Political Philosophies in Great Britain

by
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BRITAIN at the end of the nineteenth century was close to achieving those twin pillars of freedom and justice, land-value taxation and freedom of trade. The free trade case had been won, and an era of unparalleled growth had resulted. There had been an immense increase of wealth as a whole and Britain stood at the forefront of the commercial nations of the world. Her supremacy was absolute in such wide and diverse fields as technology, inventiveness, shipping, finance and banking. She was the trading centre of the world.

Despite all this achievement, however, Henry George could as easily have written his great book with Britain in mind, for, despite the great increase in wealth, poverty was widespread.

The challenge to Britain was twofold. First, there was the need for reform to ensure an equitable distribution of wealth. Secondly, it was necessary for Britain to understand fully the economic revolution she had started and to make provision for constant improvement in free enterprise capitalism—not least the development of new institutions and laws to perfect the market economy. In the final analysis neither of these two needs was satisfied. The

land problem, which bedeviled the economy, and which was primarily responsible for the maldistribution of wealth, was tackled too late, and then only half-heartedly. There was also a complacency about Britain's supremacy and a blind trust in, rather than an intelligent understanding of, the market economy. This led to an avoidance of problems in the hope that somehow they would go away. When the problems did not disappear anything and everything was blamed. Britain was at the crossroads and unfortunately she took the wrong road.

The political parties at this time made their contribution to the confusion. In the early part of the period, between 1860 and about 1900, there were two major parties in British politics—Liberal and Conservative.

The Liberal Party had been formed from political groupings that had been thrown together after the repeal of the Corn Laws in the 1840s. It was very largely the old Whig Party, which, in 1688, had ousted James II from the throne and established William of Orange and Mary as monarchs. The Whigs had then aimed at limiting the power of the monarch and giving more power to Parliament. Later on in the eighteenth century they had developed the concept of limited government and had established a set of principles in connection with government and freedom that was used by Madison and Jefferson in their framing of the American Constitution.

In the early nineteenth century the Whigs were responsible for many humane reforms, including the abolition of slavery. Their ranks swelled by the merchants and manufacturers in the new developing towns such as Manchester, they embraced the economic thinking of writers such as Adam Smith. They began to press for the liberalisation of trade, and their first target was the removal of the duties on corn which protected British agriculture. The campaign for the repeal of the Corn Laws was successful, but it caused a split in the other major party of the time, the Tory Party.

The Tories had been supporters of the Stuart cause in 1688 but later became supporters of the established monarchy and were behind King George III in his policy towards the American colonies in the 1770s. They reverenced order and authority, and when in power, often wielded authority, with a rather heavy hand. They came to fear change and revered longstanding institutions because they were

longstanding rather than because they were desirable in themselves. Hence their opposition to the Whig demand for the abolition of slavery.

The Tories were in power when a long series of famines occurred in Ireland and the Prime Minister, Sir Robert Peel, in forcing through the repeal of the Corn Laws (with the intention of allowing cheaper foreign grain into the country to allay the effects of famine), split the party. Supporters of Sir Robert Peel, called "Peelites," joined with the major part of the Whig Party, and from this grouping gradually evolved the Liberal Party. The Conservative Party grew out of the Tory Party, with the addition of a few Whig land owners.

The Liberal Party pioneered the case for free trade, and carried on the old traditions of Whiggism concerned with limited government and the extension and maintenance of personal freedom. In addition, many radicals joined their ranks and gave a new conception to the Liberal Party in a demand for justice, which later became a demand for land reform. In 1889, land reform, by way of the taxation of land values, first became part of official Liberal policy. Up to 1914, or thereabouts, the Liberal Party, with some justification, can be said to have embraced the principles of true liberalism. Liberals could argue from principle the case for economic and personal freedom, limited government, free trade, sound money and land reform.

