

Report

Liberals with a radical programme: the post-war welfare state, Beveridge and the Liberal Party 75 years on

Conference fringe meeting (online), 26 September 2020, with Dr Peter Sloman and Professor Pat Thane; chair: Baroness Tyler

Report by David Cloke

CLAIRE TYLER INTRODUCED the meeting by reminding the audience of the context; 2020 was the 75th anniversary of the 1945 general election and the beginnings of the post-war welfare state that emerged after it. This included measures to provide free secondary education, an extended safety net for the sick and unemployed through National Insurance and the establishment of the NHS. Often described as one of the greatest achievements of the Labour Party, the intellectual origins of the proposals in fact stretched back over a number of decades and were profoundly shaped by Liberal thinkers and politicians, including David Lloyd George and William Beveridge (a topic discussed in our fringe meeting the year before, on ‘the Liberal Party, health policy and the origins of the NHS’; see report in *Journal of Liberal History* 105 (winter 2019–20).)

Dr Peter Sloman was invited to provide the wider context of the 1945 election and to outline the particular role of Beveridge. He began by acknowledging that the Liberals were indeed at the heart of the post-war welfare state, with many of the ideas that shaped social policy during the 1940s originating with Liberals such as Keynes. Nonetheless, Sloman also noted that the Liberal Party’s campaign in the 1945 general election was a real failure, with its seats falling from 21 in 1935 to 12; it effectively became a party of the Celtic fringe – and this was despite putting Beveridge at the forefront of the campaign and letting him run it as MP for Berwick-upon-Tweed. His picture was on most of the party’s publicity.

The 1945 election was also the first time that Labour managed to win by themselves; previous Labour governments had been minority administrations dependent on Liberal support. In turn this destroyed the Liberal argument that any progressive alternative to a Conservative government was going to require Liberal ideas and Liberal votes. The 1945 election was, therefore, Sloman argued, the point when the Liberal Party moved from being a central force in British politics to being a small political player.

What was the context of the Liberal Party’s engagement with the Beveridge Report? Sloman argued that the party was more divided on economic policy during the war than at any other time in the twentieth century. While socialists argued that the country should emulate the central planning of the Soviet Union, and free marketeers like Hayek argued that this was the road to serfdom, Liberal activists and MPs could be found at either end of that wide spectrum.

During the 1930s the Liberal leader Sinclair had tried to develop a progressive agenda for the party that was nevertheless based on commitments to the free market and free trade. Liberals criticised the National Government for abandoning free trade in 1932, for subsidising agriculture and declining industries and for pursuing forms of interventionist economic policy. At the same time, Liberals also argued for the dispersal of economic power as widely as possible, rather than concentrating it in the hands of the state or large private companies – quite different to the Labour agenda. The party’s 1938 report, *Ownership for All*,

written largely by Elliott Dodds, set out plans for breaking up monopolies, taxing inherited wealth, supporting small businesses and dispersing legacies as widely as possible. The aim was to encourage people to build up their own economic assets and establish a property-owning democracy. If there had been a general election in 1939/40, this would have featured in the party’s manifesto alongside opposition to appeasement.

However, after World War Two broke out, and especially after the establishment of Churchill’s coalition, the political landscape changed radically. Sinclair and his allies in the party focused on their government responsibilities (Sinclair was Secretary of State for Air) and came to absorb the values and preoccupations of the coalition. At the same time, Liberal MPs like Clement Davies and Thomas Horabin were effectively calling for permanent government control of the economy, based on the advice of the Hungarian-born economist Thomas Balogh, later one of Harold Wilson’s advisers in the 1960s. Their argument was that Keynesianism was not enough. To ensure full employment and avoid the mass unemployment of the Great Depression, the government needed substantial control over investment, which might involve regulation of private investment and greater public ownership. Unsurprisingly, these positions led to significant debate within the party at the Liberal assemblies of 1942 and 1943.

The publication of the Beveridge Report in November 1942 should be seen in this context. (Sloman noted that Beveridge was not at this point a member of the Liberal Party, though he had been associated with it in the 1920s; he joined in order to fight the Berwick by-election in October 1944.) Beveridge stood firmly in the tradition of the social insurance model that he had helped to develop with Lloyd George and Churchill before the First World War. His proposals sought to unify the patchwork of schemes that had developed over the preceding twenty-five years and to extend the social insurance model to the whole of society.

