

Why should we be beggars with the ballot in our hand?

Veto players and the failure of land value taxation in the UK

1909-14*

Iain McLean and Jennifer Nou

Nuffield College, Oxford

* With grateful thanks to George Tsebelis for planting the idea on a seaside walk in Santa Monica in 1996; and to seminar participants at HM Treasury, April 2005.

Abstract

Recent veto player work argues that majoritarian regimes such as the UK have better fiscal discipline and smaller welfare states than proportional regimes with more veto players. An analytic narrative of the failure of land value taxation in the United Kingdom between 1909 and 1914 shows however that it failed not because of previously advanced reasons, but because the number of veto players in British politics was sharply increased. All seven of the conventional reasons for characterising the UK as a low- n veto player regime failed to hold between 1906 and 1914. Observable implications discussed include the need to review the entire history of British politics in this period in the light of the temporary increase in veto players; and the ambiguous implications of low- n veto players for fiscal discipline.

Why should we be beggars with the ballot in our hand?

Veto players and the failure of land value taxation in the UK 1909-14

Sound the call for freedom boys, and sound it far and wide,

March along to victory for God is on our side,

While the voice of Nature thunders o'er the rising tide,

'God gave the land to the people!'

Chorus:

The land, the land, 'twas God who made the land,

The land, the land, the ground on which we stand,

Why should we be beggars with the ballot in our hand?

God made the land for the people.

Hark the sound is spreading from the East and from the West,

Why should we work hard and let the landlords take the best?

Make them pay their taxes on the land just like the rest,

The land was meant for the people

Chorus

Clear the way for liberty, the land must all be free,

Liberals will not falter from the fight, tho' stern it be,

'Til the flag we love so well will fly from sea to sea

O'er the land that is free for the people

Chorus

The army now is marching on, the battle to begin.

The standard now is raised on high to face the battle din,

We'll never cease from fighting 'til victory we win,

And the land is free for the people

Chorus.

(Liberal campaign song, UK General Election of January 1910. Tune: *Marching*

through Georgia. This version from

<http://www.liberator.org.uk/article.asp?id=22403892>, accessed 04.05.2005).

1. Introduction

This paper is an analytic narrative¹ of an episode in British political history that is well known to historians but curiously overlooked by political scientists, namely the successful obstruction of the elected Liberal governments of the United Kingdom by the unelected House of Lords and the unelected kings Edward VII and George V, between 1906 and 1914. In particular, we draw upon primary archival research along with the secondary literature to examine then Chancellor of the Exchequer David Lloyd George's attempt to introduce land value taxation and the factors which led to its demise. The organisation of the paper is as follows. This section introduces the relevant scholarship on veto plays and veto players, and explains why the case we study is a puzzle (one of the puzzling things being how few scholars seem to find it puzzling). It shows that the United Kingdom is a paradigm case of a low-*n* veto player regime, which should mean (but in this case did not) that the elected government gets its way. Section 2 narrates the introduction of land value taxation in the UK Budget of 1909 and the subsequent failure and withdrawal of the taxes then introduced. Section 3 considers three possible explanations of this failure, namely incompetence; impracticability; and veto plays. We

argue that the third of these is the most parsimonious – it explains the most with the least. Section 4 concludes with some observable implications² of our study.

The concepts of ‘veto players’ and ‘veto games’ are due to George Tsebelis, although they build on earlier work in game theory and comparative politics.³ Veto players are, as the name suggests, individuals or groups who have the power to block a proposal. They come in two varieties: institutional and partisan. An institutional veto player is one who has the legal power to block such proposals. Such a player may be an individual (the US President) or a chamber (the UK House of Lords). And the veto may be unconditional (the US President’s at the end of a session of Congress, when there is no time to override it; the House of Lords on all non-monetary matters before 1911). Or it may be conditional (the US President when his veto may be overridden; the House of Lords since 1911, when it remains a veto player on non-monetary matters in the last year of a parliament but not otherwise). A partisan veto player is a party (or other) group that may block a proposal so long as the group coheres. A governing party with over half of the seats in a chamber is a unique partisan veto player over all proposals that are carried if a simple majority votes for them. More than one party may be a veto player in a chamber where no party holds half the seats, or where more than a simple majority of those present is required to pass a measure.

The status quo is stable if it is relatively hard to upset. The more veto players there are in a political system, or the larger the qualified majority required for a proposal to pass, the more stable is the status quo. Equivalently, as either the number of veto players or the

qualified majority threshold rises, the winset of the status quo diminishes, and the core, or the uncovered set of the game get bigger. The winset means the set of alternative policies that could be carried against the status quo. The core means the area of policy which, once reached, cannot be abandoned. The uncovered set means the set of points in multidimensional issue space that cannot be beaten either directly or indirectly.⁴

Stability is neither good nor bad in itself. Most citizens probably want the constitution to be stable and ordinary laws dividing spoils among interest groups to be unstable. An example of an unstable constitution would be that of Weimar Germany, after Hitler with a little help from his friends had drastically reduced the number of veto players to one. This made the constitution “too easy” to change. An example of an over-stable distributive law might be the Common Agricultural Policy (CAP) of the European Union, which destroys wealth in the Union and (probably even more) in the developing world, but which is protected by the multiple vetoes and high qualified-majority thresholds of the EU. The CAP is “too hard” to change, and has probably become harder to change after the failure of the EU constitutional treaty in 2005.

