

Democrats partly because the party was fighting for the rights of individuals to participate in the Single Market, as much as anything else. That people in the UK could trade with people in France, Belgium or Spain, without needing the permission of their government was the key Liberal idea that Liberal Democrats wanted to preserve above all else. That, more than anything, she argued, was what the Conservatives had taken away from people – to force people to undertake their economic transactions not freely but through customs forms and tariffs, and other regulatory burdens. And this went beyond trade in goods but also financial transactions, and the exchange of ideas. That was why Brexit was such an affront and continued to be so to Liberal Democrats.

Questions to the panel from the audience included one on the origins of the welfare state. Wendy Chamberlain noted that the Labour Party had not initially

supported the Beveridge report on the grounds of cost. It was only the pressure of Liberals and others, including independents fighting by-elections during the war, that had persuaded Labour that it needed to take a more radical approach. Liberal Democrats should continue to attack Labour's timidity.

Another question covered whether it was useful and important for the party to talk more about its history in its messaging, including in particular how it should deal with the legacy of the Coalition. All the speakers agreed that it was important that the party took ownership of Liberal Democrat achievements in coalition, such as equal marriage – where it was particularly important not to let the Tories write the party out of history, as David Cameron tried to do. It was also noted that it had become much easier to make the case for what the party had stopped, given the way the Conservative Party had governed

in the last few years. Nonetheless, there was still a problem with those who remembered the introduction of tuition fees.

In terms of the value of history, it was also noted that a question spokespeople often received from journalists was what was the point of the Liberal Democrats, Reaching into the party's history and what it had achieved over hundreds of years helped to answer that, and reinforced the case that it had much to offer for the future. Sarah Olney added that it also helped tackle the sense the Tories had that they were the only true British party, and everyone else was some kind of insurgent interloper. Reminding people about Gladstone and Lloyd George and Liberal achievements over the years helped to demonstrate that the party had just as much right as others to wield power.

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The 1847 Financial Crisis and the Irish Famine

Liberal Democrat History Group evening meeting: 29 January 2024 with Dr Charles Read and Professor Liam Kennedy; chair: Tony Little
Report by Neil Stockley

In September 2022, the Conservative chancellor, Kwasi Kwarteng, unveiled his 'Growth Plan', in reality a mini-Budget, which included the biggest tax cuts since 1972, funded by a vast expansion in borrowing. He and the prime minister, Liz Truss, argued that by stimulating economic growth, the £45m of

unfunded tax cuts would pay for themselves. They rolled the dice when inflation was at its highest levels in forty years, the economy was slowing and borrowing rates were rising. The market reaction was fast and damning. The pound fell to its lowest-ever level against the dollar, and gilt prices collapsed.

Over four days, long-dated government bond yields rose by more than the annual increase in all but four of the previous twenty-seven years. The Bank of England intervened with a promise to buy up to £65bn of government bonds to save UK pension funds from collapse.

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Still, millions of families faced hefty rises in mortgage payments over the following two years. Within weeks of Kwarteng's announcement, Truss dismissed him, and by the end of October, Truss had herself been forced to resign by her parliamentary colleagues. The new chancellor, Jeremy Hunt, quickly reversed the tax cuts.

This was not the first time that a UK government has become embroiled in a financial crisis largely of its own making. One such event happened in 1847, under the Whig government of Lord John Russell, and came as they grappled with the Irish famine, the worst demographic disaster in the United Kingdom's history. Despite this, the government decided in spring 1847 – long before the famine ended – to cut Treasury spending on public relief efforts, a move attributed by many economic historians to the influence of laissez faire economic theories. This meeting set out to assess the Russell government's response to the 1847 financial crisis and the Irish Famine.

Professor Liam Kennedy began the grim story in September 1845, when a pestilence started to infect Ireland's potato crop, and eventually reduced the annual yield by between a quarter and a third. At first, the crisis was manageable, and few people died, largely because the west of the island rather than the poorer east was worst affected. The following summer, however, the mysterious blight struck again, decimating as much as 90 per cent of the potato crop. Within months, the workhouses were filling up and a panic-stricken exodus began as

famine diseases exacted a heavy toll on the Irish poor. The blight did not return in 1847 but only a small potato crop was sown. The following two years saw only a partial recovery.

