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Labour's social plans

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SOCIALISM

AFFLUENCE

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1. socialist aims

What is Socialism about in the nineteen-sixties? An answer can be found from the works of two leading members of the Labour cabinet. In the opening words of *The Conservative Enemy*, Tony Crosland gives us his unambiguous answer.

"Today we all accept some communal responsibility for overcoming poverty, distress and social squalor. The question is whether we do so gladly or grudgingly, and what priority we give it. A Socialist is identified as one who wishes to give this an exceptional priority over other claims on resources. . . . This represents the first major difference between a socialist and a conservative." (C. A. R. Crosland, *The Conservative Enemy*, p11, Jonathan Cape, 1962) In his book, Crosland condemned the widespread poverty and distress "amongst non-producing dependents and those with exceptionally heavy responsibilities—the sick, the widowed, those with large families and above all the two and a half million old people living below or near the poverty line." He particularly stressed the plight of "certain small groups with no electoral bargaining power"—the homeless, the chronic sick, problem families and most of all "those afflicted by several disabilities at once, such as solitary old people, disabled by physical or mental illness, yet still imprisoned in slum houses." He drew attention to the deficiencies in our social capital: "the old age and dispiriting bleakness of most of our hospitals, the hopelessly overcrowded classes in many state schools, the shortage of university places, the uncivilised conditions in mental hospitals."

"These deficiencies have come to seem the more vulgar as the general level of prosperity has risen. The large increase in conspicuous private goods such as cars and household durables: the growth of ostentatious private office-building; the growth of the teenage market. . . . We are now rich enough for the uncivilised state of the social sector, so deadening to happiness and vitality to stand out as unendurable." (*ibid*, p2) "The balance between public and private spending is wrong," Crosland told us. "We shall not put matters right unless we increase the proportion of the national income devoted to social purposes."

Douglas Jay in his *Socialism in the New Society*, published in the same year developed the same theme. "We are asked to believe by the extremer forms of propaganda that additional supplies of goods which minister to private spending are an access to national wealth and prosperity while almost any improvement of public services is a national extravagance." (Douglas Jay, *Socialism in the New Society*, p217, Longmans, 1962) Under this "crazy doctrine, the building of houses for those who need them but cannot pay for them is extravagant, but the building of houses for those who can pay for them, but may not need them is a growth of national wealth." He concluded that "the supply of any service is an addition to the national wealth if it meets a need, and is efficiently organised, entirely regardless of whether a public or private agency is responsible."

Owing to the crazy doctrines which had governed policy in the past and for other reasons there was a "continuous starvation of the public services." (*ibid*, p221) Bluntly he told us "Government and local authority expenditure . . . has always been too low: is too low today and ought to be increased." (*ibid*, p222) He argued therefore that "the assault on poverty and inequality through redistribution must remain the prime purpose for a very long time ahead." (*ibid*, p224) And in this assault it was necessary to avoid social discrimination "as far as possible." (*ibid*, p226) Secondly there were too few houses at rents people could afford. (*ibid*, p230) Thirdly, "the prime need is for British governments to stop starving our State educational system of the finance it needs to develop properly." (*ibid*, p245) The share of national resources going to education had to be increased. Fourthly, health and medical care were also "grievously starved of resources." (*ibid*, p252) Fifthly, "family allowances needed developing." (*ibid*, p253)

The thinking of Crosland and Jay and of many others who did not express their views in book form was reflected in the Labour Party home policy statement of 1961—*Signposts for the Sixties*. The statement identified the causes of Britain's decline. One of them was "the contrast between starved community services and extravagant consumption summed up . . . in the phrase, "private affluence and public squalor." It stated unequivocally, "One of the characteristics of the ever more complex civilisation in which we live is the need it imposes on the modern state to allocate more and more of the national resources to community services—health, education, social security and transport." (p8) I repeat "more and more of the national resources"—a higher proportion.

