

## THE SPIRIT OF THE BUDGET [ToC](#)

LEICESTER, *September 5, 1909*

(From *The Times*, by permission.)

I have done my best to study the political history of the last forty or fifty years, and I cannot find any Government which, at the end of its fourth year, enjoyed the same measure of support, prestige, and good fortune that we do. The only Administration which could compare in the importance and the volume of its legislation with the present Government is Mr. Gladstone's great Government of 1868. That was a Government of measures and of men; but no measure of that Government could equal in importance the Old-Age Pensions Act which we have placed on the Statute-book. The settlement of the Irish Church question by Disestablishment was not a more baffling and intricate business, than the settlement of the Irish University question which Mr. Birrell has achieved. The labour legislation of the Government [358]of 1868, although very important, shows nothing which equals in importance the Trades Disputes Act, which we have carried through, and Mr. Cardwell's reforms in army organisation were not more successful, and were certainly much less generally accepted, than those which have been effected by Mr. Haldane. In the fourth year of its administration the Government of 1868 was genuinely unpopular. It had quarrelled with the Nonconformists without gaining the support of the Church; it had offended the liquor interest without satisfying the Temperance forces in the country; it had disturbed and offended many vested interests without arousing popular enthusiasm.

Indeed, if you look back, you will find that the fourth year in the history of a Government is always a very critical and has often been a very unfortunate year. It is quite true that Mr. Disraeli's Government, which assumed office in 1874, did enjoy in its fourth year a fleeting flush of success, which, however, proved illusory. With that single exception, every other modern Government that has lasted so long, has occupied an unsatisfactory position in its fourth year. The Government of 1880 in the year 1884 was brought very low, and was deeply involved [359]in disastrous enterprises beyond the sea which ultimately resulted in sorrow and misfortune. The Conservative Government which took office in 1886 was by the year 1890, owing to its strange proceedings against Mr. Parnell, brought to the depths of humiliation. The Government of 1895 was in the year 1899 thoroughly unpopular, and if they had not plunged into the tumult of war in South Africa, they would very shortly have been dismissed from power. As for the Government of 1900, in the fourth year of Mr. Balfour's late Administration, I am sure I could not easily do justice to the melancholy position which they occupied.

Where do we stand to-day at the end of our fourth year of office? I put it plainly to you to consider, whether one is not justified in saying that we occupy a position of unexampled strength at the present time. The Government is strong in its administrative record, which reveals no single serious or striking mistake in all the complicated conduct of affairs. There have been no regrettable incidents by land or sea and none of those personal conflicts between the high officials that used to occur so frequently under a late dispensation. We have had no [360]waste of public treasure and no bloodshed. We are strong in the consciousness of a persistent effort to sweep away anomalies and inequalities, to redress injustice, to open more widely to the masses of the people the good chances in life, and to safeguard them against its evil chances. We also claim that we are strong in the support and enthusiasm of a majority of our fellow-countrymen. We are strong in the triumph of our policy in South Africa; most of all we are strong in the hopes and plans which we have formed for the future.

It is about this future that I will speak to you this afternoon. And let me tell you that when I think about it, I do not feel at all inclined to plead exhaustion in consequence of the exertions we have made, or to dwell upon the successes which we have had in the past, or to survey with complacency the record of the Government or to ask you to praise us for the work which we have done. No; when I think of the work which lies before us, upon which we have already entered, of the long avenues of social reconstruction and reorganisation which open out in so many directions and ever more broadly before us, of the hideous squalor and misery which [361]darken and poison the life of Britain, of the need of earnest action, of the prospects of effective and immediate action—when I dwell upon this, it is not of feelings of lassitude or exhaustion that I am conscious, but only of a vehement impulse to press onwards.

