of Lloyd George in 1909, the so-called People's Budget, which was rejected by the House of Lords and led to restrictions on the powers of the Lords.

Secondly, the idea that the state was responsible for ensuring the health of its citizens became accepted and even the idea of a National Health Service. We all know the National Health Service Act came after the Second World War, in 1946, under the leadership of Aneurin Bevan in Attlee's Government, but in fact, the first measures to insure public against ill-health was taken by the Liberals in the National Insurance Act of 1911, which established a system of health insurance. It is now thought by many, though not by all, that Lloyd George regarded that as merely a step on the way to a full Health Service of the kind that Aneurin Bevan introduced.

The next principle introduced was the idea that the state was responsible for the welfare of the unemployed. Unemployment insurance was introduced into Britain in the National Insurance Act of 1911 and the main inspiration behind that was the President of the Board of Trade, Winston Churchill. He was a key figure in that Government, second only to Lloyd George, and at that time was a social reformer. Unemployment insurance was very new indeed. Health insurance had already been established in Germany by Bismarck in the 1880s. It was part of his move to outflank the left, and particularly the German Social Democrats. Britain was the first country in the world to introduce unemployment insurance, and it was a totally new idea that the state should protect its citizens against unemployment.

These were all measures of importance with the new government, and, later in life, in the 1930s; Lloyd George was holidaying in the South of France, as he used to do. He was approached by the novelist - now forgotten, but who I think is rather underrated - C.P. Snow, who got into conversation with him, and asked him how he thought he would be remembered. Lloyd George said something very interesting. He said: "I think our wars will seem rather local affairs to posterity, because the centre of gravity of the world is going to change, if it hasn't changed already. I am inclined to think that, if they are interested in me at all, they will be interested because, in the first country to be highly industrialised, I did something to nullify class conflict, and whether they approve or not will depend on whether they believe that was a good thing to do."

Lenin dedicated one of his volumes to Lloyd George as a subtle defender of what he called liberal capitalism. He thought Lloyd George kept revolution at bay as he developed techniques and institutions for containing industrial and social conflict which meant securing industrial and social peace, political stability and avoiding serious crises with the labour movement in particular.

The sorts of social tensions which, between the Wars, destroyed German democracy and Italian democracy, and threatened revolution and riot in many Continental countries, were almost entirely absent in Britain, and it is a familiar point people make about the inter-War years, that although conditions were very bad, extremist parties gained miniscule support. The Communist Party never had more than 29,000 members, and most of them were actually middle-class. The British Union of Fascists was never able to contest a Parliamentary seat. People looked at the last Election and said how glad they were that the British National Party failed to win any seats, but they contested over 330 seats and secured a total of nearly 2% of the vote. That is far higher than Mosley would have got in the 1930s. He actually was not strong enough to put up a candidate in a General Election. It is an interesting paradox that although conditions are much better today than they were, the far right is doing better than it was in the Hungry Thirties. We see all these pictures of black shirts matching through London, but forget that they were politically completely unimportant. They never won a Council seat. The British National Party has over 20. They never put up a candidate in a General Election at all, which is significant of their weakness.

Lloyd George was very successful in crisis avoidance, but in the 1980s, people began to ask, and Margaret Thatcher in particular began to suggest that we had bought that crisis avoidance at rather too high a price - the cost of the loss of dynamism in industry and society in general. She thought we had too often preferred conciliation and appeasement, particularly of the trade unions, to an emphasis on dynamism and efficiency, and that this was a cause of British decline. She thought we would have been a more successful industrial country if we had not devoted quite so much energy to the process of conciliation. That is an outlook which Lloyd George would not have accepted and with which he would not have had much sympathy.

In a history book written in 1965, well worth reading if anyone is interested, the last volume in the Oxford History of England, the great historian, a very familiar face on television many years ago, A.J.P. Taylor, began the book in this way. He wrote: "Until August 1914, a sensible law-abiding Englishman could pass through life and hardly notice the existence of the state, beyond the post office and the policeman." I think a better date would be actually 1911 rather than 1914 because I think the National Insurance Act changed things or perhaps even 1908, when old age pensions were introduced.