Since the early nineteen sixties the shortcomings of what the 1961 policy statement called the "community services" have become increasingly apparent. More and more information has become available from both public and private sources indicating serious shortages of services in general, chronic maldistribution of such services as were provided between different areas, and the extent to which Britain's Social Services have fallen behind those of other advanced nations.

education

The Newsom Report indicated the serious inadequacies of two-fifths of the schools for the age group 13-16 which it studied. (*Half Our Future*, HMSO, 1963) It called for an accelerated building programme, the raising of the school leaving age to 16 and a variety of other improvements, many of which entailed increased expenditure.

In the field of higher education the Robbins Committee showed university expansion had not "even quite kept pace with the increase in the age group, let alone the

increase in the number of those with the minimum qualifications for entrance. (*Higher Education*, p12, Cmnd 2154, HMSO, 1963) The report showed on various assumptions that the proportion of national resources devoted to higher education would need to double between 1962 and 1980. (*ibid*, p208) It is likely that the Plowden Committee which is about to report on primary education will also point out in clear statistical terms the need for higher expenditure in the last main sector of education to be given a systematic post-war investigation—the primary schools.

In the health service official acceptance of the problem of the emigration of doctors and study of the implications of population changes on medical manpower have shown the need for a massive increase in medical education. Meanwhile ways and means have been found to give financial assistance to family doctors to enable them to give a better service by improving their premises and employing secretaries. The first national plan for community care showed the incredibly wide variations in the extent to which home helps, district nurses and health visitors were available in different areas. (*Health and Welfare*, Cmnd 1973, HMSO, 1963) As regards the hospital service, there have been growing complaints in the *British Medical Journal* and elsewhere about cross infection in operating theatres, about shocking conditions in psychiatric hospitals and the continuous lack of money to provide patients with the standard of care they are entitled to expect.

social security

In the social security sector, the Ministry of Pensions and National Insurance finally confirmed from its own somewhat belated study of the aged (*Financial and other Circumstances of Retirement Pensioners*, HMSO, 1963) what Peter Townsend and Dorothy Wedderburn had shown from their own studies over a period of ten years that there is a massive problem of recipients of national insurance benefit failing to apply for supplementary national assistance. (Peter Townsend, *The Family Life of Old People*, Routledge, 1957; Dorothy Cole, *The Economic Circumstances of Old People*, Bell, 1962; Peter Townsend and Dorothy Wedderburn, *The Aged in the Welfare State*, Bell 1965) Allowing for all categories entitled to receive assistance there are roughly a million people below the basic national assistance level of living who are entitled to but do not apply for help.

Pressure from academics and Labour members has forced the department to look into the effects of the wage stop regulations and reveal the fact that a third of the unemployed with children who were receiving assistance were subject to this cruel regulation. The laws of the Welfare State still provide no means by which such families can obtain the basic minimum widely believed to be available to the whole population. In addition there is the vast problem of families where earnings from

full-time work are not adequate to raise the family above assistance level. (Brian Abel-Smith and Peter Townsend, *The Poor and the Poorest*, Bell, 1965)

As a result of all this new research, the fact that poverty is widespread in Britain is now accepted as it has never been since pre-war days. The dailies and the weeklies, sound broadcasts and television shows periodically remind the public of the seven and a half million persons, two and a quarter million of them children, at or around the national assistance level of living of which two million persons, 700,000 of them children, below the crude national assistance scales in 1960. At the lower end of the income scale if not also at the higher end inequality appears to be increasing. The word poverty, applied to affluent Britain, is now rehabilitated to find a regular place in the leader-writer's copy.

2. social policy and the National Plan

While Crosland and Jay and the authors of *Signposts for the Sixties* had good reason for demanding in the early sixties that more resources should be devoted to the social services, the accumulating evidence of the last four years has greatly strengthened their case. A socialist, as Crosland has told us, is a person who gives exceptional priority to overcoming poverty, distress and social squalor over other claims on resources. Taking this as our text, let us review the social planning of the Labour Government. Though the economic difficulties of the last year have made the National Plan sadly out of date, the original document published over a year ago provides the most detailed picture of the government's approach to long term planning. Taking the investment sector first, manufacturing and construction was to increase by $7\frac{1}{2}$ per cent per annum on average over the period of the plan. Public service investment (excluding roads and housing) was to increase by under 7 per cent per annum and housing by under 5 per cent per annum. On the consumption side social and other public services were to increase by 4 per cent per annum and personal private consumption by 3.2 per cent per annum. Public services were to grow at a slightly faster rate than private consumption. However the latter was in 1964 the largest single user of national resources. Thus out of a planned increase of £8,200 million in the gross national product, £4,400 million (over half) was to go in personal consumption. (*The National Plan*, p161, Cmnd 2764, HMSO, 1965)

