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David Lloyd George:  
Land, the Budget, and Social Reform

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BENTLEY BRINKERHOFF GILBERT

THE ORIGINS OF THE BRITISH WELFARE STATE are usually attributed to the threat to the Liberals of the new Labour party in the House of Commons, to the evolving radicalism (or at least class consciousness) of the workers manifested by their demands for the overhaul of existing institutions for the care of the poor, and to the presence in the cabinet of David Lloyd George and Winston Churchill.

The force of political competition, it is argued, came from the left. The Liberals responded with social reform. The main achievement was the massive system of compulsory health and unemployment insurance.

Generally, accounts of the growth of welfare institutions stress the resolutions of Trades Union Congresses and the Labour party, the Royal Commission Report on the Poor Laws, labor delegations, and bills put down by the party in the House of Commons. That some social measures eventually were passed, it is insisted, proves the point. The accomplishment is taken as the result of the previous demand. Radical labor agitation had influenced Liberal policy. In fact, the two stand in the same relation that good science fiction writing does to NASA.<sup>1</sup>

These traditional explanations are not, to be sure, wholly wrong. Labor, of course, did have an impact. The Webbs *were* influential, although not with Lloyd George. But as is usual with simple historical explanations, they are less than half-right.

The bundle of legislation and legislative proposals usually taken as the Lloyd George welfare program did, in truth, arise from political challenge, but it was a challenge from the right, not the left. The alternative to Liberal Radicalism was not Labour Socialism but demagogic Toryism, and the Liberal enemy was not the ghost of Karl Marx, not even of Henry George, but of Joseph Chamberlain.<sup>2</sup> And the second, and major, point is simply that Lloyd George was not a social reformer in any sense that C. F. G. Masterman,

<sup>1</sup> For recent evidence that this tendency is continuing, see for instance Jose Harris, *Unemployment and Politics* (Oxford, 1972), 339 ff., concerning the Development Commission; or Arthur Marwick "The Labour Party and the Welfare State in Britain, 1900-1948," *American Historical Review*, 63 (1967): 380-403.

<sup>2</sup> This point concerning the 1909 budget, has been excellently made by Bruce M. Murray, "The Politics of the People's Budget," *Historical Journal*, 16 (1973): 555-70.

J. A. Hobson, W. H. Beveridge, or the Webbs would have recognized. Throughout his life his aim was the abolition of privilege far more than of poverty. Although he could grow publicly emotional about helpless widows and starving children, his political interest concerned the class above him, "the dukes," rather than those below.

His background was semirural. His cause, the one program he remained with throughout his life, was the destruction of the monopoly of land. His knowledge of urban problems, of trade unions, of "social reform," in the sense that the settlement-house intellectuals and the Fabians understood it, was extremely limited. Indeed, the people with whom he was comfortable, who he felt did most for the country, whom he trusted to get things done, and who he felt shared his feelings about the wasteful, dilettantish, country-house-oriented governing class, were the businessmen. He got to know them at the Board of Trade and he liked them. This accounts for his friendship with Bonar Law, which began in his early days at the Board of Trade and which would become so important during the war.

As Lloyd George left the Board of Trade in 1908 the state of the Liberal government may be fairly described as one of rising desperation, and conversely of reviving confidence and momentum among the Unionists. By-election losses showed that the landslide victory of 1906 had been much more a swing against the Tories than a sudden popular enthusiasm for any Liberal program. Moreover, it was clear that even though Chamberlain's stroke in July 1906 had removed him from public affairs, tariff reform, as he had expected it would, was capturing and inspiring his party. Between mid-January and mid-April the Liberals lost four seats, beginning on January 17 when the ancient Liberal constituency of Mid-Devon was captured by a Liberal Unionist tariff reformer and concluding three months later on April 24 with the rejection of Winston Churchill in the free-trade fortress of Northwest Manchester.<sup>3</sup>