During this period of the Liberal Government, and it carried on until after the War and the end of the Lloyd George Coalition in 1922, Britain moved from one kind of society, an unregulated capitalist or liberal capitalist society, to another kind, which people sometimes call corporatism, but I think better to call regulated capitalism. We moved from unregulated capitalism to regulated capitalism, and I think that is the only main radical real change we have had in the 20th Century. I think every change since then has been within that framework of regulated capitalism.

People on the left have wanted to regulate it a good bit more. Some of them wanted to move to another form of society, which they called socialism, but they did not succeed in that aim. Some people on the right wanted to regulate it much less, and again, Margaret Thatcher's Government and people round her wanted to move it perhaps more back to the unregulated system before 1906, but they did not succeed in doing that either. It was not noticed that we were changing society in that way, for a very interesting reason. People on the left said that the only change in society is to some form of socialism; the Labour Party certainly said that at the beginning of the century, in the 1920s. They said the only radical change is to socialism, and since there was not socialism, nothing much had changed and it was still capitalism. The right said that since there was not socialism, nothing had changed. We still live in a capitalist society, but a different form of capitalist society and it has been extraordinarily difficult to transform it, either from the left, as the Labour Party found out, or from the right, as Margaret Thatcher found out, and this seems to me a great change, caused mainly by the Liberal Government of that time.

The first reform, a very minor reform in modern terms but still significant, was passed in 1906, when the Liberals introduced a proposal for free school meals. It was not compulsory, it was permissive. Any local authority that wished to do so could provide free school meals for children whose parents could not afford school meals. In fact, only 11 local authorities actually provided it, so it proved to be a very minimal reform. For some people, rightly, it was a great issue of principle, because they said that the parents should be punished for neglect if their children were poor. The parents should be made paupers or put into the workhouse as parents are responsible for children and not the state.

The great constitutional lawyer, Dicey, was on the right, but he was not an extremist in any way. He said, "No one can deny that a starving boy will hardly profit much from the attempt to teach him the rules of arithmetic, but it does not necessarily follow that a local authority must therefore provide every hungry child at school with a meal. Still less does it seem morally right that a father who first lets his child starve and then fails to pay the price legally due from him for a meal given to the child at the expense of the ratepayers should, under the Act of 1906, retain the right of voting for a Member of Parliament." In other words, he thought the father should be deprived of his civil rights. "Why a man who first neglects his duty as a father, and then defrauds the state, should retain his full political rights is a question easier to ask than to answer." In other words, the state was taking over a responsibility which traditionalists said was that of the individual.

This moved on in 1908 when the Liberals introduced the first old age pensions. This was done, again, on a very minimal scale. It was introduced only to people below a certain level of income and on a sliding scale. It was five shillings a week, which even then was not much, for a single person, and seven and sixpence for a married couple. It affected half a million people, many more women than men. It was, in a way, a great feminist reform. Now, you had to prove, to get this money that you had not been a malingerer, that you were of good character, and that you were not on poor relief. These were all difficult tests. It was not universal, as the TUC wanted.

Again, the main pressure against that came from the right wing, and a speech in the House of Lords against it was made by Lord Rosebery, the great imperialist. He was the Liberal Prime Minister after Gladstone, but he had moved very far to the right, and although nominally still a Liberal was really with the Conservatives. He said that the old age pensions bill was "...a pauperising bill, symbolising the final passing of family pride in caring for their elderly. It is of course socialism, pure and simple. It is the beginning of a long process which will culminate in the handing over of hospitals to the state." He could think of nothing worse than a nationalised healthcare system.

Now, there was another critique of the Pensions Bill, which you may find more sympathetic, from a someone whose name one meets with a lot in the 20th Century, namely William Beveridge. We associate Beveridge with the famous report of 1942, which so much influenced the Attlee Government's decisions about the welfare state, but he first came to prominence much earlier in the 20th Century. He was discovered, interestingly enough, by Winston Churchill, as an administrator, and he was used to administer the labour exchanges which Churchill set up to complement the system of unemployment insurance. This required experts from outside the Civil Service, as the state was moving into new areas so Beveridge was one of the key figures in that.

Beveridge was, incidentally, himself a Liberal, and stood as a Liberal candidate in 1945. He was defeated, despite the popularity of the report. In his autobiography, called "Power and Influence" which is well worth reading he recalls being told by a heckler in 1945, "I'm not voting for you, I'm voting for Churchill!" Beveridge replied, "Well, when Churchill was a Liberal, you could have voted for both of us," but of course Churchill was by then no longer a Liberal.