It seems important however to see how the rate of increase in the public services projected in the plan compares with earlier trends. Moreover as the plan involves giving a greater weight for public housing as opposed to private housing it seems also relevant, when making any comparisons with the past, to consider housing investment as a whole. The blue book, *National Income and Expenditure*, 1965, does show estimates for public expenditure in constant prices for past years. How does the distribution of resources for the six years 1958 to 1964 compare with that planned for the six years 1964 to 1970? The two tables overleaf cover public current expenditure on goods and services excluding defence and total investment (public and private) on housing.

The calculation shows that the public services (current) and housing increased by 34.5 per cent in constant prices between 1958 and 1964 and are planned to increase by only 28 per cent between 1964 and 1970. Thus the absolute rate of growth was greater in the six years preceding 1964 than in the six years planned from 1964 onwards.

The plan provides for about the same overall rate of growth of the economy between 1964 and 1970—of 25 per cent compared with an achieved growth of 25.4 per cent between 1959 and 1964. Whereas the plan provides for an increase of personal consumption of 21 per cent between 1964 and 1970 personal consump-

EXPENDITURE AT 1958 PRICES (£ million)

	1958	1964
private investment in housing	322	625
public investment in housing	269	463
national health service	694	813
education	553	697
other	960	1,165
total	2,798	3,763

source : *National Income and Expenditure*, 1965, pp 19, 63.

EXPENDITURE AT 1964 PRICES (£ million)

	1964	1970
housing	1,209	1,595
social and other public services	3,481	4,405
total	4,690	6,000

source : *The National Plan*, p161.

tion actually rose in real terms by 23 per cent between 1958 and 1964. Thus Labour's plan gives more relative weight to personal consumption compared with public services and housing than the Tories during the last six years of their administration. Or to put it another way, the gap between private spending and "social" spending narrowed faster under the Tories than under Labour's plan for the future.

This comparison is subject to two qualifications. First, much depends on the years of Tory rule brought into the comparison. There was a sharp increase in expenditure between 1963 and the "boom" year 1964. Secondly, the table does not include all the "social services," as comparable figures for the whole public social services are not available. It would be helpful if the full set of figures in the plan could be compared with the pre-plan experience. But nevertheless I would conclude that a man from Mars given Crosland's definition of socialism and the official statistics might easily make a mistake in an attempt to identify the socialist party. The general point which needs to be made is not just a statistical quibble. It is this : *The National Plan* makes extraordinarily little provision for narrowing the gap between private affluence and public squalor.

housing

Let us consider the implications of the plan in the various parts of the social programme. First, let us consider housing. The plan provided for an increase in the annual rate of investment in housing (public and private) of 32 per cent between 1964 and 1970. This compares with an achieved increase of 84 per cent in the

period 1958 to 1964. At first sight a target of 500,000 houses built by 1970 sounds impressive. But after allowing for losses of houses to make way for other developments and provision for new household formation, the remaining part of the five year plan allows us to replace existing houses at the rate of about $1\frac{1}{2}$ per cent per annum. The fact that 17 per cent of our existing houses are believed to need replacement, including over 5 per cent of houses officially designated as slums, brings the plan into perspective. (*The National Plan*, p172) Nor is the strain which Britain's planned housing programme will make upon our national resources a world record. In 1970, 3.9 per cent of gross national product is planned to be spent on housing construction. As an average, for the years 1954 to 1958 New Zealand, Greece, and Switzerland were spending nearly 5 per cent of gross domestic product on housing: Sweden and Italy were spending around $5\frac{1}{2}$ per cent; a three year average for Israel was as high as $7\frac{1}{2}$ per cent. (*Report on the World Social Situation*, p67, United Nations, New York, 1961) Few would lay bets that 500,000 houses will actually be built in 1970: but a long term target of 750,000 houses is not impossible in view of what other countries have achieved.

health and education

Current expenditure on the health service is planned to increase by 18 per cent between 1964/65 and 1969/70. (*The National Plan*, p185) This compares favourably with an increase of 13 per cent between 1959 and 1964. The abolition of the prescription charge has however absorbed roughly a quarter of the increased expenditure, making the planned growth in total expenditure on health much the same as under the Tories. As the proportion of the national product devoted to health services was about the same when the Labour government returned to office as in the first full year of the health service, this means that it is planned that about the same proportion of gross national product will be spent on health services over a full twenty year period. This completely contradicts international experience.