The Conservative Party, strongly imperialistic, was true to the inherent nature of conservatism—empericism, opportunism, fear of change, distrust of general principles, and belief in the right of government by a ruling class. Although this may sound harsh on conservatism, its position has been well described by many of its political thinkers. (Lord Hugh Cecil, *Conservatism*, London, 1912: "Natural Conservatism . . . is a disposition averse from change; and it springs partly from a distrust of the unknown." Also F. A. Hayek, *Constitution of Liberty*, London, 1960: ". . . by its very nature (conservatism) cannot offer an alternative to the direction in which we are moving. It may succeed by its resistance to current tendencies in slowing down undesirable developments, but, since it does not indicate another direction, it cannot prevent their continuance. It has, for this reason, invariably been the fate of conservatism to be dragged along a path not of its own choosing.") On this basis the Conservatives were supporters of the then current

policy of free trade, but their very nature precluded them from contributing to its further development.

The Liberal Party, for its part, plagued by problems of Irish Home Rule, Imperialism and the Boer War, offered little in the way of constructive thought to the needs of the future development of a market economy.

By the early 1900s the problems of poverty were greater than ever and the appeal of Marxism had led to the formation of other groups that were strongly socialistic. By the time of the Liberal Party's landslide victory in 1906, significant changes had taken place within the political parties, as well as in the country. The Conservative Party had just completed a tired period in office, and one of its leading men, Joseph Chamberlain, had publicly mooted the question of tariffs, a proposal that had split the party. The Liberal Party took advantage of this attack on free trade and went into the election of 1906 as staunch supporters of free trade and supporters of land reform. As one correspondent to *The Times*, 24 May 1907, put it, "No cry was so popular before the general election as the taxation of land values." However, even at this election, the Liberal Party had made promises of welfare legislation which promised to be the first step along the wrong road for the Liberal Party. Reform had waited too long. Many people were frustrated and deplored the poverty that they could see all round them.

The Liberal Party, as the only progressive party, attracted many discontented reformers, who, although largely socialistic in outlook, found the Liberal Party the only vehicle for getting to a large public and for entry into Parliament. Others of the same mind formed socialist groups and received growing support from the newly-formed non-craft unions. The most intellectual of these groups were the Fabian Society and the Independent Labour Party. Many Fabians stood as Liberal candidates in the 1906 election, partly because it was the only way to reach Parliament and partly because they said they *were* Liberals but "a dash of Fabianism was required to deal with the immediate social problems." This "dash of Fabianism" was soon to drown the spirit of Liberalism. A radical Liberal M.P., Francis Neilson, in his essay *The Decay of Liberalism* made this comment: "So dishonest did the action of these Fabians appear to the real radicals that in many constituencies men of the

old school decided to abstain from voting. An estimate was made in 1905 of the number of radicals standing at the general election, and all that could be counted as reliable candidates were fifty-odd. The one-reform men, such as town-planners, profit-sharers, total-abstainers, education-and-slum reformers, were not looked upon as safe for forcing the government to deal with the full Cobdenite policy of thorough economic reform . . . Liberalism was destroyed from within itself by alien forces that had used it only for their own purposes."

By its refusal to handle firmly both the socialists within its own ranks and the various socialist groups outside it, the Liberal Party found itself nurturing what was later to become the Labour Party

The Liberal government did however, attempt land reform in 1907 and 1908. In the House of Commons the proposals were fought tooth and nail by the Conservatives, but the Liberal majority saw the measure through. The House of Lords, however, proved a bigger stumbling block, and in the event could not be overcome. Although a land-tax measure was finally introduced in a Budget prepared by Lloyd George and passed by the House of Lords after a constitutional crisis lasting two years and three general elections, it turned out to be a travesty of the proposals originally conceived. Some effort was made in later years to put the defects right but by this time the Liberals in Parliament had lost their enthusiasm and their way. The climate of opinion was for welfare legislation, and the over-riding importance of land reform was lost sight of.

By the outbreak of war in 1914 the Liberal government was exhausted by affairs in Ireland; the Labour Party had grown from strength to strength as a result of the great social problems which still remained unsolved; and the Conservative Party, despite a lack of policy, had regained most of the support it had lost in 1906. On the outbreak of war the Liberal Chief Whip, Percy Illingworth, was heard to have said, in tears: "Liberalism is dead!" With the demise of the Liberal Party, as such, went all hope of a policy of economic freedom.