Recent extensions of the Tsebelis framework due to Persson, Tabellini, Hallerberg and others draw substantive implications for fiscal policy from regime structure, and in particular from the number of veto players.⁵ Persson and Tabellini argue that proportional and majoritarian regimes differ systematically. Both deductively and by cross-sectional statistical analysis of data from 85 countries, they show that majoritarian regimes are more fiscally responsible than proportional regimes; whereas proportional regimes spend

more on redistributive welfare payments than do majoritarian regimes. They conclude with a message of considerable interest to UK politicians:

[A] switch from proportional to majoritarian elections reduces overall government spending by almost 5% of GDP, welfare spending by 2-3% of GDP, and budget deficits by about 2% of GDP. Advocates in the United Kingdom of the opposite switch, from majoritarian to proportional, should take careful note of these findings. The electoral rule emerges from this research as one of the primary determinants of fiscal policy in modern democracies. According to our results, the proposed electoral reform in the United Kingdom would increase its public sector to a size more similar to that in continental Europe.⁶

In a paper on fiscal policy in Latin America, Hallerberg and Marier locate the microfoundations of this result in the common-pool resource (CPR) problem:

A CPR problem exists whenever politicians consider the benefits and costs of their decisions on their constituencies only. In a budgeting situation, they do not internalize the full tax implications of their decisions and they request more spending. In a multiperiod game this leads to larger budget deficits than if they had considered the full burden. In a government cabinet the problem is usually endemic because ministers consider the spending and tax implications of decisions on their ministries.⁷

To understand how it is possible to recast the findings of Persson *et al.* into the veto player language used in this paper, note that Tsebelis' basic concepts of veto players, policy stability, and winsets subsume, and do more for less than, older concepts in comparative politics, such as:

- o the Duverger literature on the relationship between electoral systems and party systems⁸;
- o the work of Linz, Stepan, Lijphart and many others on the properties of presidentialism compared with those of parliamentarism⁹;
- o Riker's programme of analysing political upheavals such as the US Presidential Election of 1860 in terms of creative or destructive disequilibrium¹⁰.

Duverger's Law may be read as a statement of a special case of veto player theory. A multi-party system may be reclassified as a system with numerous partisan veto players. From this one may read off the greater stability (for both good and ill) of policy under proportional than under majoritarian electoral systems. The variable 'number of veto players' is more powerful than Linz and Stepan's, or Lijphart's, binary variable 'presidentialism'. It explains more about the policy stability of regimes than does the dichotomous division between parliamentary and presidential. It may also show that the veto players can be in unexpected places - the congress in a presidential regime, and the executive in a parliamentary regime. Riker used the chaos theorems of social choice to explain why policy is sometimes spectacularly unstable. But veto player theory, like other recent work¹¹, uses the more recent technical results of social choice, which circumscribe

the dramatic chaos results of the 1950s to 1970s, to show how and when policy is usually stable. There is usually a core or an uncovered set around the current status quo.

In a Tsebelian framework, the UK is a paradigm low- n veto player regime. We should expect it to be a regime with high fiscal discipline. Seven features of its modern constitution, familiar to all beginning political science students of the UK, combine to produce this by ensuring that normally there is not veto player apart from the governing party and its Ministers. They are:

- *Sovereignty of Parliament*. As classically enunciated by A. V. Dicey in 1885:

Parliament means, in the mouth of a lawyer, ... the King, the House of Lords, and the House of Commons; these three bodies acting together ... constitute Parliament. The principle of Parliamentary sovereignty means neither more nor less than this, namely, that Parliament thus defined has, under the English [*sic*] constitution, the right to make or unmake any law whatever; and, further, that no person or body is recognised by the law of England as having a right to override or set aside the legislation of Parliament.¹²

- *The simple-majority single-ballot system favours the two-party system*¹³. This is what W. H. Riker renamed 'Duverger's Law', distinguishing it from Duverger's hypothesis that proportional representation tended to favour multipartism. The

Law is securely grounded, providing that its antecedent conditions are correctly stated. The Hypothesis is falsifiable, and in some circumstances false. In accordance with Duverger's Law, if local and regional parties are set aside, nationwide competition for votes under the UK's plurality electoral system will generally produce a single-party majority in the Commons, and hence no rival partisan veto players there.

- *Upper house unelected, and does not obstruct government programme.* The House of Lords is entirely unelected. Until 1958, when provision was first made for life peerages, membership was only by inheritance of a peerage, or by becoming a senior bishop or law lord. The convention that the Lords does not obstruct the manifesto measures of a government with a Commons majority was codified in 1945 as the 'Salisbury-Addison convention', after the Conservative and Labour leaders in the Lords at that time. Before 1945, the Conservatives, who had controlled the Lords since the time of Pitt the Younger, often vetoed non-financial legislation of Liberal governments.
- *Civil service code: loyalty is to Ministers.* The modern civil service emerged in the mid-19th century. Under the celebrated Northcote-Trevelyan reforms of that era, entry was by merit in a competitive examination, and promotion was due to ability, not to patronage. However, the loyalty of civil servants is to their Ministers and the Government of the day. If the government changes political complexion, the loyalty of civil servants transfers to the new administration.

There are only a trivial number of political appointees in the upper reaches of the UK administration (currently restricted to two special advisers per Secretary of State, with a slightly larger number for the Prime Minister and the Chancellor of the Exchequer). These political appointees are not on civil service contracts, and are not supposed to give orders to permanent civil servants.

- *House of Commons control over finance.* Since King Charles I was forced to call Parliament in 1640 to vote supply for his war against the Scots who had rebelled against his religious policies, it has been accepted that ‘supply’ – that is, voting for public expenditure and for the taxes to pay for it – was uniquely the function of the lower house of Parliament. The framers of the US Constitution, who were close students of British parliamentary procedure, carried this view over there (US Constitution Art. I:7) and it is adopted in the other bicameral Westminster systems also.
- *Monarchy purely ornamental.* Although, as Dicey reminds us, Parliament properly means (in the mouths of lawyers) the King-in-Parliament, nothing is more basic to the unwritten constitution than that the monarch never vetoes legislation. As the children’s section of the UK Parliament website states:

The Royal Assent is the Monarch's agreement to make a Bill into an Act of Parliament. The Monarch actually has the right to refuse Royal Assent but nowadays this does not happen - the Royal Assent is a formality. The

last time that the Royal Assent was refused was in 1708, when Queen Anne refused her Assent to a Bill for settling the Militia in Scotland.

