Morgan Llwyd o Wynedd (London, 1899), a task which was later furthered by his brother-in-law J. H. Davies, Cwrt-mawr.

On 1 June 1898 Ellis married Annie J. Davies, the daughter of R. J. Davies of Cwrt-mawr, Llangeitho. The occasion was a major society event in Wales.

After suffering years of intermittent severe ill-health, Ellis died at Cannes on 5 April 1899, at the age of forty. His son, Thomas Iorwerth Ellis (1899–1970), was born eight months after his death. His widow, Mrs Annie J. Hughes-Griffiths, survived him until 1944. Ellis was buried at Cefnddwysarn, and a memorial column, the result of public subscription, was unveiled by fellow Liberal politician John Morley in the High Street at Bala in October 1903. Another adorns the quadrangle of the University College of Wales, Aberystwyth. A volume of his *Speeches and Addresses* saw the light of day in 1912.

T. I. Ellis published a two-volume biography of his father in Welsh in 1944 and 1948, while an English biography by Mr Neville Masterman, *The Forerunner: the Dilemmas of Tom Ellis* became available in 1972.

Reports

Did the Yellow Book spell the end of Asquithian Liberalism?

Evening Meeting, 12 April, with John Grigg and Richard Grayson

Report by Neil Stockley

In February 1928, the Report of the Liberal Industrial Inquiry — *Britain's Industrial Future*, generally known as the 'Yellow Book' — was published. 'By common consent,' Roy Douglas has written, 'it represented the most thoroughgoing set of proposals on the field of industry and employment which was advanced by any organisation whatever in the post-war period.'[1] Robert Skidelsky has called it: 'an exhaustive and far-penetrating survey of the British post-war economy, with far-reaching proposals for government planning, well in advance of anything in existence at the time.'[2] On 12 April, Dr John Grigg, the biographer of Lloyd George, and Dr Richard Grayson, Director of the Centre for Reform, led a stimulating discussion on the Yellow Book's implications for Asquithian Liberalism.

John Grigg began by outlining the genesis of the Yellow Book. It was the product of two confluent streams of 1920s' Liberal activity. The first was the Liberal Summer Schools, which sought to promote new Liberal thinking for the post-Great War era. The school's leading figures included the historian and passionate Liberal activist Ramsay Muir and the Manchester businessman and city councillor Ernest Simon.

The second stream was the growing ascendancy within the Liberal Party of David Lloyd George, who succeeded Asquith as leader in October 1926. He had already organised some important policy studies, paid for by his infamous 'funds'. These included *Coal and Power* (1924), which promoted a 'middle way' between private ownership and nationalisation of the coal industry; *The Land and the Nation* (1925), on agriculture; and *The Towns and the Land* (1925) on the better use of urban land. Interestingly, Richard Grayson pointed out that this ascendancy happened largely by default. Asquith had lost his Paisley seat in November 1924, suffered a stroke in 1926 and died in 1928. There was an Asquithian faction, the Liberal Council, but it was largely ineffective.

The Liberal Industrial Inquiry was established in July 1926. Substantial contributors included the Liberal Summer School stalwarts Muir and Ernest Simon, the economist Hubert Henderson, Lloyd George's former private secretary Philip Carr, Charles Masterman and the Asquithians Herbert Samuel and John Simon. The editor of *The Economist*, Walter Layton, chaired the Inquiry. But the two most influential authors were Lloyd George himself and the former Treasury official, John Maynard Keynes. Keynes wanted to develop 'new wisdom for a new age' and strongly believed that tackling unemployment would require more than reliance on market forces. He and Lloyd George were at one in opposing the Gold Standard and, unlike the Asquithians, criticising the actions of the Baldwin government in the run-up to the General Strike. The product of their endeavours, more than 500 pages in length, was written in a dense style that makes for difficult reading; indeed, Keynes himself was highly critical of the pa-

per's wordiness and its tendency to excessively blow the Liberal trumpet.[3]

Richard Grayson summarised the Yellow Book's analysis of the problems of British industry. These were: high unemployment ('the gravest of our social maladies'), low wages, a depression in staple industries, inefficiency, immobility in the labour force (caused by such factors as a housing shortage) and an excess of UK investments abroad. The Yellow Book proposed public boards as a new way of running public concerns and new controls over monopolies. It sought to expand the domestic economy, with a programme of government-led investment in home markets, the establishment of an Economic General Staff and coordinated investment by public concerns. (Still, as John Grigg made clear, apart from supporting the nationalisation of coal royalties, it did not propose a significant expansion of public ownership.) The report also contained policies to improve the lot of trade unions and employees. These included a commission to review trade union law and a special council to review pay, conditions and relevant legislation in each industry.