Beveridge said it was a mistake to have the pension scheme on a non-contributory basis, and that was his view of National Insurance after the War. He said the pension - just giving people five shillings or seven and sixpence was a mistake, and he said this: "A non-contributory scheme sets up the state in the eyes of the individual as a source of free gifts. A contributory scheme sets up the state as a comprehensive organism to which the individual belongs and which he, under compulsion if need be, plays his part. Each view involves abandonment of traditional laissez faire. The first, however, represents a change for the worse, which it would be hard to remove; the second is a natural recognition of the growing complexity in the development of industrial life."

When people said, "Well, you can't expect impoverished people to contribute towards their pensions," he said: 'surely a man wastes more than tuppence a week on drink - let him contribute that. How can a man better prove that he needs and deserves a pension than by paying for it, a contributory scheme?"

Now, David Cameron would have a lot in sympathy with Beveridge's view about contributing to society - the "big society". It is a view that has very much come back into fashion. Beveridge always took the optimistic view that the British people did not want handouts. He thought that they wanted to be seen as citizens and therefore to contribute to their welfare. This was why he was so sympathetic to the insurance principle.

The problem with all this was that a lot of the beneficiaries of pensions, as I said, were women, who could not contribute, because many of them had not been working for much of their lives, if at all. Many of them who had worked had had their periods of work interrupted by childbirth and so on. So that was a great problem with the old age pension scheme: if you were going to apply it fairly between men and women, it had to be non-contributory.

The next major social reform was contributory and that was the National Insurance Act, which again was influenced by Beveridge. Here, Britain was greatly influenced by Germany, which as I said, had adopted a system of health insurance but not unemployment insurance. Winston Churchill wrote to the Prime

Minister who succeeded Campbell-Bannerman, Herbert Asquith, in 1908. He said about Germany that "'she is organised not only for war but also for peace."

There were two aspects to the National Insurance Bill. The first was National Health Insurance, and that was only for those earning less than £160 per year, and it was not unconditional, as with old age pensions. It was contributory, and there was a triple contribution: the employee paid fourpence, the employer paid thruppence, and the state paid tuppence. So the slogan which Lloyd George used about it was "You've got ninepence for fourpence!" This covered people in employment - it covered men, and those women, mainly unmarried women, who were in employment. There were no specific benefits for women, other than a maternity grant. That was introduced, and that again was a landmark policy. The argument that Lloyd George used, in those days, was this: that the aim of National Health Insurance was not so much to insure people against illness, but against insecurity. If a woman or a dependent was ill but the man can go on working, the family will stay together. If a man was ill and cannot work, everything would collapse, and therefore you ought to insure against that insecurity which would affect people's homes from illness.

The employment insurance was the first time this happened in any industrial country. This was the first time that the state entered the life of an ordinary, able-bodied person who was able to work. It was confined, at the beginning, to what were thought of as precarious trades, like engineering, building, shipbuilding and mechanical engineering. There was an employer and employee contribution of tuppence halfpenny per week, and the state paid one and two-thirds pennies per week, and this gave a benefit which lasted for a maximum of 15 weeks a year. Churchill said, rather grandiloquently, it was based on what he called "the magic of averages". It was a pure statistical idea which he built up, rather grandly. It was assumed that the fund would break even at a level of unemployment of 8.3%. If unemployment was no higher than 8.3%, the fund would break even. Perhaps it might be a bit higher one year, a bit lower another year, but Churchill called this "the magic of averages", though, to us, it is a fairly simple statistical concept about the nature of insurance.

Behind these ideas of insurance was the thought that the insurance principle dealt with the scrounger, about which people were very worried in those days - perhaps they are today as well. There was no point scrounging, because if you were scrounging, you just used up your contributions. If you malinger, say you cannot find a job or you are ill when you are really not, you just use up the contributions for which you have your benefits. There is simply no point in doing that on the insurance principle.

Now, the problem was, with unemployment, what was going to happen if, as during the inter-War period, unemployment permanently rose above 8.3%? Unemployment was at least, from 1921 to the outbreak of the Second War, 10% and often much higher. It reached about 32% in the early 1930s. It was not clear what was going to happen then.