(<http://www.explore.parliament.uk/Parliament.aspx?id=10295&glossary=true> accessed 04.05.2005)

- *Courts' subservience to Parliament.* A particular implication of Parliamentary sovereignty is that the English courts treat statute as supreme. They are traditionally more restrained in their interpretation of statute, and accordingly more nervous of judicial law-making, than the courts of other English-speaking jurisdictions.¹⁴

In the following sections we show that during the years 1909 to 1914 all seven of these foundational assumptions about the British constitution were violated. So far as we know, these are the only years in British history for which this is true. One would expect extensive political-scientific analysis of this phenomenon; but we have found almost none¹⁵. It is of methodological importance because of veto games. It is of normative importance because the elected parts of government were stymied by the unelected parts. And it is important for comparative politics because it illustrates the effect of changes in the veto player structure.

2. The rise and fall of land value taxation 1909-20

Sovereignty of Parliament undermined. According to the Diceyan constitutional theory of the last section, the UK is the paradigm low veto player regime: i.e., Parliament is sovereign, and has the right to make or unmake any law whatever. However, in the three Parliaments elected at the General Elections of 1906, January 1910, and December 1910,

the King-in-Parliament comprised two warring factions. In the policy areas where they were at war, each faction could veto laws; neither could make or unmake (i.e., repeal) them.

The 1906 General Election returned a strong Liberal majority in seats (Table 1). The Liberal Party held almost 60% of the seats in the Commons. With the Labour and Irish Parties, it formed what contemporaries sometimes called the ‘progressive forces’ – jointly controlling over 75% of the seats; but of course it did not need their votes and did not always promote their causes. The Liberals’ Commons hegemony arose in part from the responsiveness of the system (showing Duverger’s Law at work) and in part from an electoral bias in their favour, and still more in favour of the Irish Party.

[Table 1 about here]

Both 1910 General Elections were forced – the first by the House of Lords when they rejected the Budget of 1909, the second by King George V when he refused to create sufficient peers to enact the Parliament Bill without a second general election. These simple facts show that institutional veto players matter.

No longer single party majority. The results of the two elections were the same in aggregate, although there was much churning of individual seats. There was no longer a single-party majority. The Irish Party had become a partisan veto player in the Commons. The minimum size winning coalition was Liberal + Irish. An alternative minimum

winning coalition was Liberal + Conservative. The Labour Party remained a dummy: as in the 1906 Parliament it could neither make nor unmake any winning coalition.

Upper House of Parliament obstruction of government programme. In the 1906 Parliament, the Salisbury-Addison convention did not yet apply. Therefore the House of Lords was free to operate as a *selective* institutional veto player. Most notably, it did not obstruct the Trade Disputes Act 1906. This was a Labour measure, adopted by Prime Minister Sir Henry Campbell-Bannerman when he abandoned his own ministers' bill in favour of a Labour one. By giving trade unions widespread legal immunities from tort actions, it readjusted property rights more radically, probably, than any preceding bill. However, the Lords did block numerous measures relating to the old centre-periphery political cleavage on such matters as school education, liquor licensing, and disestablishment of the minority Anglican Church of Wales. The Welsh nonconformist David Lloyd George, appointed Chancellor of the Exchequer in 1908, explained the situation in the following Cabinet memorandum during the preparation of his Budget for 1909:

The two objects sought ... are: (1) To obtain a valuation of land in the united Kingdom, and (2) To raise a revenue which in the coming financial year would reach 500,000l., and which would afterwards gradually increase until it would produce something much more substantial. 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 do not 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 of a Finance Bill by the Speaker of the House of Commons.¹⁶

This is a particularly clear statement of the vetoes that Lloyd George must sidestep: one from the House of Lords, and one from the staff of the Speaker of the House of Commons. The former would veto any separate real-estate valuation bill; the latter would veto any such bill incorporated into a budget unless the budget also implemented any resulting land value taxes immediately. Lloyd George went on to state that he had confirmed with the Clerk of the House of Commons, Sir Courtenay Ilbert, that the Speaker would indeed veto a valuation provision in the budget if unaccompanied by a projected yield.

The Budget of 1909 was thus moulded from the outset by veto games. Its main thrust was to expand the UK's tax base to pay for two classes of public expenditure that were expected to grow fast, viz., defence and social security. Defence spending was growing fast because of a naval arms race which the opposition Unionists were loudly demanding. Social security spending could be expected to grow fast because of the first provisions for state old age pensions, in the 1908 Budget. These could in turn be explained by the shift

of the median voter to one lower in the income distribution after the franchise extension of 1884.

In descending order of size, the tax increases proposed in 1909 to eliminate the expected public spending deficit were increases on alcohol taxes; a progressive income tax; increased death duties; and various land value taxes.¹⁷ It was the smallest of these that caused the most trouble. The House of Lords did not obstruct alcohol taxes nor (more surprisingly) progressive income taxes. It bitterly resisted the land taxes, although their proposed yield was trivial.

Civil servants not entirely loyal to Ministers. Its resistance was encouraged, astonishingly, by Lloyd George's most senior official, the Permanent Secretary to the Treasury, Sir George Murray:

The Government seem to me to be going straight on the rocks financially (and perhaps otherwise), and nobody will listen to me when I tell them so....

I cannot believe that your House will swallow the Budget if the mature infant turns out to be anything like the embryo which I now contemplate daily with horror.¹⁸

So wrote Sir George to Lord Rosebery, whose private secretary he had once been.