The social conditions of the British people in the early years of the twentieth century cannot be contemplated without deep anxiety. The anxiety is keen because it arises out of uncertainty. It is the gnawing anxiety of suspense. What is the destiny of our country to be? Nothing is settled either for or against us. We have no reason to despair; still less have we any reason to be self-satisfied. All is still in our hands for good or for ill. We have the power to-day to choose our fortune, and I believe there is no nation in the world, perhaps there never has been in history, any nation which at one and the same moment was confronted with such opposite possibilities, was threatened on the one hand by more melancholy disaster, and cheered on the other by more bright, yet not unreasonable hopes. The two roads are open. We are at the cross-ways. If we stand on in the old happy-go-lucky way, [362]the richer classes ever growing in wealth and in number, and ever declining in responsibility, the very poor remaining plunged or plunging even deeper into helpless, hopeless misery, then I think there is nothing before us but savage strife between class and class, with an increasing disorganisation, with an increasing destruction of human strength and human virtue—nothing, in fact, but that

dual degeneration which comes from the simultaneous waste of extreme wealth and of extreme want.

Now we have had over here lately colonial editors from all the Colonies of the British Empire, and what is the opinion which they expressed as to the worst thing they saw in the old country? The representatives of every Colony have expressed the opinion that the worst they saw here, was the extreme of poverty side by side with the extreme of luxury. Do not you think it is very impressive to find an opinion like that, expressed in all friendship and sincerity, by men of our own race who have come from lands which are so widely scattered over the surface of the earth, and are the product of such varied conditions? Is it not impressive to find that they are all agreed, coming as they do from Australia, [363]or Canada, or South Africa, or New Zealand, that the greatest danger to the British Empire and to the British people is not to be found among the enormous fleets and armies of the European Continent, nor in the solemn problems of Hindustan; it is not the Yellow peril nor the Black peril nor any danger in the wide circuit of colonial and foreign affairs. No, it is here in our midst, close at home, close at hand in the vast growing cities of England and Scotland, and in the dwindling and cramped villages of our denuded countryside. It is there you will find the seeds of Imperial ruin and national decay—the unnatural gap between rich and poor, the divorce of the people from the land, the want of proper discipline and training in our youth, the exploitation of boy labour, the physical degeneration which seems to follow so swiftly on civilised poverty, the awful jumbles of an obsolete Poor Law, the horrid havoc of the liquor traffic, the constant insecurity in the means of subsistence and employment which breaks the heart of many a sober, hard-working man, the absence of any established minimum standard of life and comfort among the workers, and, at the other end, the swift increase of vulgar, joyless luxury—here are [364]the enemies of Britain. Beware lest they shatter the foundations of her power.

Then look at the other side, look at the forces for good, the moral forces, the spiritual forces, the civic, the scientific, the patriotic forces which make for order and harmony and health and life. Are they not tremendous too? Do we not see them everywhere, in every town, in every class, in every creed, strong forces worthy of Old England, coming to her rescue, fighting for her soul? That is the situation in our country as I see it this afternoon—two great armies evenly matched, locked in fierce conflict with each other all along the line, swaying backwards and forwards in strife—and for my part I am confident that the right will win, that the generous influences will triumph over the selfish influences, that the organising forces will devour the forces of degeneration, and that the British people will emerge triumphant from their struggles to clear the road and lead the march amongst the foremost nations of the world.

Well, now, I want to ask you a question. I daresay there are some of you who do not like this or that particular point in the Budget, who do not like some particular argument or phrase which some of us may [365]have used in advocating or defending it. But it is

not of these details that I speak; the question I want each of you to ask himself is this: On which side of this great battle which I have described to you, does the Budget count? Can any of you, looking at it broadly and as a whole, looking on the policy which surrounds it, and which depends upon it, looking at the arguments by which it is defended, as well as the arguments by which it is opposed—can any one doubt that the Budget in its essential character and meaning, in its spirit and in its practical effect, would be a tremendous reinforcement, almost like a new army coming up at the end of the day, upon the side of all those forces and influences which are fighting for the life and health and progress of our race?