The Yellow Book set out new policies to tackle poverty and unemployment. Minimum wages would be set, on an industry, rather than a national, basis. Responsibility for poor relief would be moved from the state to local authorities, in part to take the financial burdens off industry. Crucially, the report linked policies for national development with the attack on unemployment and poverty. It proposed a programme of investment in roads, housing, electricity, waterways and docks and a new emphasis on training young people working in industry.

As John Grigg said, however, that for all the document's innovation, there is much evidence of 'compromise and fudge' on vital points. This is no more evident that in its explanation of how the bold proposals would be paid for. Whilst it was clear that any economies required should come from cuts in defence spending, the Yellow Book took no position on the desirable level of taxation. Grigg cited a clumsily written passage that warned of the negative consequences for productivity of using higher taxation to finance an improved social infrastructure while at the same time advocating policies to promote a more equal distribution of wealth, in order to build a truly democratic society and reduce class tensions!

Richard Grayson argued that although the Yellow Book represented 'a radical advance in the journey of Liberalism', this did not involve a total break with the ideas and methods which Asquith and his colleagues had adopted whilst they were in government. He explained this by defining the three phases of Asquithian Liberalism.

The first was Asquith's political roots, in which a strong commitment to free trade loomed large. This brought him to the forefront of Liberal politics during Joseph Chamberlain's tariff reform campaign in 1903. By producing budget surpluses in a free-trade economy when he was Chancellor, Asquith did as much as anyone else to defeat the arguments for tariffs.

The second phase was the Liberalism he put into practice as Prime Minister from 1908. This period included the People's Budget, which featured graduated taxes as a redistributive measure, and the 1911 National Insurance Act, a major plank in the embryonic welfare state. In the wake of the Great War, such ideas became outmoded as conscription became the litmus issue of Liberal politics and, later, the rival claims to leadership of Asquith and Lloyd George fatally split the party. The Liberal Party then organised itself around Gladstonian ideas of free trade and financial retrenchment — paying off debts and reducing taxes. In some senses this third phase of Asquithian Liberalism revived the first. Therefore, according to Dr Grayson, by the early 1920s the Yellow Book could be compared against two versions of Asquithian Liberalism — what it had been in its prime, and what it had become.

He contended that the Yellow Book can be seen as a continuation from the second, pre-Great War version of Asquithian Liberalism. Both were firmly based on the New Liberalism, which essentially argued that liberty was threatened not merely by the lack of political freedom but also by poverty and dire inequalities in society — which created a lack of freedom. They charged government with the responsibility for tackling this problem. The New Liberalism represented a move from a party that believed in negative liberty (government could do best by doing less) towards positive liberty (government needed to be more active to promote liberty).

Dr Grayson argued convincingly that the Yellow Book was a radical development of Asquithian Liberalism, in that it represented a view of society in which interests could be balanced in corporatist structures. Whereas Liberals had traditionally thought of people as individuals, groups loomed much larger in the schemes put forward by the Yellow Book. Further, Liberals came to be motivated as never before by anger about unemployment. In doing so, they spoke of the 'defects of the industrial system', positioning themselves as anti-market. The Yellow Book was more conscious of the belief in positive liberty than Asquithians had been. However, Dr Grayson may have gone a doctrine too far with his claim that the Yellow Book placed the Liberal Party 'firmly on social democratic territory'. It made no firm commitment to redistributive taxation and, understandably for a document that was supposed to be about industry and employment, contained no detailed proposals to reform social services or, indeed, to establish a welfare state.

As for the consequences of the Yellow Book, it did not help the electoral fortunes of the Liberal Party. The proposals on national development were developed and set out in a shorter pamphlet, *We Can Conquer Unemployment*. This became the basis of the Liberal Party's 1929 general election campaign. John

Grigg showed how poorly the Liberals fared in that election. The Liberal vote rose by two million from 1924 but the enfranchisement of women under thirty had added six million new voters to the electoral register. Further, the Liberals put up many more candidates than in 1924. The party's average share of the vote in the seats it contested fell from 31% to 28%.