Rosebery was a former Liberal Prime Minister who felt himself stranded by the leftward movement of his former party. By 1909 he sat in the Lords as a cross-bencher. As the

constitutional crisis grew, he was increasingly spoken of as a potential caretaker non-party Prime Minister. Although Murray later drew back from his encouragement to Rosebery to reject the Budget, his place was taken – for exactly opposite reasons – by his political master. As noted above, Lloyd George initially aimed to circumvent, not provoke, the House of Lords. But as talk of rejecting the Budget on behalf of the class interests of land grew, so Lloyd George turned on the dukes in order to enrage them still further:

Should 500 men, ordinary men chosen accidentally from among the unemployed, override the judgment – the deliberate judgment – of millions of people who are engaged in the industry which makes the wealth of the country?... [W]ho ordained that a few should have the land of Britain as a perquisite; who made 10,000 people owners of the soil, and the rest of us trespassers in the land of our birth[?]¹⁹

House of Commons control over finance undermined. The intention was to provoke the Lords to reject the Budget, which they duly did the following month. This forced a General Election which the trend of by-elections suggests would otherwise have been won by the Unionists.

With the Budget passed in April 1910, the parliamentary timetable was preordained for three years. The first Government move was to introduce legislation to restrict the veto power of the Lords. The Parliament Act 1911 confirms the pre-1909 understanding that

the Lords may not amend a finance bill. It introduces the 'suspensory veto' that is still in force: a bill rejected by the Lords may nevertheless be enacted if the Commons pass it in three (since 1949 in two) successive sessions.

Monarchy not purely ornamental. The Act required a further general election because King George V (who had succeeded in May 1910) insisted that he would not create the peers required to swamp the bill's otherwise inevitable rejection in the Lords unless the Liberals and their allies won a further electoral mandate. He gave even that undertaking very grumpily and reluctantly. His private secretary Lord Knollys had falsely told the king that if he refused the undertaking (in which case the Asquith government would of course have resigned) the Unionist leader Balfour would refuse to take office. This had the effect of tricking the king into believing that he had no option. In fact, Balfour had signalled that he would take office in such a situation. By lying to his master, Knollys may have saved the British monarchy, but when George V found out the deception in 1913, he sacked Knollys.²⁰ If the king had followed his Unionist ideology, he would have intervened in politics on the side of the Unionists in summer 1910. He nearly did so on other occasions up to 1914. He was so angry with Irish Home Rule that he seriously contemplated either dismissing the Liberal government or vetoing the Home Rule Bill. Any of these vetoes would have raised the constitutional crisis to a higher level. By acting as a political partisan, the king would have undermined the standing of the monarchy.

The threat of creation was sufficient to persuade the Lords to enact the Parliament Bill in August 1911. The swamping of the Lords with Liberal peers was not required, so no Lord Baden-Powell, Lord Thomas Hardy, nor Lord Bertrand Russell was then ennobled.²¹

Thereupon, the partisan veto player the Irish Party was in a position to demand that Home Rule for Ireland should occupy essentially the whole Parliamentary timetable until 1914. The Government of Ireland Bill was bound to be (and was) rejected twice by the Lords; therefore it could not be enacted until 1914, by which time Ulster Protestants had created a private army to resist it with the connivance and perhaps the financial support of the Leader of His Majesty's loyal Opposition, Rt. Hon. Andrew Bonar Law. His Majesty himself was more loyal to his Opposition than to his Government. For this and other reasons, Chancellor Lloyd George was unable to return to the subject of land taxation until his Budget of 1914.

Court activism. By this time, in Avner Offer's words, 'two celebrated cases' in the courts had 'developed into serious reversals' for the 1910 land tax legislation: the more serious of the two emasculated Undeveloped Land Duty, the most productive (and most economically sound) of the land taxes.²² By the time Lloyd George introduced the 1914 Budget, the land valuation register enacted in 1910 was still incomplete. Treasury (as in 1909) and Inland Revenue (unlike in 1909) senior officials were unhelpful to their Chancellor. And the Liberals no longer held a single-party majority in the commons, which made Lloyd George vulnerable to a revolt of landowning MPs in his own party. The revolt forced him to withdraw his site value rating proposals in June.²³ Within the month, Archduke Franz Ferdinand had been assassinated in Sarajevo. An all-party

coalition government was created in 1915, to be succeeded by a Coalition Liberal-Conservative coalition in 1918. In the wartime coalition, partisan domestic politics were muted; in the 1918 Coalition, Prime Minister Lloyd George held relatively few seats and the Conservatives on their own held a majority. Unsurprisingly, all the 1909 and 1914 land taxation provisions had been repealed by 1920.

3. Two candidate explanations

There are two plausible kinds of explanations for Lloyd George's failure, the first revolving around what we call contextual factors, while the other focuses on more systematic clues, namely, the existence of veto players. They are not mutually exclusive, but instead emphasise different explanatory variables. The first hypothesis rests on the assumption that the failure of land value taxation can be significantly explained by either individual missteps on the part of Lloyd George or the sheer impracticability of land taxes given the difficulties in site valuation; in other words, these explanations depend on the specific context and characters involved; In contrast, the second kind of explanation posits that Lloyd George and the Government fell victim to veto plays; it narrows the important aspects of the story down to the systematic and institutional confluence of factors that contributed to the failure of land value taxation during and after 1909.

Lloyd George had, to say the least, a distinctive style. He was careless of details and made grand promises on the hoof. The grand promises were often electorally shrewd (not only in 1909-10 but also with his introduction of National Insurance in 1911) and accompanied by radical rhetoric. His officials either loved or hated him. Murray began by loving him in a condescending way²⁴ but soon came to hate him. For the 1909 Budget,