Clearly the Liberals' needed new programs. The trouble with the government that had come into power in December 1905 was that although it contained many able men, Henry Campbell-Bannerman had no real claim on the cabinet's loyalty in the traditional sense. He could not (probably it never occurred to him) use the cabinet as an instrument of his own will as Gladstone did or as Lloyd George would do later. There were certain election pledges; individual ministers carried out projects. And when these were fulfilled or destroyed, no one knew what to do next. The issues of 1906—education, trade disputes, licensing, Chinese labor—were either on the statute books or had receded, to become again the property of the enthusiasts from whom they had emerged. When Campbell-Bannerman resigned, H. H. Asquith succeeded to a court of bankrupt geniuses and to the leadership of a discouraged party. The

<sup>3</sup> This last defeat was important not only because of the humiliation of a well-known free-trade cabinet minister, but because the Unionist winner, William Joynson-Hicks, was a Nonconformist businessman whose victory suggested that Northern Dissenters were deserting the party which they had helped so much in 1906.

Lords could feel fairly safe in rejecting Liberal measures. The Licensing Bill, land taxes, and valuation held no interest for a nation of beer-drinking, city-dwelling renters. Irish home rule and Welsh disestablishment belonged to irrelevant Celtic minorities. The live, popular issues were battleships and one item of social reform, old age pensions. Both required new taxes and were thus particularly dangerous to a government that had already lost the political initiative to a party claiming to possess a painless way of raising new money.<sup>4</sup>

It is sometimes forgotten that preferential tariffs were more than just the economic revival of old-fashioned imperialism. Chamberlain intended also to capture for his party the leadership in domestic reform as well. Import duties seemed to provide for the Unionists all the elements of political attraction that the party had lost. They could finance battleships; they could pay for welfare legislation; they would of course consolidate the Empire. But they would also revitalize decaying British industry and make Britain once again the workshop of the world. "Tariff reform," the slogan went, "means work for all."

Traditional Liberalism, reinforced by the Bank of England and the Treasury, had always held that taxes within very narrow limits should, in peacetime, be more or less fixed. Revenue would grow as trade grew. The government might borrow for emergencies, to be sure, but in peacetime the first charge on revenue was debt service, and excessive borrowing would raise interest rates, disrupt the capital market, and destroy the City's world influence.<sup>5</sup> On May 18, 1908, Lloyd George, chancellor for barely a month, circulated among the cabinet a memorandum calling attention to the danger that threatened the government from pensions and battleships, unless new taxes were found.<sup>6</sup> Four weeks later, on June 16, he moved a second reading of the first Old Age Pension Bill. Two months later, in mid-August, as soon as old-age pensions received the royal assent and Parliament had adjourned, he left England for Germany in the company of copper millionaire Sir Charles Henry. This trip has been frequently misrepresented. He did not go to look at German medical programs. He was seeking a way to finance the inevitable extension of pensions.<sup>7</sup> He had been horrified by the cost, uncertainty, and bad drafting of Asquith's bill.<sup>8</sup> Better than anyone, he knew the working man

<sup>4</sup> Conservatives were increasingly jubilant. St. Loe Strachey wrote cheerfully to Rosebery that he heard Lloyd George was "in despair" about the need for money. A. V. Dicey remarked that while he detested pensions in principle, the cost at least would bring tariff reform. Strachey to Rosebery, July 23, 1905, Strachey Papers, 5/12/12; Dicey to Strachey, July 8, 1908, Strachey Papers, 5/5/11.

<sup>5</sup> In 1910, J. S. Bradbury, then at the Treasury Office of Accounts, sent Lloyd George a paper on precisely this topic. A debt much above £750,000,000 was unthinkable. It would put banks out of business. "Memo on the Price of Consols," J. S. Bradbury, July 14, 1910, Lloyd George Papers C/14/1/6.

<sup>6</sup> P.R.O., Cab. 37/93/62 D.L.G. "The Financial Situation—This Year and Next," May 19, 1908. At this time Lloyd George anticipated a need for £9,500,000 of new money above a calculated present revenue of £155,850,000.

<sup>7</sup> Lloyd George pointed out in the 1909 budget statement that during the debates on pensions the previous year both parties had agreed that the extension of pensions was "inevitable." Hansard, *Parliamentary Debates*, House of Commons, 5th ser., 4 (April 29, 1909), cols. 481–82.