The 1914-18 war had a great effect upon British political thinking and policy. Government controls in the economy during the war had created an attitude of mind that was difficult to dispel afterwards. Great inroads had been made into free trade by the im-

position, in 1915, of a 33.1/3 per cent duty on a wide range of imported manufactures. These duties are still with us. The great cost of the war left its mark both in terms of human lives lost and wealth consumed. The aftermath of the war was a difficult time and someone could always make what was considered a good case for continued government intervention in economic affairs.

The Conservative Party found it convenient, after the imposition of the war-time duties, to propose protection under the heading of tariff reform. In 1921 a predominantly Conservative government passed the Safeguarding of Industry Act which gave protection to what were called key industries. After the disturbances of 1929 and the subsequent depression the Conservatives introduced general tariff protection, although preferences were given to Commonwealth products—an arrangement that was confirmed at the Ottawa Conference in 1932. British farmers, as well as being protected by tariffs and quotas, were also aided by marketing boards and subsidies. An "orderly marketing" mentality produced marketing boards for milk, bacon, potatoes and hops. These "managed" markets were for the benefit of the producer, not the consumer.

The depression of the 1930s affected Conservative thinking even as regards free enterprise itself. Mr. Harold Macmillan, in his book *Reconstruction*, published in 1933, advocated the abandonment of free enterprise capitalism and proposed instead a system of economic planning. In a later book *The Middle Way* (1938), the same author, who was later to become a Conservative Prime Minister, expanded on his earlier ideas and proposed that councils should be set up to eliminate "disorderly production and competitive selling" and to replace it by a system of planned output that would "regulate production in accordance with effective demand." The Conservative Party, with no road of its own to travel, was, as always, being pulled in a direction in which it did not choose to go. As caretakers of existing institutions, and the followers of the current climate of opinion, they ran true to form by supporting free trade and free enterprise when those policies were popular, and advocating protection and a planned economy when these were in fashion.

The Labour Party had a chequered career between the wars, but they did oust the Liberal Party as the main alternative to Conservatism. Their electoral progress showed how accurate was

the statement made by Mr. Stanley Baldwin, the Conservative Prime Minister, in Parliament on 21 January, 1924: "The future lies between honourable members opposite and ourselves." Mr. Baldwin was speaking of the Labour members who were soon to form a government. Mr. Asquith, the Liberal leader, shook his head; but Mr. Baldwin was right.

The Labour Party was a queer mixture during the inter-war years. Many radical Liberals had joined its ranks, not only because the Liberal Party seemed to be disintegrating, but also because the Labour Party was becoming a better vehicle for radicals to enter Parliament. For a time these radicals gave a Liberal image to a party comprising socialists, trades unionists, Fabian intellectuals, and a group headed by Sir Oswald Moseley, who was later to lead the British Facist movement. For a short time the Liberal element was effective in the party, and in April 1931 a Budget was produced by Philip Snowden, a staunch free trader and land taxer, which included the taxation of land values in a form acceptable to the old radical tradition. A financial crisis only four months later was responsible for killing the measure off.

The crisis of 1931 and the election that took place in October of that year finally put paid to any significant Liberal expression in Parliament. The government formed after the 1931 election, although in name a National coalition government, was in fact predominantly Conservative. Out of 608 seats the Conservatives had 471; five small groups, which included a Labour Party representation of 52 seats, made up the opposition. At the 1935 election the Labour Party did rather better, winning 158 seats against the Conservative total of 387, but by this time protection had become established and the Labour Party had veered towards support for the socialist policy of economic planning.

At this time, for instance, a Labour Party report could say that "a planned society can be a far more free society than the competitive *laisser faire* order it has come to replace," and a Labour intellectual, Professor H. J. Laski, proclaimed to a Labour conference that Britain must have "done once and for all with the mad competitive system." The same intellectual also prescribed a "wholesale system of delegated legislation" so that government would have wide powers to carry out the will of a Labour Government. He said that such a

system would also require guarantees from the Conservative Party that Labour legislation would not be repealed should Labour be defeated at the polls!