In any case, to quote John Grigg, the Yellow Book 'cut little ice with the general public'. People were more concerned with the party's overall 'image' and its credibility as a prospective government. These were based mainly on the deep divisions the party had suffered over recent years and the dubious reputation of Lloyd George.[4] Skidelsky believes that, although the Liberals had the radical programme and the Conservatives and Labour both offered 'safety first', voters saw the election 'as a fight between the 'capitalist' parties on the one hand and the 'Labour and Socialist Party' on the other'.[5] Still, the Yellow Book may have helped the Liberal Party to survive as a political force. Richard Grayson suggested that there was still considerable public interest in the party during the 1920s — the report provided both a focus for that latent support and evidence of the Liberals' continuing vitality and relevance. It also served an internal purpose, providing a source of motivation for candidates and activists.

According to John Grigg, the publication of the Yellow Book brought a 'bemused, bored' reaction from the political class. Nevertheless, many of its contents would be central to British politics for more than fifty years. Their significance went beyond the usual confines of the 'right' and 'left'. The report's influence can be clearly seen in Oswald Mosley's famous 'Memorandum' to the Cabinet of May 1930, calling on his Labour colleagues to tackle unemployment by setting up a state finance corporation and mounting a central public works programme.[6] It can also be seen in *The Middle Way*, 'a comprehensive statement of the case for a managed economy'[7] published in 1938 by the dissident Conservative MP Harold Macmillan.

John Grigg argued that the Yellow Book prefigured 'Butskellism', the partly mythical post-1945 consensus between the Labour and Conservative parties on running the mixed economy. He demonstrated the connection between the Inquiry's recommendations for state investment in industry and the 'Little Neddies', government investment boards that included employer and union representatives, set up in the early 1960s. Indeed, the assumption that the state should take responsibility for the country's economic well-being was not seriously disputed until the late 1970s.

This longer term significance of the Yellow Book has a powerful irony. Just as they gained more currency with the other parties, the findings of the Liberal Industrial Inquiry became less relevant to Liberal policies and campaigns. As Duncan Brack reminded the meeting, after Lloyd George no Liberal leader until Jo Grimond showed any interest in its proposals. And it finds few echoes in the contemporary economic policies of the Liberal Democrats, or, indeed, those of any major political party.

The Yellow Book may have built on the version of Asquithian Liberalism that accepted the need for a more active role for the state and carried it forward into new forms of industrial interventionism and, indeed, corporatism. But the decisive break for twentieth-century Liberalism was made very early on, when the New Liberals moved away from the Gladstonian, minimalist vision of the state's role. For the Liberal Party at least, the Yellow Book was, in John Grigg's words, something of a blind alley.

Notes:

1 Roy Douglas, *The History of the Liberal Party 1895–1970,* (Sidgwick & Jackson, 1971), p. 201.
2 Robert Skidelsky, *Politicians and the Slump* (Macmillan, 1994), p. 52.
3 Robert Skidelsky, *John Maynard Keynes: The Economist as Saviour* (Macmillan, 1992), p. 264.
4 Douglas, *The History of the Liberal Party.,* pp. 206–7.
5 Skidelsky, *Politicians and the Slump,* p. 51.
6 See Robert Skidelsky, *Oswald Mosley* (Macmillan, 1990), Chapter 10.
7 Paul Addison, *The Road to 1945* (Pimlico, 1994), p. 43.

Reviews

Virtues and Flaws

Richard Shannon: *Gladstone: Heroic Minister 1865–1898* (Penguin Press, 1999)

Reviewed by Tony Little

Gladstone undoubtedly ranks as the greatest leader of British Liberalism and would be a challenger for the country's greatest Prime Minister, holding office four times. A front-bencher in the 1830s, he did not retire from office until 1894.

In 1982, Richard Shannon published the first half of his biography of Gladstone, now re-issued by Penguin in paperback as *Peel's Inheritor 1809–1865*. This covered Gladstone's journey from Peelite Tory to Peelite Liberal. His reputation was made at the Exchequer in the 1850s but, in the