<sup>8</sup> Lloyd George made an oblique criticism of the "highly conjectural" estimates about the cost of old age pensions in the Cabinet Memorandum of May 19. A. T. Davies, a personal friend of Lloyd George from Criccieth, records that Lloyd George told him, soon after coming to the Exchequer, that he had been

must be made to understand that the Liberal party was his friend and that the party must erase the image that Liberal programs proceeded either from a Celtic fringe or from small, narrow-minded pressure groups. But he must also find a way to pay for the new pensions. The German answer seemed to be compulsory, contributory social insurance.

“Invalidity, disability, etc. [as he always put it] pensions” were then the opening guns of the offensive that would revive party morale and would constitute the new Liberalism. Lloyd George was, to be sure, the architect and the main proponent of national insurance. But although he spoke in his budget speech of the thousands in the country in distress because of “ill-health or premature breakdown or death of the bread-winner” and insisted that the party would do something about it, he had no program ready in 1909. Nor would he have a program two years later. Social security was a goal to which he and Churchill thought the party should address itself in the future, and, more important, it would be the issue upon which both men hoped to see the party go to the country at the end of 1910 when, presumably, the comprehensive programs of invalidity and unemployment pensions would be vetoed by the House of Lords. But it was not an immediate goal, and the relatively modest extension of the Friendly Society system through a state subsidy that Lloyd George was projecting in 1909 bore little relation to what the national health scheme eventually became.

Insurance pensions were a detour in Lloyd George’s reform program, a tactical step in the revival of Liberalism.<sup>9</sup> His main and continuing interest remained land reform and development. This appeared first in the budget of 1909, was for two years recessed by the struggle over the budget in the House of Lords and by National Health Insurance, and it reappeared finally only in 1912 with the Land Campaign. The first legislative installment, projected for the budget of 1914 on the eve of the war, was unfortunately declared out of order by the speaker. Within the terms of what is normally called “social reform”—that is, leaving aside temperance and Welsh disestablishment—the land was the only reform area in which Lloyd George had a personal, as opposed to a political, commitment.

It may be worthwhile to emphasize here the rather simple nature of Lloyd George’s social philosophy—if his random assumptions and prejudices about the structure of the economic and political state in which he lived could be dignified by that name. In his own rural North Wales background he recognized only two classes: the landowners (with their appurtenances the priests) and everybody else. Social privilege and political power—and wealth too for that matter—proceeded from a monopoly of land. The squire could put himself into Parliament, maintain a church with a handful of parishioners,

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unable to find any Treasury estimate of the cost of pensions. Altred T. Davies, *The Lloyd George I Knew* (London, 1948), 63. Apparently no actuarial estimate was made. See Henry N. Bunbury, ed., *Lloyd George’s Ambulance Wagon* (London, 1957), 71.

<sup>9</sup> Insurance was an aberration, argued H. W. Massingham just after the Act was passed. “It comes of no school; it is pure empiricism.” “The Position of Mr. Lloyd George,” *Nation*, Jan. 6, 1912.



run the village school, and send his son to Oxford on the backs of the renters. He paid no tax at all on unimproved and unproductive land. On agricultural land, by the twentieth century, he paid only three-quarter rates. Income tax was a shilling in the pound. Though the security of his wealth depended on the protection of the social system, he made no contribution to it. The squire knew nothing of the precarious profits of the businessman who maintained England's manufacturing power and with whom Lloyd George sympathized strongly.

Lloyd George began his political life attacking the landlords. His first election address at Caernarvon districts in 1890 had contained provisions for leasehold enfranchisement and reform of land taxes, and his first important parliamentary battle on a non-Welsh issue was his attack on Henry Chaplin's agricultural derating bill. In breach of parliamentary courtesy he pointed out that the members of the government would, by themselves, receive tax benefits to the total of £67,000.