The inter-war years were a sad period for the once-great Liberal Party. In the 1920s Liberals were split under the twin leadership of Lloyd George and Asquith. In the 1930s Liberals were split again between those who supported Conservative governments and protection, and those who remained true to free trade. The former group, called Liberal Nationals, remained consistent supporters of the Conservative Party until their absorption by the Conservatives in the mid-1960s. The Liberal Party proper gave constant support to land-value taxation and free trade right through the 1920s and 1930s, but in the latter part of this period greater emphasis was being placed on state intervention.

This growing emphasis led in 1944 to a famous Liberal publication (*Full Employment in a Free Society*—Sir William Beveridge) in which the author asked: "Who is to secure that the first condition, of adequate total outlay at all times, is satisfied? The answer is that this must be made a responsibility of the state. No one else has the requisite powers; the condition will not be satisfied automatically. It must be a function of the state in future to ensure adequate total outlay . . . to protect its citizens against mass unemployment . . ." Later the author called for a National Health Service "ensuring adequate treatment of all kinds for everybody without a charge . . ." The author's policy of full employment centred on a policy of "socialising demand rather than production." Perhaps this kind of approach was heralded some twenty years earlier in a speech by J. M. Keynes, when, in an address to the Liberal Summer School at Cambridge in 1925 entitled "Am I a Liberal?" he said: "In the economic field . . . we must find new policies and new instruments to adapt and control the working of the economic forces so that they do not intolerably interfere with contemporary ideas as to what is fit and proper in the interest of social stability and social justice."

By the time of the outbreak of the second world war, both the Conservative and Labour parties had come to accept economic planning, although in different degrees. The Liberal Party, still largely loyal to free trade and land reform, was also coming close to embracing policies of greater government intervention in industry

and the social services. The war itself gave an added impetus to these ideas. The economy was strictly regulated, which although perhaps necessary in wartime, bred a mentality among Britain's bureaucrats and politicians that was difficult to overcome when the war ended.

The 1945 election produced a Labour landslide, and Britain embarked upon a full-scale socialist programme. There was only a small Liberal element present in the Labour Party at that time. Labour philosophy seemed to be based upon complete state control, as outlined by John Strachey in his *Theory and Practice of Socialism*, where he showed how the socialist economy should be "regulated by means of the deliberate decisions of a central body as to what goods, and how many of each of them, shall be produced." During the Labour Party's period of office from 1945-1951 nationalisation of industry and services took place on a vast scale and included the Bank of England, steel, transport, railways, electricity and gas. A host of regulations and controls were also imposed during this period, which gave the Conservative Party the opportunity of campaigning for the 1951 election under the slogan of "Set the People Free."

After the abject failure of the Labour regime, which included unashamed resort to inflation of the currency to help to pay for its social programme, resulting in devaluation, the Conservative promise of greater freedom and stability produced a Conservative government—321 seats against Labour's 295. The Liberal Party was reduced to six Members of Parliament, a catastrophic drop from their landslide win only forty-five years earlier.

Under the ensuing Conservative governments there was a "bonfire of controls" but Britain was still a long way from a free-market economy. Behind high tariff walls monopolies thrived; resort to debasement of the currency continued; no attempt was made to deal with the legal privileges of trades unions; protection of agriculture increased; and no attempt was made to deal with the land problem, which manifested itself in booming land prices and rampant speculation. Although Conservative governments de-nationalised road transport and steel, they very largely carried on within the framework that the Labour Party had laid down.

The Conservative attitude to the social services was also very little different from that of the Labour Party. In their statement of policy

for the 1950 election, entitled *The Right Road for Britain*, the Conservatives had claimed, justifiably, that "this new conception (of the social services) was developed by the (war time) coalition government with a majority of Conservative ministers and the full approval of the Conservative majority in the House of Commons . . . we set out the principle for the schemes of pensions, sickness and unemployment benefit, industrial benefit and the National Health Scheme." They brought no new thinking to the development of the social services in the whole period of their thirteen years in office.

The general lack of direction of the Conservative government caused an upsurge of support for the Liberal Party, but although Liberal policy still included references to free trade and land-value taxation, these policies were heavily qualified.