As Professor Kennedy explained, Ireland was especially vulnerable to repeated harvest failures because its population had ballooned over the previous hundred years. From the 1740s to the end of the eighteenth century, the population doubled, and from the early 1800s to 1845, nearly doubled again. The blight swept across Europe, he said later, but the agrarian communities of Ireland were almost uniquely dependent on the potato as the mainstay of life.

Professor Kennedy gave an unsparing account of the blight's tragic consequences: 'Hordes of hungry and infected people roaming the countryside in search of alms, some heading for the towns and ports; others were too weak to move, huddled in one roomed cabins, debilitated and demoralised, standards of cleanliness abandoned, living and sleeping in filthy conditions.' Overcrowding, poor hygiene and weakened constitutions proved ideal for the spread of famine diseases such as typhoid and typhus. The death toll soared.

Professor Kennedy read some heart wrenching contemporary accounts from local parish records. One recounted 'typhus fever raging and reaping great havoc', the burials of two young children found dead by the roadside and 'their coffins were the rags of clothes they wore, and their graves a sandpit into which they were thrown.' Others told of

people living on weeds, a young man losing his jaw because of famine and disease, and dead bodies left uninterred for a week because family members did not have the strength to bury them.

He observed that an extreme Irish nationalist interpretation of the famine emerged in some parish reports. The priest respondent described the famine as 'murderous, heartless and demented'. John Mitchel, the author of an influential polemic, thundered that 'the Almighty, indeed, sent the potato blight, but the English created the famine'. Later generations of Irish nationalists called the famine 'genocide' and 'Ireland's holocaust', a deliberate and intentional act by the British government.

So, how did the British government try to ameliorate the ecological crisis that befell the people of Ireland? Professor Kennedy described how, following the first crop failure, the Tory prime minister, Robert Peel, swiftly put in place a secret policy to buy maize from the United States. His government's main solution was to create jobs for the poor, working on bridges, drainage schemes and other public works projects. Peel's most radical measure, however, was the repeal of the Corn Laws in 1846, of which the most immediate political consequence was a split in the Tory Party and the collapse of the government. Lord John Russell's minority Whig government took office in the summer of 1846.

By December 1846, the new government had decided to abandon public works as a solution to the Irish famine. Charles Read disputed the conventional wisdom

that laissez faire economic theories drove the decision. He noted that grants and loans for Irish relief totalled just under £4m in the 1846/47 financial year – Russell’s first year in office – compared to less than £1m in the 1845/46 financial year, under Peel’s administration. During its early months in office, Lord John Russell’s administration promised to spend £10 million a year on Irish relief.

Both speakers observed that the schemes failed to arrest the rising death toll, despite the massive increase in spending. Dr Read set out the main reasons. Forcing starving people to do manual labour only helped to raise the death toll and the public works sites were hit by famine fever. As inflation rose, the wages paid were not enough to feed families; and when men employed on the works schemes died, sustaining their widows and young children became more challenging. The daily payments to workers saw Ireland run out of farthings, which exacerbated inflationary pressures.

At the start of 1847, Dr Read said, the government decided to rely instead on the Irish Poor Law to provide famine relief. One-third of the funding for these measures would come from the Poor Law unions (funded by ratepayers, farmers and tenant shopkeepers) and two-thirds would come from central government. One-third of the funding would be a government loan (which it never really expected to be paid off) and two-thirds would be non-repayable. During the transition from public works to Poor Laws, the government used soup kitchens as a

temporary measure to feed the afflicted.

The new policy – ‘feeding people would keep them alive’ – had several attractions for Russell and his colleagues, Charles Read explained. Using loans to fund famine relief enabled ministers to hide what was, in reality, additional spending, as they were not added to the deficit. There were political considerations as well: with Irish ratepayers exempt from paying income tax, it was simply not politically sustainable to leave British taxpayers paying for public works schemes.