therefore, Lloyd George relied on Sir Robert Chalmers, the chairman of the Board of Inland Revenue. Chalmers was as much an ideologue as Murray, but on the other side. When the Lords rejected the Budget, he was overheard saying ‘I would like to festoon this room with their entrails’.²⁵ However, by 1913, Lloyd George’s informality had alienated Chalmers too, who temporarily left the Treasury. This made Lloyd George more dependent on Edgar Harper, a land value taxation enthusiast whom Lloyd George had brought in from outside the Civil Service. This he was to repeat as a minister during World War I, when he declared he wanted ‘men of push and go’, but with Harper he failed. Harper was a convinced land-taxer – a self-taught disciple of the American tax reformer Henry George. He told the Royal Commission on Local Taxation that it was straightforward to value land separately from the houses that stood on it. That was the key technical issue, as it would be with any attempt to restore land value taxation in the UK or any other regime today. The fundamental Georgeite – which is originally Ricardian – argument for the taxation of economic rent makes an intellectually impeccable case for land value taxation. The problems all lie in the implementation. In a 1908 Cabinet memorandum, Harper accurately pinpointed the key issue as being how to ‘obtain substantial revenue from land which now escapes, wholly or partially, its share of existing burdens’ – the main such category being (then as now) ‘ripening building land’ – in other words, land in transition from an earlier low-value use to the high-value use as housing land.²⁶ But neither he nor anybody else found a reliable way to value it for taxation. In Offer’s withering summary, ‘Valuation had turned out to be a white elephant, unsuitable for burden and bogged down in legal quicksands. Most of the blame lay with

Harper. He had preached the project for many years, and was allowed, indeed, called in, to show his prowess.... In retrospect Harper blamed everyone but himself.²⁷

Incompetence and impracticality – the contextual factors – are clearly part of the story. But over the introduction of National Insurance in 1911, Lloyd George behaved in exactly the same way and yet the scheme, which changed property rights but did not particularly attack the landed interest, got going successfully.²⁸ It is not even sufficient (although it is necessary) to observe that the representatives of the landed interest (who always included the median member of the House of Lords, succession to which is usually synonymous with inheritance of land) had always been a veto player in British politics. In earlier crises, UK governments had shown that they could defeat landed interests when it really mattered for public order: for example, in a succession of Irish land acts in 1870, 1881, and 1903; and in the Crofters' Act 1885, which successfully headed off a Scottish Highland land agitation on Irish lines. All four of these Acts changed property rights to the benefit of tenants and the detriment of landowners. By 1903 the expropriation of Irish landowners was substantially complete.

What, then, made the veto power of the landed interest over land taxation so complete between 1906 and 1914, when it was not earlier or later? As hinted above, it was the fact that all seven elements of the Diceyan constitution were suspended at the same time: a suspension in which that fervent Unionist ideologue Professor Dicey took an active part.

In some cases the suspension was obvious to everybody at the time it happened. Nobody had challenged Commons supremacy over finance since the English Civil War of 1640-9, which was in large part fought over this issue. The Lords' challenge of 1909 was therefore revolutionary.²⁹ It could only have been sustained if the Unionists had won the January 1910 election: but their rejection of the Budget was sufficient to ensure, as Lloyd George saw but they did not, that they would not win that election. In other cases, the veto plays were known to political elites but not to the general public. This is particularly true of the royal veto threats between 1909 (by Edward VII) and 1913 (by George V over Ireland). Both kings signalled their reluctance to create peers in order to enact the programme of the elected government. That reluctance played a role in the first forced election and single-handedly caused the second. If either election had resulted in a Unionist victory, the royal veto would have been both effective and partisan. It is hardly surprising that monarchs of the era preferred the Unionists to the Liberals. The Unionists stood for land, church, and empire, all of them institutions in which the monarch had a material stake. Neither Edward VII nor George V was as shrill as their mother (grandmother) Victoria, whose passionate hatred of Gladstone, and naked attempts to manipulate in favour of Disraeli and then Salisbury, burst out in various undignified ways from 1874 onwards. But she was shielded, most notably by Gladstone himself, from the constitutional consequences of her partisanship. The stakes were higher from 1909 onwards.

Pervasive unionism took control of many other public servants. Sir George Murray's behaviour was an extraordinary breach of civil service neutrality, but his case was not the

most extreme. That honour goes to Sir Henry Wilson, successively commandant of the army Staff College and director of military operations in the War Office during this period. In the Ulster crisis he helped to organise the paramilitary resistance against the military operations for which he was himself responsible, for instance by informing the paramilitary UVF of the planned deployment of British troops:

[H]e was very sympathetic to the armed resistance to home rule being planned by Ulster Unionists in the years immediately preceding the First World War, and he played a central (if ultimately somewhat equivocal) role in the ‘Curragh incident’ of March 1914, when a number of army officers with Unionist convictions resigned their commissions rather than follow orders which they believed were aimed at coercing Ulster into a home rule Ireland. Throughout the crisis Wilson worked behind the scenes in support of the Ulster cause (though he stopped short of resigning) and kept leading opposition politicians fully informed of developments.³⁰

The courts, too, were unusually activist in the cases mentioned above, that undermined the 1909 land valuation regime. Offer quotes the High Court judge who killed Undeveloped Land Duty in *Commissioners of Inland Revenue v. Smyth* as saying artlessly in 1920, ‘It is very difficult sometimes to be sure that you have put yourself into a thoroughly impartial position between two disputants, one of your own class and one not of your class’.³¹

Finally, the Diceyan ideology of parliamentary sovereignty received such a blow, largely at the hands of Professor Dicey himself, that its survival to be taught to subsequent generations of political science and public law students is truly miraculous. In order to justify their revolution, the Unionists had to appeal to a higher authority than Parliament. They found one in the people. The Lords resolution rejecting the Budget was carefully framed: ‘that this House is not justified in giving its assent to the Bill until it has been submitted to the judgment of the country’.³² From this the Unionists proceeded to full-blown advocacy of a referendum on Home Rule. The fullest intellectual case for the referendum appears in the long preface to the eighth edition of Dicey’s *Law of the Constitution*, published in 1915. Here he commends it under the title of ‘the people’s veto’. He complains that the Parliament Act had nullified the ‘wisdom and experience of the House of Lords’ and that the referendum ‘would be *strong* enough to curb the absolutism of a party possessed of a parliamentary majority’. Given Dicey’s passionate opposition to Home Rule, it is not surprising that George V took up the theme, suggesting to Prime Minister Asquith in March 1914 ‘that the Home Rule Bill should be submitted to a Referendum especially now that the principle of this method was admitted for the Ulster counties to decide for or against exclusion’.³³