In every other high income country for which data is available, an extra one to two per cent of gross national product is devoted to health services every ten years. (*Royal Commission on Health Services*, p482, Queen's Printer, Ottawa, 1964) Public and private expenditure on health services was a little over 4 per cent of gross national product in 1949. If expansion had been at the same rate as in other countries we would be planning to spend at least $6\frac{1}{2}$ per cent of gross national product by 1970, the figure achieved by Canada in 1961, and likely to be achieved by the United States this year. (*ibid*, p425)

In criticism of this, it may be said that comparisons with the United States and Canada are unfair as both these countries have large private sectors. But they are the only countries for which published information on total expenditure (public and

private) on health services are available. If, however, we confine comparisons to public expenditure on health, it is of interest to note that the percentage of national income spent on current public health services in 1962 was 4.0 per cent in the United Kingdom, 4.1 per cent in Norway, 4.6 per cent in Denmark and 4.8 per cent in Sweden. (*Social Security in Nordic Countries*, Oslo, 1965) If we were in line with Sweden, Britain would be spending over £200 million more on its health service. I do not want to spell out what this really means in terms of poor amenities and less than the best medical care for patients. But it should be appreciated that the general standard of our health service is rapidly falling behind that of other advanced nations.

The bulk of capital in the health service inevitably goes on hospitals. The plan points out the, by now familiar, fact that half the hospitals inherited by the national health service were built in the last century and many are over 100 years old. (*The National Plan*, p186) Little building has taken place in the last eighteen years. The vast majority of our hospitals are ill designed and wrongly sited. Moreover in no social field does plant become obsolete so quickly. Changes in medical practice have totally transformed the type of building needed for a hospital over the past 40 years. After allowing for the increase in hospital facilities needed to meet the needs of the growing population, the existing rate of hospital construction as described in *The Hospital Building Programme* (Cmnd 3000, HMSO, 1966) would succeed in replacing our hospitals in 100 years. The plan provides for this period to be reduced to 60 years by 1970. But in practice a considerable part of the allotted capital funds will have to be used to patch up the old buildings to enable them to stay in use until their turn comes for replacement.

In the case of education the possibilities are to a certain extent limited by the rate at which the teaching profession can be expanded. It is not possible from the information available to compare the rate of growth with that experienced in the past, but it is probably greater. The plan provides for teachers to increase faster than pupils so that the pupil teacher ratio will improve by around 5 per cent before the strain on resources of raising the school leaving age has been taken up soon after 1970. Little surplus for upgrading and replacement of unsatisfactory schools is left after provision has been made for the increase in the number of school children. The plan leaves little scope for facilitating the growth of comprehensive schools by new construction.

The extent of planned progress in the health and education sectors of the plan can be seen from the bald statement about the allocation of manpower to these sectors. "In the case of health and education the forecast rate (of growth of manpower) is approximately 1 per cent a year slower than in recent years, even though

increasing demands on these services will have to be met." In other words health and education manpower will expand at a slower rate under Labour than under the Tories.

social security

The allocation for higher social security benefits is an increase of 15 per cent after allowance has been made for the natural increase in persons entitled to benefits—more aged persons entitled to pensions, more children entitled to family allowances, etc. As the plan (p66) provides for wages to increase by 21 per cent (taking the mid point between 3 per cent and $3\frac{1}{2}$ per cent per annum) it is apparently intended, even without any extension in the scope of social security, that the level of living of social security beneficiaries will fall behind that of wage earners. Social dependents are not to receive their share of national prosperity, as £68 million is allotted to wage related sickness and unemployment benefits and a further sum to expenditure arising out of the reform of National Assistance, these developments must be achieved at the cost of widening the gap between benefit and wages for those not benefiting from these particular programmes.