By the autumn of 1847, Lord John Russell’s administration had performed what Professor Kennedy called ‘a remarkable volte face’. The ‘new masterplan’ was that ‘Irish property would pay for Irish poverty’: the Irish Poor Law system assumed sole responsibility for delivering famine relief. Some lives were saved, he said, but the Poor Law allowed diseases to spread throughout the increasingly overcrowded workhouses. As Professor Kennedy grimly concluded, major mortality continued throughout 1848 and 1849, despite the partial crop recovery.

Charles Read devoted much of his remarks to explaining why Lord John Russell and his colleagues embarked on a ‘spending binge’ and then performed such a spectacular U-turn.

First, he outlined the unpromising economic context in which the government developed its policies for addressing the Irish famine. The failure in the potato crop in Europe led to commodity shortages, a surge in food prices in 1846/47 and

finally, a recession. Lord John Russell and his cabinet had to choose between protectionist measures and what we now called ‘globalisation’ as the best way to secure food supplies. They also had to decide how to reallocate resources to help those whose incomes disappeared in the late 1840s.

Second, Lord John Russell’s administration operated in a challenging political environment. The Whigs were the largest party in the House of Commons but were some way short of having an overall majority. They had to rely on the Peelites – the ‘liberal conservatives’ – and O’Connell’s Irish Nationalists to sustain the government and pass its budgets and legislation. The Peelites used their considerable leverage over government policy to demand the continuation of the public works programmes. In August 1847, Russell promised parliament that ‘the whole credit of Treasury and means of the country are ready to be used . . . to avert famine and maintain the people of Ireland.’

Dr Read then explained how the government’s attempts to pay for its Irish relief programme went so badly awry. In the February 1847 Budget, the government cut taxes – duties on imported food – and committed to spending £10m a year on Irish poor relief. Ministers wanted to increase taxes to pay for famine spending, but Peel insisted that they should borrow the money instead. The first Irish loan was duly raised but, within a week, the financial markets began to panic when they saw that as much as £8 million was being borrowed. The ensuing loan crisis of

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March–April 1847 saw a run on the Bank of England's gold reserves and note reserves, and a massive surge in yields. The government increased interest rates to calm the markets.

A contributing factor to the crisis, Dr Read said, was Peel's Bank Charter Act of 1844, which stopped the Bank of England from issuing bank notes over a certain fiduciary level, on a one-to-one ratio with its gold reserves. As the reserves declined, so did the amount of liquidity that the Bank could issue and, without enough liquidity in the system, government debt auctions began to fail. Ministers moved to stop the panic by promising that there would be no second loan to the Irish Poor Law unions, though they secretly investigated whether it could be hidden.

In October 1847, an increase in interest rates triggered a second loan crisis that culminated in the 'week of panic'. As Charles Read summed it up, 'the corn brokers went bust and shares in some railways crashed, taking several banks down'. The government was forced to raise interest rates to 8 per cent, the highest level since the Bank of England was established. Ministers also had to 'suspend' the Bank Charter Act to calm the panic which been exacerbated when the chancellor of the exchequer, Charles Wood, personally asked borrowers to put their money back into the Bank of England.

As a result of the two crises, Wood abandoned plans for any more borrowing – meaning that the government could not lend money to the Poor Law unions as planned. Ministers began to pursue other

options for financing Irish famine relief, but, as Charles Read showed, they soon collided with political reality.

On two occasions in 1848, he said, the government proposed increases in income tax to pay for Irish famine relief. These were withdrawn after being rejected by the Irish Repeal MPs, who wanted to keep the Irish income tax exemption and the Peelites, who, despite the events of the previous year, wanted the government to run another budget deficit.

Earl Grey, the colonial secretary, then proposed to introduce capital controls, so that the government could borrow money once more. But this suggestion was also vetoed, this time by Peel, who saw the Bank Charter Act as his historic legacy and threatened to bring the government down if it was repealed.

The collapse of the government's policy for ameliorating the Irish famine meant that the Irish Poor Law unions took on the entire burden of funding relief measures. Consequently, taxes in Ireland reached very high levels: in one area, property rates were as high as 170 per cent. Dr Read outlined the catastrophic results. The areas with the highest tax rates failed to collect the full amounts of revenue needed to pay for relief measures. With no capital controls, there was a sudden surge in emigration to the United States as wealthier people escaped higher tax rates. The emigration and capital flight triggered by the high taxes caused Ireland's rural economy to collapse even further. If it was to work, he argued, the Poor Law system

required a geographical transfer of wealth from the wealthier parts of Britain. After the two financial crises of 1847, however, the promised loans that would enable such a transfer were no longer available.