Unfortunately, this left the king and the Unionists in the position of demanding the referendum as a bulwark against Liberal or Irish tyranny, but never against Unionist or Conservative tyranny. Dicey’s argument that the Parliament Act changed everything was hopelessly one-sided, as Asquith pointed out in a muscular memorandum to George V on the constitutional position of the Sovereign: ‘When the two Houses are in agreement (as

is always the case when there is a Conservative majority in the House of Commons), the Act is a dead letter'.³⁴

The elephant in the room was the Irish Party – the partisan veto player in the Parliaments of 1910-18. That party, although internally fissile, had totally dominated parliamentary representation in Ireland since the franchise extension of 1884. Its bloc of at least 80 seats gave it partisan veto power in the Parliaments of 1885-6, 1892-4, January - December 1910 and 1910-18. That is no disproof, but rather a confirmation, of Duverger's Law. Understood properly, Duverger's Law operates at district level, not at national level. In the Catholic five-sixths of Ireland (and the Scotland division of Liverpool), Duverger's Law delivered such hegemony to the Irish Party that many of its seats were uncontested (hence the apparent, but not real, over-representation shown in Table 1). Given that, all the responsiveness of the plurality electoral system was insufficient to deliver a single-party Commons majority in these four Parliaments. The Unionists were determined that Ireland must remain in the Union; but they overlooked the fact that as long as it remained in the Union, it would send a disaffected bloc of 80 MPs determined to weaken the Union and in a position to insist on their programme in every hung parliament. Despite their three election victories, Liberal and Irish Party voters remained beggars with the ballot in their hands. Land value tax, the subject of this case study, was but one of several policies vetoed or delayed, because they threatened the material interest of the landowning class.

4. Observable implications for political science

We start with the implications for political science and political history of the simple fact that the Unionists' attempted coup d'état has hardly ever been recognised as such. And

yet, it is known for sure that Sir Henry Wilson, Director of Military Operations at the War Office, told the Ulster Protestant paramilitaries where British troops were about to be deployed against them. It is certain that Bonar Law, the Leader of the Opposition, encouraged the paramilitary revolt; it is likely although not certain that he was complicit in financing it.³⁵ As with other matters in this paper, the most surprising fact about this evidence is how little it seems to have upset the conventional narrative of the wisdom, flexibility, etc., of the unwritten British Constitution. Two successive kings imposed conditions on their Liberal governments that helped to force elections which the Unionists might have won. The second king apparently came close to either dismissing the Liberal government or refusing Royal Assent to the Government of Ireland Act in 1913-14. By comparison, the behaviour of Sir George Murray in 1908-9 is relatively mild. The curious invisibility of Ireland to Unionist statecraft led to the coup d'état attempt of 1914. George V, Bonar Law, Sir Henry Wilson and even Sir George Murray may not have viewed their conduct as an attempt to unseat the elected government without recourse to an election: but such it undoubtedly was. If the Irish Party was invisible to Unionists, they could discount the mere parliamentary majority against them. Hence the sudden increase in the number of veto players in British politics from 1906 to 1914.

But one looks in vain for any sign of surprise in most of the standard historical literature, let alone in most of the few political scientists and constitutional lawyers who consider these events. Because the best-known statement of the gravity of the constitutional crisis is shrill and unbalanced³⁶, the idea that either there was no crisis or that if there was one it

was provoked by the Liberals, has gained ground by default. Bogdanor concludes that the UK is one of ‘a small number of favoured nations’ in which constitutional monarchy ‘far from undermining democracy, ... serves to sustain and strengthen democratic institutions’.³⁷ It is hard to see how he reaches this conclusion in the face of his copious evidence about (especially) George V and his advisers between 1910 and 1914.

We suggest that this myopia arises from failure to understand how sharply the veto game of British politics changed for the period this paper discusses. Historians, and some political scientists, have failed to appreciate that the Irish Party was a partisan veto player for the periods stated (and that the Labour Party never was until 1923). The institutional veto plays of the Lords have been underestimated, partly because detailed evidence has not been understood in a veto game context (e.g., that the threat of their veto forced the 1909 Budget to be written in an impracticable way), partly because the range of policies that Liberal Governments did not even try to implement before 1911 is not fully considered. The institutional veto plays of successive monarchs have been inexplicably understated, despite the ample evidence of them that this paper draws on.

Did the veto game structure affect the winset of the status quo in British politics? Yes, profoundly, and in ways which remain to be mapped carefully although historians have been writing about them for centuries. As a first rough structure we suggest the following (for England only; parallel work needs to be done for Scotland and Ireland).

To 1640: monarch is unique domestic veto player

1640 to 1689: a ‘long revolution’ in the course of which it is established that...

1689 to 1911: the monarch is no longer an institutional veto player. Each House of Parliament is a full veto player except on financial matters, where the House of Commons is the unique institutional veto player. The pattern of partisan veto players depends on party structure in the Commons. (Party structure in the Lords is invariant after about 1815).

Since 1911: the House of Commons is the unique institutional veto player except in the last year of a Parliament, when the House of Lords joins it on non-financial matters.

This crude pattern requires modification, for instance in the light of the detailed story told in this paper. But it immediately suggests a stable core to British politics throughout the long 19th century, given that the optima of the median peer and the median MP would not be particularly close. The House of Lords was by construction almost exclusively a landed house. The House of Commons contained representatives of capital – especially finance capital but later also industrial capital – from the 18th century.