The allocation to social security has been kept extraordinarily low although a recent study has pointed out that "the proportion of national resources devoted to social security (in Britain) is very much lower than in any of the Common Market countries." It is worth reciting the figures on the basis of which this statement was made. In 1960, the proportion of gross national product going to social cash benefits in the United Kingdom was 6.4 per cent. The corresponding figures for other countries were Denmark 6.8 per cent, New Zealand 7.2 per cent, Netherlands 7.7 per cent, Italy 7.9 per cent, France 8.3 per cent, Belgium 8.8 per cent, Sweden 9.1 per cent, Austria 9.2 per cent, West Germany 10.4 per cent. The report added that "one of the weakest elements in the social security system of this country is the provision for family allowances. They are much lower than in other countries which provide them." Again it is worth quoting the statistics. A four child family in Britain received family allowances worth 13 per cent of national income per head of working population. In the Netherlands and Western Germany this proportion was 25 per cent, in Belgium 45 per cent, in Italy 54 per cent, in France 63 per cent. ("Social Security in Britain and certain other countries," *National Institute Economic Review*, no. 33, August 1965)

If it were decided to raise family allowances to the level of living recommended in the Beveridge Report (in other words correcting for price changes since the report was written) this would absorb virtually the whole of the social security allocation. It is tempting to drive the point home by repeating the categories for which Crosland showed particular sympathy. The mean allocation for social security,

the persistence of the wage stop, of unreasonable rent cases and most important of all the persistence of inadequate family allowances which in itself ensures that over half a million persons (most of them children) are below crude assistance level squares unhappily with one of Mr. Wilson's tv election broadcasts. On 23 September 1964, he told the nation: "What we are going to do now—we are going to do it early because it is urgent in the first few weeks of a Labour Government—is to provide a guaranteed income below which no one will be allowed to fall." (quoted in James and Audrey Kincaid, "The Glossy Soup Kitchen," *International Socialism*, Summer 1966, p10)

is this socialism ?

Thus in general *The National Plan* makes extraordinarily low provision for improvements in the social services. In reply to this criticism of the low priority accorded to what it is now fashionable to call social development as against economic development, it can fairly be said that the main purpose of the plan was to straighten out our economic difficulties. The plan states this very clearly. "The task of correcting the balance of payments and achieving the surplus necessary to repay our debts, while at the same time fostering the rapid growth of the economy, is the central challenge. We must succeed if we are to achieve all our objectives of social justice and welfare, of rising standards of living, of better social capital, and of a full life for all in a pleasant environment." (p1)

While it is undoubtedly true that correcting the balance of payments is an essential aim and that failing to do so could lead to mass unemployment, it is by no means certain that social justice, welfare and better social capital depend upon rapid growth of the economy. The ugly gap between private affluence and public squalor could be corrected without rapid economic growth—indeed considerable progress could be made without any economic growth at all. Are we really so selfish as a Society that we are saying to all the people in need whom Tony Crosland has named, "We won't sacrifice any of our existing private affluence to help you. All we can do is to promise you a share—indeed, a pathetically small share of any new affluence"—if it comes.

It is a terrifying fallacy to pretend that economic and social aims are wholly competitive. Why do we want economic growth if it is not to promote social and not economic ends—higher levels of living whether they are gained through collective provision or private provision. In planning for developing countries it is at last recognised that economic and social objectives are not competing ends but that all ends are social and that economic development is only one of the means. (*Social and Economic Factors in Development*, pp 12-13, UNRISD, Geneva, 1966)

The national plan aimed to increase output by £8,000 million over six years. The plan stated that out of this, £2,000 million was needed to correct the balance of payments and to increase investment in private and nationalised industry. Out of the remaining £6,000 million over £500 million was set aside for housing and roads. This left less than £5,500 million to be divided between private affluence and public squalor on current account. The plan gave less than £1,000 million to public squalor and nearly £4,500 million to private affluence. Is this Socialism? It is time that now that growth is now sadly off target, social expenditure has on the whole been kept as planned with the result that the cut is falling on private investment and private consumption. But it is hardly satisfactory to define a socialist as someone who preserves the social services when times are hard.