Sloman then outlined the Liberal response to Beveridge's proposals, which was not uncritical. Many feminists pointed out that the Beveridge model was based on a particular vision of male industrial employment in which most had regular full-time employment, with social insurance tiding individuals over periods of interruptions of earnings. Arguably, therefore, the model reinforced the male breadwinner family structure which led to forms of financial dependence within the family. Single mothers or disabled people never built up social insurance rights through work and National Insurance contributions, but had to rely on the means-tested national assistance scheme, which was potentially stigmatising and degrading. Seebohm Rowntree criticised the Beveridge proposal for flat-rate social insurance contributions, arguing that this was regressive: a poll tax on workers. Some on the Liberal right argued that compulsory insurance organised by the state risked crowding out private and voluntary forms of welfare provision.

The main alternative to Beveridge that Sloman noted had been canvassed at the time was a form of basic income scheme (a policy, Sloman added, that Liberal Democrat conference had just adopted the previous evening), developed mainly by Juliet Rhys Williams, a Liberal activist from Wales. The party's report on the scheme by a group chaired by Walter Layton (Editor of *The Economist*) concluded that the proposal was 'sound in principle' but expensive.

All these discussions were overtaken, however, by the wider political debate on the Beveridge Report. The government's response was initially hesitant; Sloman argued that when Beveridge submitted his proposals Conservatives, especially, were keen to avoid making firm commitments, wanting to see how much money the country had after the war; they feared both extending the wartime tax burden into peacetime and the possibility of heavy burdens on industry.

In a Commons debate on the report in February 1943, the Labour MP James Griffiths put down an

amendment demanding that the government implement the report in full immediately. Nine Liberal MPs, led by Sir Percy Harris, the Chief Whip and MP for Bethnal Green, and David Lloyd George, in his last-ever vote, backed the Labour amendment. This led to a furious row with Sinclair and the Liberal ministers. Harris' diaries revealed his strength of feeling: 'I am convinced Liberals may as well go out of business if they left care of Beveridge policy to Labour, as, if they have stood for anything they have for the insurance principle.' Harris concluded that regardless of the details of the proposals the best move the party could make was to wrap itself in the mantle of Beveridge and claim it as a Liberal policy.

This is in effect what happened. Harris and other Liberals outside the government, such as Violet Bonham Carter, drew Beveridge into the Liberal fold. They wined and dined him, invited him to party meetings and made him feel important. They also made him feel that he could have more freedom of action in the Liberal Party than in Labour.

The party thus shelved its interest in basic income because it believed that it made more sense politically to throw its weight behind Beveridge. On economic policy, the party adopted Beveridge's 1944 Report, *Full Employment in a Free Society*, as the basis for its post-war agenda: a highly interventionist form of Keynesianism which recognised the need for greater public ownership in order to make full employment possible, and a National Investment Board to control private investment – in other words, forms of central planning with which the Labour Party was generally more comfortable. Just as in 1929 the party had seized on Keynes' proposals for conquering unemployment as a short-cut to electoral recovery so, in 1945, it seized on Beveridge.

Of course, as we now know, it didn't work. According to Sloman, probably the most important reason was simply that Liberal organisation had deteriorated so much since the previous general election in 1935. Even though the Liberals ran 306 candidates

in 1945, contesting half of the seats, it found it difficult to persuade voters that they had a good chance of winning. The tactic of focusing on local issues, or tactical voting, was much harder to follow after many local parties had shut down during the war and many people had been dislocated by wartime service or evacuation. Another problem was that in the end all parties promised to implement the Beveridge scheme.

The Labour Party argument that economic planning was essential for social reconstruction resonated with many voters. After Beveridge had come to speak for him in his campaign for Bethnal Green South West, Percy Harris noted that everyone was on board but that voters did not know how Liberals would deal with unemployment. Labour had persuaded many voters that they could only have the good things all parties agreed on if there were economic foundations that made that possible, including economic planning, which was beyond what Conservatives and some Liberals were prepared to support.

Pat Thane, Professor of Contemporary History at King's College London, discussed the role of Beveridge in social policy. She began by noting that he had been closely involved in social policy from the beginning of the twentieth century when he had been based at the Toynbee Hall Settlement in East London and engaged in social work in the district. Beveridge remained strongly committed to voluntary action by the better-off to help the less advantaged, believing that it was a central component of a cohesive society. He was also committed to ending unemployment and under-employment, which he saw as the major cause of poverty.