It also suggests that the pattern of fiscal policy and public expenditure found by Persson and Tabellini should be extended back in time until it meets the quite different pattern found by North and Weingast, and Stasavage.³⁸ Persson and Tabellini’s data start in 1960 (their main 85-country data set in 1990); Stasavage’s data on French and British government bond yields end in 1793. The 18th-century literature shows that absolutist France, with a single veto player, faced higher interest rates than limited-government Britain, because the market credibly feared a French default. Higher interest rates imply

higher government spending. In a sense, this is the exact opposite of the pattern found by Persson and Tabellini. The only data source we have studied so far³⁹ is not sufficiently full to confirm whether Edwardian Britain fits with the North-Weingast or with the Persson-Tabellini picture.

Finally, we conclude that the veto player framework explains important things about British politics that other frameworks miss. Elsewhere it has been applied to UK public expenditure in the 18th century and to the Repeal of the Corn Laws in 1846.⁴⁰ When applied to British politics on the eve of the First World War, it throws the focus on important things (e.g. the threat of royal veto; the Irish Party as partisan veto player) and ignores the irrelevant (e.g., the Labour Party, which was a dummy player throughout). It opens a fruitful field for further research.

TABLE 1

SEATS, VOTES, AND PROPORTIONALITY: UK GENERAL ELECTIONS 1906--1910

Election	Lib		Con		Irish Nationalist		Lab		Prop/ality Index (Monroe)	Responsi veness	Bias to:
	Vote	Seat	Vote	Seat	Vote	Seat	Vote	Seat			
	share, %	share, %	share, %	share, %	share, %	share, %	share, %	share, %			
1906	48.98	59.70	43.05	23.43	0.62	12.39	5.86	4.48	61.37	1.35	L
1910J	43.03	41.04	46.75	40.75	1.90	12.24	7.58	5.97	80.91	0.96	L
1910D	43.82	40.60	46.26	40.60	2.52	12.54	7.10	6.27	81.33	0.97	L

Sources:

Summary statistics from F.W.S. Craig *British Electoral Facts* 1989 Tables 1.18 to 1.20

Monroe index: adapted from B. L. Monroe, 'Disproportionality and malapportionment', *Electoral Studies* 1994, Eqn 15

Responsiveness: as between the two main parties only, the ratio of the gaining party's seat share to its vote share

Bias: as between the two main parties only, the one which would hold more seats if they had an equal number of votes

'Con' columns include Liberal Unionists

Notes

¹ Cf R. Bates *et al.*, *Analytic Narratives* (Princeton, NJ: Princeton University Press, 1998), pp. 10-18.

² Cf. G. King, R. O. Keohane, and S. Verba, *Designing Social Inquiry: scientific inference in qualitative research* (Princeton, NJ: Princeton University Press, 1994), esp. pp. 28-30

³ G. Tsebelis, 'Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multipartyism', *British Journal of Political Science* 25 (1995), 289-325; G. Tsebelis and J. Money, *Bicameralism* (Cambridge: Cambridge University Press 1997); G. Tsebelis, *Veto Players: How Political Institutions Work* (New York: Russell Sage Foundation, 2002).

⁴ Tsebelis, *Veto Players*, pp. 8-9, 50-9. The concept of the uncovered set was due to R. D. McKelvey; the most comprehensive paper is J. Banks, 'Acyclic choice from finite sets', *Social Choice and Welfare* 12 (1995): 293-310. An explanation at the level of an advanced textbook is J. D. Morrow, *Game Theory for Political Scientists* (Princeton NJ: Princeton University Press, 1994), pp. 80-93, 121-2, 217.

⁵ T. Persson and G. Tabellini, 'Do Constitutions cause large governments? quasi-experimental evidence', *European Economic Review* 46 (2002), 908-18; T. Persson and G. Tabellini, *The Economic Effects of Constitutions* (Cambridge, MA: MIT Press, 2005) ; Mark Hallerberg and Patrik Marier.. 'Executive Authority, the Personal Vote, and Budget Discipline in Latin American and Caribbean Countries', *American Journal of Political Science*. 48, 3 (2004): 571-87; Mark Hallerberg, *Domestic Budgets in a United Europe: Fiscal Governance from the End of Bretton Woods to EMU* (Ithaca, NY: Cornell University Press, 2004).

⁶ Persson and Tabellini, *Economic Effects of Constitutions*, pp. 270-1.

⁷ Hallerberg and Marier, 'Budget Discipline', p. 572.

⁸ M. Duverger, *Political Parties* (London: Methuen 1954); R. Taagepera and M. S. Shugart, *Seats and Votes: the effects and determinants of electoral systems* (New Haven: Yale University Press, 1989); G. Cox, *Making Votes Count: strategic coordination in the world's electoral systems* (Cambridge: Cambridge University Press, 1997).

⁹ A. Lijphart, *Democracies : patterns of majoritarian and consensus government in twenty-one countries* (New Haven, CT: Yale University Press, 1984); A. Lijphart ed., *Parliamentary versus Presidential Government* (Oxford: Oxford University Press, 1992); Alfred Stepan and Cindy Skach, 'Constitutional Frameworks and Democratic Consolidation : parliamentarism versus presidentialism', *World Politics* 46:1 (1993), 1-22; Juan J. Linz and Alfred C. Stepan, *Problems of Democratic Transition and Consolidation : Southern Europe, South America, and post-communist Europe* (Baltimore, MD: Johns Hopkins University Press, 1996); A. Lijphart, *Patterns of Democracy : government forms and performance in thirty-six countries* (New Haven, CT: Yale University Press, 1999).

¹⁰ W. H. Riker, *Liberalism against Populism* (San Francisco: W. H. Freeman, 1982), pp. 213-32; W. H. Riker, *The Art of Political Manipulation* (New Haven, CT: Yale University Press, 1986); I. McLean, 'William H Riker and the invention of Heresthetic(s)', *British Journal of Political Science* 32 (2002), 535-58.

¹¹ For summaries and discussion, see Morrow, *Game Theory for Political Scientists*; McLean, 'Riker'; also G. Mackie, *Democracy Defended* (Cambridge: Cambridge University Press, 2003).