In the speeches which I have made about the country since the Budget was introduced I have explained and defended in detail the special financial proposals upon which we rely to provide the revenue for the year. You are, no doubt, generally acquainted with them. There is the increase in the income-tax of twopence, the further discrimination between earned and unearned income, and the super-tax of sixpence on <sup>[366]</sup>incomes of over £5,000 a year. There are the increases in estate duties and in the legacy duties, and there are the new duties on stamps; there is the tax on motor-cars and petrol, the proceeds of which are to go to the improvement of the roads and the abatement of the dust nuisance; there are the taxes on working class indulgences—namely, the increase in the tax on tobacco and on whisky, which enable the working man to pay his share, as indeed he has shown himself very ready to do; there are the taxes on liquor licences, which are designed to secure for the State a certain special proportion of the monopoly value created wholly by the State and with which it should never have parted; and, lastly, there are the three taxes upon the unearned increment in land, upon undeveloped land, upon the unearned increment in the reversion of leases, and then there is the tax upon mining royalties.

Now these are the actual proposals of the Budget, and I do not think that, if I had the time, I should find any great difficulty in showing you that there are many good arguments, a great volume of sound reason, which can be adduced in support of every one of these proposals. <sup>[367]</sup>Certainly there is no difficulty in showing that since the Budget has been introduced there has been no shock to credit, there has been no dislocation of business, there has been no setback in the beginning of that trade revival about the approach of which I spoke to you, when I was in Leicester at the beginning of the year and which there are now good reasons for believing is actually in progress. The taxes which have been proposed have not laid any burden upon the necessities of life like bread or meat, nor have they laid any increased burden upon comforts like tea and sugar. There is nothing in these taxes which makes it harder for a labouring man to keep up his strength or for the small man of the middle class to maintain his style of living. There is nothing in these taxes which makes it more difficult for any hard-working person, whether he works with his hands or his head, to keep a home together in decent comfort. No impediment has been placed by these taxes upon enterprise; no

hampering restrictions interrupt the flow of commerce. On the contrary, if the tax upon spirits should result in a diminution in the consumption of strong drink, depend upon it, the State will gain, and all [368]classes will gain. The health of millions of people, the happiness of hundreds of thousands of homes, will be sensibly improved, and money that would have been spent upon whisky will flow into other channels, much less likely to produce evil and much more likely to produce employment. And if the tax on undeveloped land, on land, that is to say, which is kept out of the market, which is held up idly in order that its owner may reap unearned profit by the exertions and through the needs of the surrounding community, if that tax should have the effect of breaking this monopoly and of making land cheaper, a tremendous check on every form of productive activity will have been removed. All sorts of enterprises will become economically possible which are now impossible owing to the artificially high price of land, and new forces will be liberated to stimulate the wealth of the nation.

But it is not on these points that I wish to dwell this afternoon. I want to tell you about the meaning and the spirit of the Budget. Upon the Budget and upon the policy of the Budget depends a far-reaching plan of social organisation designed to give a greater measure of security to all classes, [369]but particularly to the labouring classes. In the centre of that plan stands the policy of national insurance. The Chancellor of the Exchequer has been for more than a year at work upon this scheme, and it is proposed—I hope next year, if there is a next year—it is proposed, working through the great friendly societies, which have done so much invaluable work on these lines, to make sure that, by the aid of a substantial subvention from the State, even the poorest steady worker or the poorest family shall be enabled to make provision against sickness, against invalidity, and for the widows and orphans who may be left behind.

Side by side with this is the scheme of insurance against unemployment which I hope to have the honour of passing through Parliament next year. The details of that scheme are practically complete, and it will enable upwards of two and a quarter millions of workers in the most uncertain trades of this country—trades like ship-building, engineering, and building—to secure unemployment benefits, which in a great majority of cases will be sufficient to tide them over the season of unemployment. This scheme in its compulsory form is limited to certain [370]great trades like those I have specified, but it will be open to other trades, to trade unions, to workers' associations of various kinds, or even to individuals to insure with the State Unemployment Insurance Office against unemployment on a voluntary basis, and to secure, through the State subvention, much better terms than it would be possible for them to obtain at the present time.