In the three or four years before the 1964 election, all three parties came to embrace a very similar system of economic planning. The Conservatives, under the leadership of Mr. Harold Macmillan, initiated a form of economic planning in July 1961, when they established the National Economic Development Council. The Chancellor of the Exchequer, in announcing the establishment of this new body, stated bluntly: "the controversial matter of planning at once arises. I am not frightened of the word . . . I believe that the time has come to establish new and more effective machinery for the co-ordination of plans and forecasts for the main sectors of our economy." This form of planning envisaged co-operation between government, industry and the trades unions, after full discussion between them.

The successes of the propaganda for this kind of planning was enormous. The climate of opinion in the country was in favour of planning. It was intellectually the fashionable thing; the Press and other media of communication seemed unable to mention anything else and unwilling to put the alternative view. The whole country appeared brainwashed, from the political parties, who were "all planners now," through industry, the trades unions, and economists, to the man-in-the-street.

The surrender of industry to planning may be said to have commenced with a statement by the Federation of British Industries which suggested that "there was room for a more conscious attempt to formulate not targets or plans but assessments of possibilities and expectations. This should be approached by government and industry together . . . If, for example, the national aim was to achieve

an annual growth of three per cent., as opposed to the present two per cent., the necessary implications and consequences could be assessed and the practical choices facing industry and government determined." The intellectual approach of the economists can be seen in the 1960 study on *Growth in the British Economy* by Political and Economic Planning. They could hardly have captured the imagination when they stated that "It certainly appears that one of the reasons for the inadequate rate of growth of the British economy may have been that there has never been an objective of growth to aim at;" and again that "mere publication of an estimate of the possible achievement of the economy for a few years ahead, if such an estimate had been carefully drawn up with the co-operation of the people who will be responsible for its realisation, may in itself be a potent force making for success."

The political parties took up the cry, and the word "growth" was on everyone's lips.

The Labour Party, after its unsuccessful attempt at socialism, also embraced this co-operative form of planning. Early in 1964, Mr. Harold Wilson, who was to become Prime Minister later that year, outlined his Party's programme for "effective economic planning." He advocated the setting up of a new Ministry which would "ensure that an effective National Plan is worked out for production, exports, imports, capital investment and industrial training and technological research." He also described the situation that has now become a real dilemma in British politics: "Now that the Conservative Party has embraced economic planning . . . it is hardly surprising that in the economic field, as in so much else, both major parties seem to be offering the same policies . . . all are planners now."

The Labour Party's planning differed from the Conservatives in that if co-operation did not work then there was always recourse to coercion. Mr. George Brown, later to become Deputy Prime Minister, stated in 1963 that effective planning will "in fact have to have teeth in it somewhere. Merely a series of blueprints will not do." Other people went further. Mr. Wilson's economic adviser, Dr. Thomas Balogh, wrote that a government has to have power to give effect to its plans, and that if there were disagreement by a minority, "statutory powers (would) therefore be desirable to avoid

misbehaviour by a recalcitrant minority." He also mentioned many other instruments of planning, including controls on building, a check on unwanted investment, the licensing of investment projects, import controls, price control, profit control, and stabilisation of food prices by government schemes for bulk purchase and import of selected basic supplies.

Soon after coming to power, the Labour government, in 1965, introduced its National Plan, compiled on the basis of co-operation with industry and the trades unions. By July, 1966, it had failed—a failure that led one socialist publication to say: "A socialist government that elects to run a capitalist economy through the mechanism of the free-market system will fail. To succeed—even to keep its head above water—it must forge physical instruments (of control) which reflect its basic philosophy, and use them with courage and decision."