3. why limit social spending ?

In certain narrow fields there certainly can be competition between what is required to balance our payments and what is needed for the expansion of our social services. It may be that the capacity of the building industry will be stretched to the maximum by the combination of the 1970 planned construction of factories to expand exports, and the planned housing, school, university and hospital building programmes. But we want to be told categorically that the whole of the potential output of the building industry including the resources released by the check on office building will be taken up in these fields.

It may be true also that the rate of social development is held back by shortages of skilled personnel. This is certainly a major limiting factor in education. There is also a shortage of doctors. But much could be done by using lower grades of personnel under the supervision of professionals. Over the years doctors in hospitals have been only too glad to shed some of the jobs which do not need their scarce skills to trained auxiliaries and have gained enhanced status by leading teams of professional personnel instead of working in isolation. Dentists and teachers have been less cooperative in this respect. How long is society going to be held to ransom by the monopolistic restrictive practices of professional groups? The restrictive practices of trade unions are chicken feed when compared to those of certain professional associations.

In many fields the social services are not held back by trained manpower shortages and in others, where they are, the cause can often be found in the shortage of training facilities—in the rate of expansion of higher education which is pathetically below the requirements of the nineteen-seventies and eighties. Staff could be found for the education, health and welfare services if less was used in advertising and in making luxury goods.

The point is clearest when one looks at the social security sector. Here it is not so much a question of public spending versus private spending but of whose private spending. Is the money better used enabling a mother of a large family to give her children a standard of living above subsistence level or enabling people to attend bunny clubs and gambling saloons? This is the moral choice which any government has to make.

Why have we allowed ourselves to become enslaved to the cause of restraining public expenditure as if every extra penny handled by the government was a drain on our economic growth and a diversion from the export drive? The absurdities of this thinking have been so clearly exposed by Douglas Jay that it is worth quoting some further sentences from the same source.

“The doctrine runs like this,” he went on to declare, “Expenditure on cars

4. charges and means tests

is good and adds to the national wealth, because it is private. Expenditure on roads is national extravagance, beckoning us towards financial ruin, because it is public.' So we observe every fine week-end huge stationary jams of expensive private cars held up by road bottlenecks, which only public spending can cure. Or 'the building of private schools is a meritorious enterprise: the building of State schools is a waste of money.' So we find great private firms, with the help of tax rebates, constructing private schools, splendid science laboratories which the Government often declares to be too costly for State schools. . . . Or expenditure on medical care and equipment is scientific progress if privately financed: but is wicked Socialism if the same care and equipment is provided by a public authority for those most in need. The payment of pensions (so we are asked to believe) 'through private superannuation schemes, heavily subsidised by the State, is the height of prudence and sound finance. But the payment of pensions to those probably even more in need through a State scheme is extravagance likely to unbalance the national finances.' To such absurdities do the arguments in the end lead by which reactionaries today in every country try to resist the growth of the public services." (*Socialism in the New Society*, p217).

All splendid stuff. Yet *The National Plan* reads "The Government have been engaged in a thoroughgoing review of the whole field of public expenditure. Changes have been made to ensure that total planned expenditure is within our means." What does this mean—"within our means"? What determines the level of social spending? This is one of the questions that Crosland asked and answered in *The Conservative Enemy*. "In a free society, the real limit is set by the proportion of income which the electors are willing to forego from individual spending." (p22) In other words it is a political limit. "Within our means" is a naughtily misleading way of saying that the Government has decided to allocate £1,000 million of new money to public consumption and £4,500 million to private consumption.

absurdities

The limit on public expenditure was fixed early in the Government's history. The figure of 4½ per cent per year at constant prices was decided on in February 1965—long before the rest of the plan was put together. (*The National Plan*, p176) These are times when one has been tempted to believe that the foreign bankers who may well subscribe to what Douglas Jay called the "crazy doctrines" have imposed the tough public expenditure limit as the price for their support. But officially we are told that this is not so. It is also important to observe that the limit of 4½ per cent was fixed before departmental Ministers had really had the time to take stock of the services they were controlling. Rightly, a battery of new enquiries were launched to ascertain need in a variety of forms and to study the effectiveness of

3. why limit social spending ?

particular services. There appears to be little flexibility within the system of public expenditure control by which the recognition of new needs can result in a reallocation not just of departmental resources but of national resources.