It would be impossible to work a scheme of unemployment insurance except in conjunction with some effective method of finding work and of testing willingness to work, and that can only be afforded by a national system of labour exchanges. That Bill has already passed through Parliament, and in the early months of next year we shall hope to bring it into operation by opening, all over the country, a network of labour

exchanges connected with each other and with the centre by telephone. We believe this organisation may secure for labour—and, after all, labour is the only thing the great majority of people have to sell—it will secure for labour, for the first time, that free and fair market which almost all other commodities of infinitely less consequence already enjoy, and will replace the present wasteful, heartbreaking <sup>[371]</sup>wanderings aimlessly to and fro in search of work by a scientific system; and we believe that the influence of this system in the end must tend to standardising the conditions of wages and employment throughout the country.

Lastly, in connection with unemployment I must direct your attention to the Development Bill, which is now before Parliament, the object of which is to provide a fund for the economic development of our country, for the encouragement of agriculture, for afforestation, for the colonisation of England, and for the making of roads, harbours, and other public works. And I should like to draw your attention to a very important clause in that Bill, which says that the prosecution of these works shall be regulated, as far as possible, by the conditions of the labour market, so that in a very bad year of unemployment they can be expanded, so as to increase the demand for labour at times of exceptional slackness, and thus correct and counterbalance the cruel fluctuations of the labour market. The large sums of money which will be needed for these purposes are being provided by the Budget of Mr. Lloyd-George, and will be provided in an expanding <sup>[372]</sup>volume in the years to come through the natural growth of the taxes we are imposing.

I have hitherto been speaking of the industrial organisation of insurance schemes, labour exchanges, and economic development. Now I come to that great group of questions which are concerned with the prevention and relief of distress. We have before us the reports of the majority and minority of the Royal Commission on the Poor Law, and we see there a great and urgent body of reforms which require the attention of Parliament. The first and most costly step in the relief of distress has already been taken by the Old-Age Pensions Act, supplemented, as it will be if the Budget passes, by the removal of the pauper disqualification. By that Act we have rescued the aged from the Poor Law. We have yet to rescue the children; we have yet to distinguish effectively between the *bonâ fide* unemployed workman and the mere loafer and vagrant; we have yet to transfer the sick, the inebriate, the feeble-minded and the totally demoralised to authorities specially concerned in their management and care.

But what I want to show you, if I have made my argument clear, is that all these <sup>[373]</sup>schemes—which I can do little more than mention this afternoon, each one of which is important—are connected one with the other, fit into one another at many points, that they are part of a concerted and interdependent system for giving a better, fairer social organisation to the masses of our fellow-countrymen. Unemployment insurance, which will help to tide a workman over a bad period, is intimately and necessarily associated with the labour exchanges which will help to find him work and

which will test his willingness to work. This, again, will be affected by the workings of the Development Bill, which, as I told you, we trust may act as a counterpoise to the rocking of the industrial boat and give a greater measure of stability to the labour market.

The fact that everybody in the country, man and woman alike, will be entitled, with scarcely any exception, to an old-age pension from the State at the age of seventy—that fact makes it ever so much cheaper to insure against invalidity or infirmity up to the age of seventy. And, with the various insurance schemes which are in preparation, we ought to be able to set up a complete ladder, an unbroken bridge or causeway, as it were, along which <sup>[374]</sup>the whole body of the people may move with a certain assured measure of security and safety against hazards and misfortunes. Then, if provision can be arranged for widows and orphans who are left behind, that will be a powerful remedy against the sweating evil; for, as you know, these helpless people, who in every country find employment in particular trades, are unable to make any fair bargain for themselves, and their labour, and this consequently leads to the great evils which have very often been brought to the notice of Parliament. That, again, will fit in with the Anti-Sweating Bill we are passing through Parliament this year.