¹² A. V. Dicey, *Introduction to the Study of the Law of the Constitution*, 8th ed. (London: Macmillan, 1915), pp. 37-8. Originally published in 1885.

¹³ Duverger, *Political Parties*, p. 217.

¹⁴ Not only the USA, Australia and Canada, but even Scotland. See in particular *MacCormick v. Lord Advocate* 1953 SC 396 (Scotland); I. McLean and A. McMillan, *State of the Union* (Oxford, Oxford University Press, 2005), pp. 000-00.

¹⁵ Vernon Bogdanor is an eminent exception (e.g., V. Bogdanor, *The Monarchy and the Constitution* (Oxford: Oxford University Press, 1995), pp. 113-35); but we fundamentally disagree with his conclusions, as explained below.

¹⁶ Cabinet memorandum by the Chancellor of the Exchequer, 'The Taxation of Land Values', 13.03.09. UK National Archives, CAB 37/98 # 44.

¹⁷ Bernard Mallet, *British Budgets 1887-8 to 1912-13* (London: Macmillan, 1913), pp. 304-5

¹⁸ Sir George Murray to Lord Rosebery, 31.12.08. Rosebery MSS, National Library of Scotland, NLS MS 10049.

-
- ¹⁹ Speech at Newcastle upon Tyne, 09.10.09, quoted by Roy Jenkins, *Mr Balfour's Poodle* (2nd ed. London: Collins, 1968), p. 94. The King's secretary, Lord Knollys, requested Prime Minister H. H. Asquith 'not to pretend to the King that he liked Mr Lloyd George's speeches, for the King would not believe it, and it only irritated him'. *Ibid.*, p. 95
- ²⁰ Bogdanor, *Monarchy and the Constitution*, 116-19; Jenkins, *Mr Balfour's Poodle*, 174-83.
- ²¹ Asquith's (or his chief whip's) draft list is printed in Roy Jenkins, *Asquith* (London: Collins 1964), pp. 539-42.
- ²² Avner Offer, *Property and Politics 1870-1914: landownership, law, ideology and urban development in England* (Cambridge: Cambridge University Press 1981), pp. 368-9.
- ²³ Offer, *Property and Politics* 396-9; B. B. Gilbert, 'David Lloyd George: the reform of British landholding and the budget of 1914', *Historical Journal* 22 (1978), 117-41.
- ²⁴ '..... I am leading quite a happy life with my Welsh Goat [this may be the earliest reference to Lloyd George as 'the Goat'], who feeds happily enough out of my hand at present. But I fear he will soon want something more stimulating.... In his present humour he is a most engaging creature, full of graceful antics and the most unpractical notions'. Murray to Rosebery, 31.05.08, Rosebery MSS, National Library of Scotland, NLS MS 10049.
- ²⁵ B. K. Murray, *The People's Budget 1909/10* (Oxford: Clarendon Press, 1980), p. 80 (source of quotation); W. J. Braithwaite, *Lloyd George's Ambulance Wagon* (London: Methuen 1957), p. 68.
- ²⁶ Offer, *Property and Politics*, p. 245; 'Memorandum by Mr Edgar Harper on the Imposition of a National Tax on Land Values', 05.12.08, CAB 37/96 # 161.
- ²⁷ Offer, *Property and Politics*, pp. 396-7.
- ²⁸ Braithwaite, *Lloyd George's Ambulance Wagon*, *passim*.
- ²⁹ 'The debate in the Lords began on November 23 [1909].... [A]s is so often the case when the House of Lords is engaged in reaching a peculiarly silly decision, there were many comments on the high level of the debate and on the enhancement it gave to the deliberative quality of the chamber' – Jenkins, *Mr Balfour's Poodle*, pp. 100-1.
- ³⁰ K. Jeffery, 'Sir Henry Hughes Wilson', *Oxford Dictionary of National Biography* (source of quotation); A.T.Q. Stewart, *The Ulster Crisis* (London: Faber & Faber, 1967), p. 149

-
- ³¹ T.E. Scrutton, 1920, quoted by Offer, *Property and Politics*, p.369. *Commissioners of Inland Revenue v. Smyth*, (1914) 3 KB 423.
- ³² Motion by Lord Lansdowne, 10.11.09, quoted by Jenkins, *Mr Balfour's Poodle*, p. 95.
- ³³ Dicey, *Law of the Constitution*, pp. xc-cv, quoted at xcii and xcvi; stress in original. George V quoted in Bogdanor, *Monarchy and the Constitution*, p. 128.
- ³⁴ H. H. Asquith, 'The constitutional position of the Sovereign', memorandum to George V, September 1913, in Jenkins, *Asquith*, 543-5, quoted at 544.
- ³⁵ The evidence that the leaders of the Opposition helped to finance the Ulster gun-running of 1914 is in A. Jackson, *Home Rule: an Irish history 1800-2000* (London: Weidenfeld & Nicolson 2003), pp. 133, 327.
- ³⁶ G. Dangerfield, *The Strange Death of Liberal England* (London: Constable 1936, and many reprints).
- ³⁷ Bogdanor, *Monarchy and the Constitution*, p. 309.
- ³⁸ Douglass North and Barry Weingast, 'Constitutions and Commitment: the evolution of institutions governing public choice in 17th Century England', *Journal of Economic History* 49 (1989), 803-32; David Stasavage, *Public Debt and the Birth of the Democratic State: France and Great Britain, 1688-1789* (Cambridge: Cambridge University Press, 2003).
- ³⁹ A.T. Peacock and J. Wiseman, *The Growth of Public Expenditure in the United Kingdom* (Princeton NJ: Princeton University Press, 1961).
- ⁴⁰ Stasavage, *Public Debt*, ch. 5; I. McLean, *Rational Choice and British Politics* (Oxford: Oxford University Press, 2001), ch. 2.