The answer in earlier days would be, "well, hard luck, if you cannot manage, you have to go to the workhouse." That was the answer applied to people who were unemployed after the Boer War. You could not give that answer after the First World War, when, after all, so many had fought in such terrible conditions. They could not be expected to come back, when there were no jobs in the labour market, and be put into the workhouse. Society would no longer tolerate that.

So, in 1921, the Lloyd George Government made a very fateful decision: it introduced what it called, rather euphemistically, "transitional benefit". "Transitional benefit" meant that when you had run out of benefit paid for by your contributions, you would still get benefit from the state. That was called, in the 1920s and 1930s - it was a highly emotive issue and it led to the collapse of the second Labour Government in 1931 - the "dole", because it was not based on contributions or the insurance principle. Once the dole was introduced, people, and these were not only people of the right, they were often people who supported the Labour Party, became very worried about scroungers. Indeed, there is a very interesting book about the 1920s by a social theorist called Alan Deacon, called "In Search of the Scrounger".

Labour voters used to write to Ramsay MacDonald, the Labour leader, and they said that married women, it was always women, for some reason, were taking men's jobs. They had seen married women drive in their cars, in fur coats, to the unemployment exchange to collect their dole. They thought that this was scandalous, and they wanted to know when the Labour Party was going to do something about it. This could be the Governments today speaking. So, you had to stop the scroungers. Two tests were invented in the 1920s to stop them.

The first was the "genuinely seeking work" clause: you had to show that you were genuinely seeking work, even though everyone knew there was no work. For example, if you were a miner in a Welsh valley, you had to have shown that you walked to the next valley to the employment exchange to see if there was any work. Well, everyone knew that there was not any work, but you had to show that you had tried.

The second, infamous, test was the means test. You had to show that you did not have the means to survive without the benefit. That meant that if you had a piano in your house, you had to sell it and that if you had excess furniture, you had to sell it. This was implemented by local authorities, and Labour local authorities tended to be more lenient than Conservative ones and it varied until 1934. There were also inquiries made as to whether you were cohabiting with someone who had the means to pay. For example, you did not necessarily have to be in a sexual relationship. If you were living with a nephew who was in work and trying to scrounge through him they would try to find out. It made the whole thing rather degrading and hated.

The seeds of all this were in the Churchill Unemployment Insurance Act of 1911 and "the magic of averages".

The Conservatives, at that time, before the War, did not oppose any of these measures in any serious way, although some people outside did. In particular, there was what was called a "revolt of the duchesses", because insurance was made compulsory, for some reason, for domestic servants, and it meant that duchesses had to lick stamps, which they thought degrading, to make the payment.

The Daily Mail published the following interesting excerpt. It said: "I have seen no reference, in the course of this correspondence, to the pathetic case of the nursery governess. Why should she, who has perhaps seen better days, who is perhaps a lady - think of it - be dragged through the weekly ordeal of plastering nasty stamps on a grimy card" My blood boils when I think of the blush mantling her humble brow, the more so as this duty will doubtless have to be performed in the presence of that vast army of prying, peering, callous, gossiping new officials, which is growing every day, the minions of a radical Government."

At a meeting, the dowager Countess of Desart appeared with her maid, and they played, at the beginning of the meeting, "The March of the Men of Harlech" and "Rule Britannia", and formed the Tax Defence Association and refused to pay their insurance contribution.

In a book published at the time, which had a great impact, the writer Hilaire Belloc wrote a book called "The Servile State" in 1912, in which he argued that the Conservatives should have opposed National Insurance.

Bonar Law, who became Conservative leader in 1911, said he would repeal it if the Conservative Government came to office, but then he changed his mind.

Health insurance was bitterly opposed not by the Conservatives so much as from the British Medical Association, who opposed also the Health Service in 1946, and that tended to be, at that time, the

wealthier doctors, because, on the whole, the poorer doctors were rather helped by health insurance.

Now, as I have said, Lloyd George wanted further reforms, in particular to create a National Health Service, but that did not happen.

It is a paradox of this Liberal Government, that we associate the Liberals most of all with the issue of constitutional reform, and indeed, social reform was really an interest of the minority of the Liberals. I do not think Lloyd George and Churchill were particularly representative of the average Liberal in the party. Nevertheless, the Liberal Government was much more successful in social reform, on the whole, than it was in constitutional reform, and in particular, on the reform in Ireland, Irish Home Rule.