Thus we have excellent Ministers in charge of spending departments bound hand and foot by the confines of public expenditure and even defending the shabby features of our welfare state which they have long been attacking. Meanwhile the sectors of the Welfare State which lie outside the boundaries of public expenditure continue to progress from strength to strength. Occupational benefits—pensions, sick pay and the rest are subject to no restraint under the plan. With an increase in direct taxation the value of tax allowances is correspondingly increased. Among the higher income groups where income tax really matters, the fiscal advantages of being aged, having children, dependents and nannies are made greater. There are higher tax subsidies to private pensions schemes and members of BUPA. It becomes more advantageous to finance public school education through endowment policies and covenants.

But the greatest absurdities of controlling public expenditure, while turning a blind eye to tax allowances and private occupational social security, health and welfare benefits can be shown by a number of examples. If a law were passed which compelled employers as a condition of service to pay the existing state sickness and unemployment benefits to their employees, public expenditure would be reduced and new money released—presumably to the Minister of Social Security to spend on other benefits within the designated limits of public expenditure. If the existing inequitable tax allowances for children were paid out as cash benefits, two heinous sins would have been committed—higher taxation and higher public expenditure—indeed considerably more than the Minister of Social Security's quota for the full five years. If existing income tax payers were given their present cash family allowances in the form of higher income tax relief for children, the economic miracle would have been achieved of lower public expenditure and lowering taxation without making anyone worse off. It may well be said that those who control public expenditure would not tolerate such ways of wriggling round the system. But the important point is this. Public expenditure control limits intelligent discussion of related issues of social policy. Sickness benefit, pensions, etc., imposed by the Government are heavily restricted, pensions and sick pay imposed by employers are entirely free of any control. The Inland Revenue refuses to see itself as what it is—one of the principal agents for social security—and thus fails to coordinate its activities with the Ministry of Social Security. If people want some of their pay to be transferred to the sick and aged in return for a guarantee that they in turn will receive more when they are sick and aged, why should two mechanisms be approved (employers' schemes and tax concessions) and a third disapproved (transfer through the Ministry of Social Security) ?

4. charges and means tests

Corsetted within their financial quotas, it is not surprising that departmental Ministers should be tempted to try and find means of improving the standard of their services without exceeding their quotas. There are, as indeed there have always been, three possibilities. The first is to cut back some services to enable others to expand. The second is to introduce charges or increase existing charges. The third is to introduce some form of means test for particular services. In this last connection it should be pointed out that it is to some extent an historical accident that the principle of universality has been applied to the main social security benefits and to health and education services but not to housing, welfare services, school meals, uniform grants, educational maintenance allowances, or maintenance allowances for higher education. The rationale of this deserves discussion, but this would take us far afield.

scope for further changes

It is often assumed that there is no scope for further charges in the social services which would be acceptable. But is this true? In the health field there are a number of possibilities. First, under a law dating back to the early nineteen thirties hospitals can and do make charges for treatment arising as a result of road accidents. The scale of charges has not been revised since they were laid down in the original Act and are hopelessly below costs. It would be quite possible to charge the full cost of treating motor accidents. Most of cost would be absorbed in motor insurance policies and it seems just for motorists to be made to pay for the repair of the damage they have done to others. The principle might be extended to industrial accidents. Why should not the National Health Service bill employers for accidents "arising out of and in the course of employment." Of course the billing would involve administrative costs but the revenue would surely be sufficient to justify these costs. Secondly, if a time came when a modest inflationary pressure could be absorbed, employers might be required to pay the same contribution towards the National Health Service as their employees. This is the practice in much of Europe. The revenue from this would make it possible to more than double the hospital building programme—to name only one possible use of the money. Thirdly, why do private patients who use national health service hospitals pay less than the full cost. They are usually given more expensive food than other patients, more trained nurses are needed to service single rooms, and most important of all no element of depreciation or rent enters into the charges which they pay. In a new teaching hospital the latter would justify an extra charge of at least £10 a week—such is the cost of new hospital construction.