Ten years after Lloyd George's lonely struggle against the agricultural derating act, land reform had become a fashionable cause for economic radicals. Many young Liberals who entered the House of Commons in 1906 had pledged to reform the land system. At the core of nearly every proposal lay what was then termed site-value taxation. This meant essentially the separation of the value of any improvements in a land parcel from the value of the land itself for purposes of rating and property tax. The potential impact of such a method of rating could bring sunshine into the life of even the most discouraged socialist. First of all, the tax would fall upon the ground-rent owner rather than upon the occupier. Also it could be assessed upon the basis of the highest possible use of the land, and while improvements deteriorated, land usually increased in value, thus a tax could be levied on the increment. Finally, the tax would penalize the withholding from the market of unimproved land and so would bring down land prices. The first step, the key to site-value taxation, indeed to all land reform, was a nation-wide valuation of land separate from revenue-producing improvements. Proposals for such bills had been included in the king's speeches of 1907 and 1908. Only those for Scotland had been proceeded with, however, and both of these had been caught and destroyed by a sharp-eyed House of Lords.

Lloyd George understood few of the theoretical implications of site-value taxation when he joined the government in 1905, although he used land slogans regularly—largely those that dealt with Welsh grievances, leasehold enfranchisement, and taxation of mineral royalties. Sophistication in these matters followed from his friendship with C. F. G. Masterman, a member of the United Committee for the Taxation of Land Values, who, in common with many others, had included taxation of land values in his election address in 1906.<sup>10</sup>

<sup>10</sup> "C[harles Masterman] has been helping L.G. with the Land Clauses in the budget and has gotten very fond of him . . ." (Dated, clearly incorrectly, May 31, 1908). Lucy Masterman, *C. F. G. Masterman* (London, 1939), 1929.

Except for the land clauses, we need not discuss here in any detail the general process of formulating the 1909 budget. Everyone knew that the great weakness of free-trade philosophy was government finance. Gladstonian Liberalism did not simply uphold the principles of peace and retrenchment; it depended upon them. Economy in expenditure was more than a principle. It was a necessity. But by the autumn of 1908 the Germans had begun a dreadnought program, and taxation in Britain was about to be saddled with an old-age pension system so badly drafted that even Lloyd George was appalled. Meanwhile, unemployment, so far as anyone could tell, was increasing. The question was not guns or butter; it was both, and the tariff reformers promised in increasingly clamorous terms the painless answer.

The budget of 1909 must be regarded as two entirely separate measures: an engine for raising vastly increased revenue; and the foundation block for the Lloyd George program of land reform. The first part was straightforward enough. The tax increases on tobacco, spirits, and pub licenses, the death duties together with two pence on the income tax, and the new super-tax would produce the enormous amount of £25,000,000, a twelve-percent increase over the previous budget and the largest amount of new money hitherto ever raised in a single budget in either war or peace. If in retrospect these measures appear ordinary, at the time they were alarming. The 1909 budget was quite simply Britain's first modern budget.

The land clauses—that is, the four land taxes, the valuation proposals, and the land development program—were, financially, the least important part of the budget. But they were the most important for Lloyd George's career. The development plan was not even in the budget, although it occupied a prominent place in the budget statement on April 29. Those who assume that Lloyd George expected the budget to tempt the House of Lords to destroy itself see land taxes as the bait.<sup>11</sup> They point to the fact that the land taxes were repealed soon after the war by the Lloyd George government and that almost immediately after the Parliament Act was passed he began to boast that he had invited the upper chamber's veto.<sup>12</sup>

Despite Lloyd George's own assertion a quarter-century later to Randolph Churchill that he had indeed introduced land taxes to enrage the Lords, the evidence shows that as in many other cases, Lloyd George's recollections of his own motives for past acts, while perhaps not exactly lies, were often a good deal less than the truth.<sup>13</sup> Land taxes, in fact, were simply a camouflage for land valuation, which was central to everything else he hoped to accomplish in land reform. Without land taxes to justify it, land valuation was simply a piece of administrative law and as such was out of order in the budget. None of the four taxes was, as it turned out, a site-value tax of the sort the reformers wanted, and Lloyd George knew that as moneyraisers they were worth

<sup>11</sup> See Frank Owen, *Tempestuous Journey* (New York, 1955), 169.