In 1908 Beveridge was appointed as adviser on employment to Winston Churchill, then President of the Board of Trade. In this role he was responsible for the introduction of labour exchanges in 1909, and of National Insurance in 1911, the first scheme of its kind in the world. During the First World War he advised the government on labour market matters and was behind the improvements in

unemployment benefit after the war. He also remained active on social policy during the inter-war years as director of the LSE.

During the Second World War he was appointed as adviser to Ernest Bevin, the Minister of Labour, to work on planning the wartime labour market. After bombarding Bevin with unwanted advice and criticism, however, Bevin sidelined him by appointing him to the committee that the government had established to consider reforms to social insurance, set up in response to criticisms that the methods of providing pensions and insurance had grown up in a haphazard and uncoordinated fashion. It had become clear during the war, Thane noted, that these provisions had failed to prevent severe poverty: surveys revealed destitution among old people because the pension never provided enough to live on and the evacuation of children had revealed the deprivation of many.

The committee had been intended to propose ways of improving the system; the government had not thought it particularly important and so had given it rather vague terms of reference. Indeed, Beveridge had initially been disappointed by the appointment, but became convinced that he could achieve something with it. With the other committee members being civil servants who were too busy to give it much attention, Beveridge took over; the Committee's 1942 report was essentially his work.

The Report proposed a comprehensive programme of state action to abolish want and associated social problems. Thane noted that Beveridge used vivid language to draw attention to his ideas and worked hard to promote them on the BBC and in newspapers. He framed the report dramatically as attacking the five giants blocking the way to social improvement: want, disease, ignorance, squalor and idleness.

Thane noted that the Report claimed that the five giants could be destroyed by a range of measures: a national health service to cure disease; universal education; good, affordable housing to end squalor; full employment to end idleness; and improved

universal social security benefits to protect people from destitution from cradle to grave. However, because the Committee had been asked to consider social insurance, the detailed report only covered this issue and not other matters, such as the NHS. Nonetheless, the Report made clear that social insurance reform alone was not enough.

The Report proposed a unified system of national insurance providing old age and widows' pensions and unemployment, sick, disability and maternity benefits for the whole population, not just for manual workers as had been the case before. The scheme would be funded by contributions from workers, employers and the state. Thane argued that Beveridge believed that if all contributed to the benefits, all would regard them as their right, something they had paid for. If the better-off received the benefits they would less resent paying taxes to help the poor. In turn this would mean that receiving benefits would no longer be a source of stigma, something, Thane noted, that Beveridge was determined to bring to an end. The system would, thereby, help social cohesion.

The benefits themselves would be high enough to cover all essential needs, but just that. Unlike other systems there would be a flat rate of contributions and a flat rate of benefits.

Thane went on to discuss support for women, where Beveridge had drawn on the work of Eleanor Rathbone. He did not believe that women should stay at home but recognised that most women had no choice because of the marriage bar that forced women to give up work in the professions and many other occupations. He also recognised the practical difficulties, such as childcare. Beveridge, therefore, picked up the argument from many women's organisations that women's work in the home should be treated and respected just like paid work, and supported Rathbone's idea of family allowances as the means of paying women for their essential work in the home. Women would also receive benefits by virtue of their husband's contributions (or partner's, in the case of 'cohabiting wives') Allowances

for divorced and separated wives were paid for by their ex-partners' contributions.

Interestingly, Thane noted that, with a falling birth rate since the late nineteenth century and life expectancy rising, the inter-war years had seen something of a national panic about an ageing society and the cost of a shrinking younger generation supporting a growing older generation. Indeed, both Beveridge and Keynes had contributed to the pre-war debate on the issue, proposing that older people should work longer where possible. Beveridge's proposals on pensions should be seen in that context. The pension would be paid once someone was retired from paid work at 65 for men and 60 for women, with higher payments beyond the minimum if they retired later.

Thane also suggested that the proposals for family allowances should be seen in this context, as it was felt that the allowance would encourage people to have more children and help to equalise the age structure. As it happened, the birth rate was already rising in 1942, leading into the post-war baby boom, but this was not recognised at the time.

Finally, a new means-tested system of national assistance would replace the Poor Law and provide help for people who fell through the National Insurance safety net. Beveridge believed that his proposals would be so comprehensive that few people would need national assistance. Indeed, Thane noted that he strongly opposed means-testing as it was inefficient and costly, and many in need failed to apply because of the stigma associated with it or because they were unaware that they were eligible – a situation that Thane felt still held true today.