Now, I want you to see what a large, coherent plan we are trying to work out, and I want you to believe that the object of the plan and the results of it will be to make us a stronger as well as a happier nation. I was reading the other day some of the speeches made by Bismarck—a man who, perhaps more than any other, built up in his own lifetime the strength of a great nation—speeches which he made during the time when he was introducing into Germany those vast insurance schemes, now deemed by all classes and parties in Germany to be of the <sup>[375]</sup>utmost consequence and value. "I should like to see the State" (said Prince Bismarck in 1881), "which for the most part consists of Christians, penetrated to some extent by the principles of the religion which it professes, especially as concerns the help one gives to his neighbour, and sympathy with the lot of old and suffering people." Then, again, in the year 1884 he said: "The whole matter centres in the question, 'Is it the duty of the State or is it not to provide for its helpless citizens?' I maintain that it is its duty, that it is the duty, not only of the 'Christian' State, as I ventured once to call it when speaking of 'Practical Christianity,' but of every State."

There are a great many people who will tell you that such a policy, as I have been endeavouring to outline to you this afternoon, will not make our country stronger, because it will sap the self-reliance of the working classes. It is very easy for rich people to preach the virtues of self-reliance to the poor. It is also very foolish, because, as a matter of fact, the wealthy, so far from being self-reliant, are dependent on the constant attention of scores, and sometimes even hundreds, of persons who are employed in waiting upon them and ministering to <sup>[376]</sup>their wants. I think you will agree with me, on the other hand—knowing what you do of the life of this city and of the working

classes generally—that there are often trials and misfortunes which come upon working-class families quite beyond any provision which their utmost unaided industry and courage could secure for them. Left to themselves, left absolutely to themselves, they must be smashed to pieces, if any exceptional disaster or accident, like recurring sickness, like the death or incapacity of the breadwinner, or prolonged or protracted unemployment, fall upon them.

There is no chance of making people self-reliant by confronting them with problems and with trials beyond their capacity to surmount. You do not make a man self-reliant by crushing him under a steam roller. Nothing in our plans will relieve people from the need of making every exertion to help themselves, but, on the contrary, we consider that we shall greatly stimulate their efforts by giving them for the first time a practical assurance that those efforts will be crowned with success.

I have now tried to show you that the Budget, and the policy of the Budget, [377]is the first conscious attempt on the part of the State to build up a better and a more scientific organisation of society for the workers of this country, and it will be for you to say—at no very distant date—whether all this effort for a coherent scheme of social reconstruction is to be swept away into the region of lost endeavour.

That is the main aspect of the Budget to which I wish to draw your attention. But there is another significance of the highest importance which attaches to the Budget. I mean the new attitude of the State towards wealth. Formerly the only question of the tax-gatherer was, "How much have you got?" We ask that question still, and there is a general feeling, recognised as just by all parties, that the rate of taxation should be greater for large incomes than for small. As to how much greater, parties are no doubt in dispute. But now a new question has arisen. We do not only ask to-day, "How much have you got?" we also ask, "How did you get it? Did you earn it by yourself, or has it just been left you by others? Was it gained by processes which are in themselves beneficial to the community in general, or was it gained by processes which have done no [378]good to any one, but only harm? Was it gained by the enterprise and capacity necessary to found a business, or merely by squeezing and bleeding the owner and founder of the business? Was it gained by supplying the capital which industry needs, or by denying, except at an extortionate price, the land which industry requires? Was it derived from active reproductive processes, or merely by squatting on some piece of necessary land till enterprise and labour, and national interests and municipal interests, had to buy you out at fifty times the agricultural value? Was it gained from opening new minerals to the service of man, or by drawing a mining royalty from the toil and adventure of others? Was it gained by the curious process of using political influence to convert an annual licence into a practical freehold and thereby pocketing a monopoly value which properly belongs to the State—how did you get it?" That is the new question which has been postulated and which is vibrating in penetrating repetition through the land.[20]