<sup>12</sup> Even so well-informed a reporter as H. W. Massingham wrote early in 1912 that "those who knew Mr. Lloyd George's mind in those days knew also that he foresaw and planned a first rejection by the Lords and endorsement by the country in the following attack on the veto. . . ." *Nation*, Jan. 6, 1912.

<sup>13</sup> See Randolph Churchill, *Winston Churchill* (Boston, 1967), 2:312.

nothing.<sup>14</sup> He boasted of this to Lord Riddell in 1912, although Riddell at the time did not understand what he was saying. "I knew the land taxes would not produce much," said Lloyd George. "I only put them in the budget because I knew I could not get valuation without them."<sup>15</sup> This was not a customary Lloyd George rearrangement of the facts after the event. Six weeks before the budget was introduced, he had been most explicit on the political problems involved in land valuation.

On March 13, 1909, he addressed his Cabinet colleagues in a memorandum:<sup>16</sup>

It is now clear that it would be impossible to secure the passage of a separate valuation bill during the existence of the present Parliament, owing to the opposition of the Lords, and therefore the only possible chance which the Government have of redeeming their pledges in this respect is by incorporating proposals involving land valuation in a Finance Bill.

On the other hand it must be borne in mind that proposals for valuing land which cannot form part of a provision for raising revenue in the financial year for which the budget is introduced would probably be regarded as being outside the proper limits for a Finance Bill by the Speaker of the House of Commons. I have consulted Sir Courtney Ilbert on the subject, and he is distinctly of the opinion that, unless it is contemplated to raise substantial revenue during the year, valuation clauses would be regarded by the authorities in this House as being a fit subject for a separate bill, and not for a Finance Bill.

At this stage Lloyd George had not yet settled upon precisely what land taxes he intended to impose. Beyond those on mineral royalties and lease reversion, he still hoped to put in a small tax on land values. Still less did he discuss with his colleagues what he intended to do with the money. As in all his reform plans, land reform was an ideal, a goal to be reached—a Utopia he would recognize when he arrived there. Farming would be made more profitable; the economic situation of the laborer would be improved; and the landlord would pay for it all. The thousands of acres that had gone out of cultivation since the 1870s and been turned into deer parks and pheasant coverts would be returned to their socially useful—and profitable—condition. But how this all was to be done, how these dreams were to be turned into legislative reality, Lloyd George never made clear because he did not know. His line of political action was always attack, and his focus was on the class above, not the one below. He was a *Frondeur*, not a philanthropist. He also had an intensely practical and empirical view of politics. He had ideals, but made no plans. Though he enjoyed working out political problems, the details of hypothetical legislative programs and indeed even the reading of other people's proposals—the Royal Commission on the Poor Laws, for instance—

<sup>14</sup> He fought unsuccessfully until the middle of March to include a site-value tax on already improved land. Opposition came from the lawyers in the cabinet on the ground of interference with existing contracts. See P.R.O. Cab. 37/98/45 "Land Value Tax," March 16, 1909. For Lloyd George's comments on the contract objection see P.R.O. Cab. 37/97/16 "Taxation of Land Values," Jan. 29, 1909.

<sup>15</sup> Lord Riddell, *More Pages From My Diary, 1908-1914* (London, 1934), 65, May 27, 1912.

<sup>16</sup> P.R.O. Cab. 37/98/44 "The Taxation of Land Values," March 13, 1909.



bored him. He could not be made to read a Blue Book. As a result, as both the National Insurance Act and the land program showed, the final state of any bundle of plans was likely to bear little relation to the original scheme. As long as it moved in the right direction, he was content.

Thus the land-reform program that would have grown from site-value taxation can only be guessed at. There are the proposals in the budget of 1914 and the land campaign itself, but the only evidence in the budget besides the statement in Chapter 8 that one-half the proceeds of land-value duties were to be appropriated to the local authorities “in a manner to be determined by Parliament,” is in the now-forgotten Development Commission.