The economic crisis that has faced Britain in acute form since July 1966 has been met by the Labour government (which was re-elected with a very large majority in the spring of 1966) in a manner typical of a government that has lost its direction. Controls, restrictions, credit squeezes and even more controls have been the order of the day, but fundamental measures have either been avoided or mismanaged. Even an attempt at land reform, prompted, perhaps, by past memories, was mishandled, and a measure was produced that was the very antithesis of anything that deserves the name land reform. When Labour's Land Commission Bill was introduced into Parliament it was heralded by Labour Ministers as a revolutionary land reform measure. Landlordism was condemned, the House of Lords castigated for blocking earlier legislation, John Stuart Mill and Winston Churchill were quoted, and many of the reasons for real land reform were given. In the event, as an editorial at the time commented, the actual Bill was "a timid, involved and regressive measure that (a) left untouched all existing land value; (b) left untouched increases in land value that accrue to land already developed; (c) left vacant land exempt from any charge whatsoever; (d) put a once-for-all levy of 40 per cent. on increases revealed only when the owner sold, let or re-let; and (e) while leaving capital gains taxes of 30 per cent. on capital, abolished the 30 per cent. 'capital gains' on land sales. And to make the land situation worse, the Bill imposed bureaucratic compulsory purchase orders

when land owners refuse to take the initiative and 'bring their land forward.'

The outcome of the Land Commission Act has been a drying up of the supply of land, higher land prices, and a costly administration.

With the Labour government putting up such an inept performance, what of the opposition parties? The Conservatives, who, under Winston Churchill, had fiercely attacked everything the Labour government did between 1945 and 1951, have, under their present leader, Edward Heath, been much less condemnatory of Labour policy. Whereas in 1945 there was an atmosphere of bitterness in Parliament, at present the parties are so close together that arguments are about details rather than principles. It is true that the Conservatives in their policy statements still talk of free enterprise and competition, but they are still committed to their earlier policy of economic planning with the co-operation of industry. Conservative economic policy was outlined in a speech by Mr. Heath in July 1967. In this speech he accepted the mixed economy, and welcomed government intervention when industries were declining and also where capital investment needed for a project was greater than a single industry could provide. He spoke of providing incentives to spur people on, rather than denouncing the disincentives that abound in Britain. Although there were proposals for trade untion reform and for concentrating social benefits where they were most needed, the general tenor was depressing and nothing new was said.

The other opposition party, the Liberal Party, has made steady electoral progress since 1951 and increased its representation in Parliament in 1966 to twelve. Although committed to economic planning, which Liberals feel they will implement more efficiently than the other two parties, there is still a tradition of radical liberalism within the Liberal Party. Land-value taxation, as such, is still official policy, but the emphasis is on a change in the rating system rather than land reform. Free trade is seldom mentioned, but official policy advocates the reduction of tariffs to increase efficiency, lower the cost of living and attack monopolies. At the present time the main emphasis of the party is on democracy and participation rather than freedom and justice. The current fashion within the Liberal Party is to believe that if everyone participates in decision-making, either at government level or in industry, these decisions will be

carried out in the spirit of a collective enterprise. This thinking has led some of the younger elements in the Liberal Party to advocate workers' control of industry. They forgot that in a free society industry is governed by what the consumer wants and what price he is prepared to pay, and by the competition of other producers, not by the whims of any one producer. They forget, too, the experiences they must have had on committees in the political sphere—the compromises that have to be reached, the lack of action unless someone is given their head, and the disagreements that can completely paralyse any action. These are not processes that can be applied with success to industry.

The situation in Britain today is a consequence of the poor decisions taken yesterday. The opportunity was once there to establish the kind of free and just society that is the ideal of radical liberals. Successive governments must have been perplexed by the economic forces with which they had to deal. Each wrong decision was followed by another, consequent upon the former, and the political parties have lost themselves in dealing with effects and not with causes. The situation of the political parties today is complex, but the position is far from hopeless. The Labour Party is discredited, and if, as seems likely, it suffers a severe electoral defeat, new groupings may appear on the British political scene. The Conservative Party has attracted to its ranks recently a number of free-market-minded men, and, with no effective Liberal Party, it could spearhead the cause of the free market and sound money. The Liberal Party still has left some of its old traditions, and, although small and liable to be blown off course by tiny militant groups, could still be the vehicle for the growing desire for freedom that is manifesting itself in all sections of society.

It has been a short and sad decline from the promise which Britain offered just over half a century ago to the unhappy position in which she now finds herself. However, there are hopeful signs that the cause of freedom and justice is not dead and that Britain is waking up to what she has lost.