During the question session, both speakers dismissed suggestions that the Whigs' response to the famine was racially motivated. Professor Kennedy noted that Lord John Russell and Wood had followed the Whig cause of 'Justice for Ireland' since the 1830s and supported reforms aimed at developing its economy and society.

Charles Read argued that Lord John Russell's initial commitments to spend generously on famine relief were a sincere attempt to save as many Irish lives as possible. He emphasised that the spending cuts were aimed not just at Ireland, but the whole empire. At one stage, he noted, the Army was left with just two battalions. Lord John Russell's government tried to save Ireland he said, and their failure to do so was 'incompetence, not intention.'

Charles Read finished his remarks by drawing some fascinating parallels between the budget crises of 1847 and the Truss government's disastrous 'Growth Plan'. He cautioned against 'seeing what we set out to see', allowing modern political agendas to drive interpretations of history and failing to identify the important lessons from history.

One reason that the 2022 mini-Budget happened, he opined, was that 'other explanations' for the Irish famine, such as the influence of laissez faire ideology, are better known. But the key to understanding the Lord John Russell

government's U-turn over Irish spending was that they 'messed up' raising the money in the 1847 Budget by trying to raise taxes and then going on a borrowing spree when interest rates were going up,

commodity shortages worsening and inflation surging – the same economic conditions that prevailed in 2022. 'The fact that the true story was not better known allowed the [Truss] government to try to do it

again, with much the same consequences as 1847,' he concluded. ■

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Reviews

Who? Who?

Nigel Fletcher, *The Not Quite Prime Ministers: Leaders of the Opposition 1783–2020* (Biteback Publishing, 2023)

Review by Peter Truesdale

In 1852, a list of the new ministers in Lord Derby's new Tory administration was being read out to the House of Lords. The Duke of Wellington was by then in his early 80s and extremely deaf. As the list of nonentities and obscure backwoodsmen was read out, he shouted: 'Who? Who?'. Whether this was because he couldn't hear or because he did not know who they were remains a matter of debate. However, even the saddest political nerd would likely be to be asking: 'Who? Who?' of the forty-four men and women listed in this book's Table of Contents.

The criterion for inclusion is to have been a leader of the opposition but to have failed to go on to be prime minister. Fletcher acknowledges that this poses a challenge. After all, official recognition of a person as opposition leader is a relatively recent phenomenon. Accordingly, he sets his own starting point and begins with Charles James Fox. Following on from Fox, the leaders

of the opposition fall into three categories: nearly-men, losers and stopgaps.

The nearly-men are those who, on the balance of probability, would have become prime minister had not their lives been cut-short. Hugh Gaitskell and John Smith certainly qualify for inclusion under this heading. Can anything new be said about Gaitskell? Fletcher exhumes two marvellous quotes. The first from Harold Macmillan:

The trouble with Mr Gaitskell is that he is going through all the motions of being a Government when he isn't a Government. It is bad enough having to behave like a Government when one is a Government. The whole point of being in opposition is that one can have fun and lend colour to what one says and does. To be colourful is the opportunity opposition gives you.

The second is (allegedly) from Gaitskell himself. He is supposed

to have described to Morris Cargill his craving to be prime minister and then went on to add a 'negative reason': 'I must stop that bastard Harold Wilson from becoming Prime Minister'.

Inevitably the nearly-men are subject to comparison to the leader of their party that did go on to win. There are few neutrals in judging between Gaitskell and Wilson. A battalion of aging men on the centre-left find their eyes moistening when they imagine a Gaitskell government (this despite his visceral anti-Europeanism). Would he really have been better than Wilson? Personally, I doubt it.

John Smith is a different case. While no mean politician, he certainly did not have the charisma and flair of Blair. One question is how English voters would have reacted to him as a Scot? Charles Kennedy was the sort of Scot that English voters like: amiable, un-superior, fun. Gordon Brown was the opposite: dour, lecturing, drab.