It was Home Rule that really seemed to be about to bring the Government to a halt in 1914, because, when they put forward a Home Rule Bill, in 1912, the people of the Protestant part of Ireland, the parts that are now Northern Ireland, said that they would not live under a Dublin Government, and that when Home Rule was passed, they would declare a unilateral declaration of independence from it. This made the Liberal Government very unpopular, because the Ulster Unionists were asking no more than simply to continue to belong to the United Kingdom. The Irish Nationalists were asking for a privilege, Home Rule, or devolution we would now call it, within the United Kingdom. The Ulster Unionists did not want devolution - they just wanted to remain part of the United Kingdom, as people in London or Edinburgh or Cardiff or anywhere else, as part of the United Kingdom wanted to. They wanted to pay the same taxes and obey the same laws as everyone else, and not to be forced into a form of government they did not like.

The Liberals struggled hard with this, and eventually, a conference was held at Buckingham Palace, at the suggestion of the King, to try and reach agreement. There was an attempt by the Liberals to secure a compromise, and they said the compromise should be this: that the Protestant counties of Northern Ireland should be allowed to opt out of Home Rule for a period of six years. They left this to the Unionists and Nationalists to discuss from Northern Ireland, and anyone who knows the history of Northern Ireland will not be surprised to know that they could not agree.

The Unionists said, if they only have the Protestant counties, they would only have four counties. However, Tyrone and Fermanagh, which have small Catholic majorities, could become part of Ulster. The Nationalists said that they could not possibly allow Tyrone and Fermanagh, with Catholic majorities, to go to the north; and the Unionists said that could not possibly allow Tyrone and Fermanagh to go to the south. The Unionist leader was Sir Edward Carson, the great lawyer, who had prosecuted Oscar Wilde in the famous trial - Oscar Wilde said he prosecuted him with all the vehemence of an old friend!

The Nationalist leader was John Redmond. When these discussions had reached a state of helplessness, with the Liberals and Conservatives looking on, Redmond went up to Carson and said "I have to say how much I admire the position you've taken, and were I in your shoes, I would do exactly the same as you've done." Carson said, "Well, actually, I feel exactly the same about the position you've taken, and I think you're absolutely right, and I would have done exactly the same as you had done in your shoes." They shook hands on it, and the British looked on helplessly and said, "How can we ever rule Ireland?!" So they got nowhere!

They had not discussed a time limit, where there was also disagreement, because the Unionists said that exclusion must be permanent, and the Nationalists said it could only be temporary, for six years, so there was a breakdown.

Churchill wrote about this in magnificent prose in the book called "The World Crisis" which is well worth looking at. His Conservative opponent Arthur Balfour said, "Winston Churchill has written a huge book

about himself and called it "The World Crisis"?! He said at the last meeting of the conference, someone brought in a newspaper to say that the Archduke Franz Ferdinand had been shot in Sarajevo, and he said, "The towers and steeples of Fermanagh," he said, "began to fade away in the distance, and an unearthly glow began to light up our proceedings."

Asquith was in the habit of writing letters to his girlfriend after Cabinet meetings. They're collected in a very interesting book by Michael Brock, called "Asquith: Letters to Venetia Stanley". There were two or three letters a day, written from the Cabinet Room, which really told you everything that was going on in the Cabinet, and was the best source we have for the outbreak of the War. The post was much better then, because he said at one point, she lived in the East End of London as a social worker of some sort, "I'd better finish my letter now or you won't get it later today - the post will delay it till tomorrow." He said, "Then I had my greatest stroke of luck, with the outbreak of the War," which he thought prevented a civil war in Britain.

But the outbreak of the War ruined the radical and progressive movement in Britain. It came to an end, as it did in America. It killed the whole progressive movement. What is remarkable, in a sense, about the Liberal landslide of 1906 is how short a period it lasted. By the election of January 1910, it had gone. The Liberals were dependent on the Irish Nationalists and on the Labour Party, and the Liberals were never to win another election again, so this was the last great Liberal victory. The longest lasting left wing victory in modern times was Tony Blair's in 1997. You then had a Government of the left for 13 years. Whereas, the Liberals were government from 1906 to 1914, when the War broke out, which was only 8 years. No one could predict, certainly not Asquith in 1914, that the Liberals would never form a government of their own again.

Next time, I shall look at the consequence of the War. One of them, as I say, was the destruction of liberalism, but there were many others too.