[379]It is a tremendous question, never previously in this country asked so plainly, a new idea, pregnant, formidable, full of life, that taxation should not only have regard to the volume of wealth, but, so far as possible, to the character of the processes of its origin. I do not wonder it has raised a great stir. I do not wonder that there are heart-searchings and angry words because that simple question, that modest proposal, which we see embodied in the new income-tax provisions, in the land taxes, in the licence duties, and in the tax on mining royalties—that modest proposal means, and can only mean, the refusal of the modern State to bow down unquestioningly before the authority of wealth. This refusal to treat all forms of wealth with equal deference, no matter what may have been the process by which it was acquired, is a strenuous assertion in a practical form, that there ought to be a constant relation between acquired wealth and useful service previously rendered, and that where no service, but rather disservice, is proved, then, whenever possible, the State should make a sensible difference in the taxes it is bound to impose.

It is well that you should keep these [380]issues clearly before you during the weeks in which we seem to be marching towards a grave constitutional crisis. But I should like to tell you that a general election, consequent upon the rejection of the Budget by the Lords, would not, ought not to be, and could not be fought upon the Budget alone. "Budgets come," as the late Lord Salisbury said in 1894—"Budgets come and Budgets go." Every Government frames its own expenditure for each year; every Government has to make its own provision to meet that expenditure. There is a Budget every year, and memorable as the Budget of my right hon. friend may be, far-reaching as is the policy depending upon it, the Finance Bill, after all, is in its character only an annual affair. But the rejection of the Budget by the House of Lords would not be an annual affair. It would be a violent rupture of constitutional custom and usage extending over three hundred years and recognised during all that time by the leaders of every Party in the State. It would involve a sharp and sensible breach with the traditions of the past; and what does the House of Lords depend upon if not upon the traditions of the past? It would amount to an attempt at revolution [381]not by the poor, but by the rich; not by the masses, but by the privileged few; not in the name of progress, but in that of reaction; not for the purpose of broadening the framework of the State, but of greatly narrowing it. Such an attempt, whatever you may think of it, would be historic in its character, and the result of the battle fought upon it, whoever wins, must inevitably be not of an annual, but of a permanent and final character. The result of such an election must mean an alteration of the veto of the House of Lords; if they win they will have asserted their right, not merely to reject legislation of the House of Commons, but to control the finances of the country, and if they lose, we will deal with their veto once and for all.

We do not seek the struggle, we have our work to do; but if it is to come, it could never come better than now. Never again perhaps, certainly not for many years, will such an opportunity be presented to the British democracy. Never will the ground be

more favourable; never will the issues be more clearly or more vividly defined. Those issues will be whether the new taxation, which is admitted on all sides to be necessary, shall be imposed <sup>[382]</sup>upon luxuries, superfluities, and monopolies, or upon the prime necessities of life; whether you shall put your tax upon the unearned increment on land or upon the daily bread of labour; whether the policy of constructive social reform on which we are embarked, and which expands and deepens as we advance, shall be carried through and given a fair chance, or whether it shall be brought to a dead stop and all the energies and attention of the State devoted to Jingo armaments and senseless foreign adventure. And, lastly, the issue will be whether the British people in the year of grace 1909 are going to be ruled through a representative Assembly, elected by six or seven millions of voters, about which almost every one in the country, man or woman, has a chance of being consulted, or whether they are going to allow themselves to be dictated to and domineered over by a minute minority of titled persons, who represent nobody, who are answerable to nobody, and who only scurry up to London to vote in their party interests, in their class interests, and in their own interests.

These will be the issues, and I am content that the responsibility for such a <sup>[383]</sup>struggle, if it should come, should rest with the House of Lords themselves. But if it is to come, we shall not complain, we shall not draw back from it. We will engage in it with all our hearts and with all our might, it being always clearly understood that the fight will be a fight to the finish, and that the fullest forfeits, which are in accordance with the national welfare, shall be exacted from the defeated foe.

---

#### FOOTNOTES:

<sup>[20]</sup>We do not, of course, ask it of the individual taxpayer. That would be an impossible inquisition. But the House of Commons asks itself when it has to choose between taxes on various forms of wealth, "By what process was it got?"