The Beveridge Report grabbed the headlines, partly because Beveridge promoted it so effectively, but also because the Ministry of Information thought that it would raise morale by holding out the promise of better lives after the war. People queued up to buy it and within a month an unprecedented 100,000 copies had been sold. Thane did wonder, though, how many of the buyers read all its 299 pages!

One person who was not enthusiastic was Winston Churchill, who tried to stop the summary being circulated to the armed services, though in the event the report proved so popular that he had to give in. Nonetheless, Thane noted that he never supported the proposals and hoped that they could be shelved. Nevertheless, the 1943 debate on the Report saw the largest backbench anti-government vote of the war. Labour strongly supported the proposals and Thane argued that this was one reason for their victory in 1945.

Nevertheless, Thane noted that the Labour government did not in the end fully implement the proposals. In government they thought that reconstructing the economy had to come first: full employment and a successful economy were key to improved living standards. Full employment was indeed achieved but the full implementation of the welfare policies

was delayed until the economy had revived. However, Labour narrowly lost the 1951 general election, with the result that the welfare state that eventually emerged was less comprehensive than Beveridge and Labour had hoped. Benefits, especially pensions, were not paid at a full subsistence levels, and within a few years millions had to claim additional help through national assistance. In addition, few people worked beyond the minimum retirement age and family allowances were not paid to unmarried partners for fear of encouraging immorality – an early example, perhaps, of the social conservatism of some parts of the Labour Party. Thane closed her talk by noting that Beveridge was not consulted on the implementation of his proposals – much to his great annoyance!

David Cloke is Secretary of the Liberal Democrat History Group.

Falldon, in 1917. In any case, unless Grey kept copies of his own letters, the lost archive would have largely consisted of letters sent to him. His own writings lie scattered in the collections of his many correspondents. Robbins laboured mightily fifty years ago to track down this literary diaspora. Since then, however, many more archives have emerged and been opened up for inspection, and Thomas Otte, in his new life of Grey, has been assiduous in tracking them down and making full use of their holdings. He lists in his bibliography no fewer than 117 consulted collections of private papers, in addition to the extensive governmental resources at the National Archives. The result is an outstanding biography, beautifully written, richly documented and persuasively argued, that will be read with enjoyment and profit by all who are interested in British diplomacy and Liberal politics from the 1890s to the 1930s.

Grey's tenure of the foreign secretaryship – the longest continuous span in the history of this office – has long been a source of great controversy. Contemporary cabinet colleagues and backbench radical MPs placed upon him the burden of responsibility for the outbreak of war in 1914 and the involvement of Britain in this tragic conflict. Grey, it has been argued, through secret agreements and undertakings with Paris, allowed the Entente of 1904 to develop far beyond the intentions of its original British architect, his predecessor as foreign secretary, Lord Lansdowne. As a result, Britain had no real freedom for manoeuvre in the crisis of 1914 and could not escape military involvement on the side of France – a fact fortuitously disguised by the outrage that followed Germany's violation of Belgian neutrality. Even so, in the crisis itself, Grey was thought to have dithered. Instead of using British influence to shape the course of events, he failed to make it clear to Germany that Britain would stand by France. Such a clear warning, critics have claimed, could have defused the crisis and preserved peace.

Such trenchant criticism has never really gone away. As recently as 2013,

Reviews

Edward Grey reassessed

T. G. Otte, *Statesman of Europe: A Life of Sir Edward Grey* (Allen Lane, 2020)

Review by David Dutton

I WAS AN UNDERGRADUATE at the time of the publication of Keith Robbins's biography of Edward Grey. I well remember my university tutor – who knew Robbins and admired his work – suggesting that I should read what he believed would be the definitive account of Grey's career. Over the five decades that have since elapsed, I have become suspicious of the idea of any work of history being truly 'definitive'. New evidence, changing understanding and fresh perspectives will always come along to challenge received wisdom. Nonetheless, it is a tribute to Robbins's scholarship that

his book on this most enigmatic of Edwardian politicians has indeed held the field – until now.

One of the factors holding back a potential challenge was the absence of any known collection of Grey's private papers. The so-called Grey MSS at the National Archives are made up of semi-official correspondence received by Grey in his capacity as foreign secretary. Indeed, Robbins began his biography with an appeal to his readers to let him know if they had knowledge of such a collection. In all probability, however, if this once existed it was lost in the fire at his family home,