Land development received extended treatment in the budget statement, or rather, in typical Lloyd George fashion, the *desirability* of land development was elaborated at length without any specification, beyond afforestation and help for agriculture, of what he hoped to do.<sup>17</sup> Where the Development Commission would get its money in the early years before the land taxes began to pay was most unclear. Lloyd George suggested in his budget statement that he expected to funnel departmental surpluses, that is, the unspent portion of any year’s supply vote, into land development rather than see them disappear into the anonymity of the sinking fund. He probably did not realize at the time that this would reverse a century and a quarter of fiscal tradition. But when the Development Commission was finally established in May 1910—with Lord Richard Cavendish, Vaughn Nash, and Sidney Webb among its members—it had been provided with £2,900,000 for the coming five-year period. But also by this time the Development Commission had retreated from the active, initiative-providing role that Lloyd George seemed to have envisioned in 1909, and it had become simply a review board authorized to make loans or grants of government money to support schemes for rural or agricultural development suggested by government departments, local authorities, and educational or charitable associations. In any case, during the years before the war the Development Commission displayed none of the energy or imagination that Lloyd George had advertised for it. Except for a grant of £325,000 to be spread over five years for the establishment of agricultural institutes, it did little that individual departments were not already doing. One would imagine that Lloyd George saw a future for it in the Ministry of Land that he hoped to establish at the end of the land campaign. It would supervise the broad new duties that he had intended to impose upon local authorities in the budget of 1914.<sup>18</sup>

Social reform then began for Lloyd George with land reform. He later expanded it into what he called National Development, but he never departed much from the original ideal: the nation was a vast estate that had fallen into

<sup>17</sup> Hansard, *Parliamentary Debates*, House of Commons, 5th ser., 4, (April 29, 1909), Cols. 490–95.

<sup>18</sup> The best account of the Development Commission, as Lloyd George intended it, can be found in the Liberal Party publication, *The Government’s Record, 1906–13* (London, 1913), 263–66. Sidney Webb, as might be expected, saw the potentialities of the Development Commission and remained a member of it into the 1920s. On his reaction to appointment, see: Beatrice Webb’s *Diary* (London, 1948), 450. The Commission still exists.

the hands of a selfish few who declined either to make proper use of its resources themselves or to allow others to do so. Hence, he argued, agriculture declined while the nation imported food. Mining and quarrying provided neither safety for the miners nor cheap fuel for industry, only royalties to the landowner. Capital flowed abroad or froze itself into urban land speculation, forcing slum rents so high that landlords had neither the inclination nor the need to improve. Meanwhile, British industry languished, starved for capital.

The landlord—there was the enemy. Idle land in the hands of idle men. The wealth represented there belonged rightfully to the nation, to the workers, and always also to business enterprise, to those men who had made Britain the workshop of the world and who, during the War, had flocked into the Admiralty, the War Office, and above all the Ministry of Munitions.

After the Armistice, Lloyd George took up the case again. The much-misquoted reconstruction speeches before the Coupon Election were, if carefully read, about the rural revival. The land fit for heroes was to be a new English countryside. Agricultural regeneration was central to everything else, to the solution of all British problems of industrial and physical efficiency. “An intelligent agricultural policy,” he said at Wolverhampton on November 24, 1918, when he articulated the “land fit for heroes” phrase for the first time, “is the basis of a great industrial policy, and a systematic effort must be made to bring people back to the land. That is the place to grow strong men. The touch of the soil reinvigorates and re-enforces. When there are any signs of exhaustion, bring them back to the motherland, and the old life that is in the veins of Britain flows through them, and you will find them reinvigorated and strong. Give back the people, as many as you can, to the cultivation of the soil.”<sup>19</sup> Make agriculture profitable: free frozen capital tied up in wasteful and dangerous foreign speculation, and urban industrial and housing problems would be solved.

The tragedy of Lloyd George is not his wasted interwar political career, not the tarnish of petty corruption that he added to Georgian politics, not his reputation, well-deserved as it was, for lack of principle. The tragedy is that when he did tell the truth, when he called upon his countrymen to remember that the land needed them, no one listened. And when he said he loved it also, no one believed him.

<sup>19</sup> *London Times*, November 25, 1918.