In the educational field there seems less scope for charges. One obvious step is to remove all the complicated hidden subsidies to the public schools. There is also a strong case for more realistic charges for university courses and a system of loans

for university students should not be ruled out—though it would be many years before this brought any relief to the public purse.

ensuring services are available

This is not the place for a full discussion of the use of the means test in what are now universal services. But more and more conservative voices are echoing the thinking of the Institute of Economic Affairs and demanding a return to the market and the means test. This trend of thinking has occurred despite the fact that during the past five years evidence has been accumulating which shows that the means tests we have already do not work. For years it has been assumed that making a service available on a means test basis is sufficient for it to be used by those who need it. In almost no field is this true.

The failure of the National Assistance Board to reach all entitled to help has been mentioned above. The new Ministry of Social Security will undoubtedly improve this tragic situation but it will not solve it. For the assistance system to work people have to know their rights and be prepared to apply for them. There will remain many who do not know they can be helped and many who would rather go without than apply.

Miss Hilary Land has produced new data showing that many eligible large families do not get free school meals, uniform grants, holidays and educational maintenance allowances. Most local authorities take virtually no step to see that the terms upon which these services can be received are known to parents. Here is an extremely serious problem of children not receiving what they are entitled to. The value of these supplements to the living standards of a child can be as much as four times the value of family allowances. As yet, no way has been found of ensuring that services available on a test of means are received by those entitled to them. It is theoretically possible to solve this problem with cooperation from the Inland Revenue. But even this solution bristles with administrative difficulties. The assumption that problems of need can be solved immediately by a greater resort to the means test is naive, uniformed and at worst hypocritical.

Instead of planning an extension of means tests, much more thought is needed to see that, where existing means tests operate, those who are entitled receive the services. Alternatively, the whole process of having a means test might be circumvented. This can be illustrated from one area of need—school meals. Some families prefer to pay for school meals rather than have their children branded as free meals children at school. In most schools free school meals children are known by their class-mates. At the worst schools there are two queues—one of children who pay and one of children who do not. The latter queue in some areas

Why not raise taxation?

consists primarily of immigrant children. Surely the answer is to run the school meals service on a voucher basis with the vouchers on sale at the Post Office. They might be given free to all large families and included in the family allowance books issued to the mothers of these families. Other families in need could be given identical vouchers by the local authority. There seems no objection to the vouchers being exchanged for cash by families which did not wish to use the school meals service. This would by no means solve all the problems, but it would solve some.

Socialists are often accused of wanting to level down instead of level up. But it is mistakes to hear conservatives using the "levelling up" not down slogan. In many respects socialism is about levelling up. It is precisely what our aim should be in health, education and social security. We want to give everyone the costly education the wealthy have long enjoyed, to give every... the amenities that go with nurse medical care, to give everyone the standards of social security provided under the best occupational schemes.

Where the transfer of resources to the social services takes place through government this inevitably involves higher taxation. What is wrong with that providing the taxation is fair? Yet we find the Governor of the Bank of England reports as saying that taxation is "already dangerously high." One wonders what Douglas Jay thought about that statement. Was his part of the "crisis documents" the Governor also told us that "now, fiscal policy must mean further reduction in the growth of governmental spending, including with special emphasis that of the local authorities." As the Economist asked, "what precisely do Governor O'Brien and his like-minded friends have in mind?" (29 October 1966). He should not make such a statement unless he is prepared to come clean and make specific proposals. Does he want to cut expenditure on the police, on housing, on care for the sick and frail? Last year spending on educational buildings was about £200 million on the previous year.

Why should expenditure be cut? Is this the old left book argument about income taxes? Whatever the conventional wisdom may say, such empirical evidence as there is that the proposed general relation between taxation and incentives. In a sentence we can no longer rely on general statements based on national theories. We want to know which taxpayers are proved to be affected by which taxes.

British highly taxed. As a whole the most recent figures show Britain much more highly taxed than continental neighbours who as a whole have experienced much more favourable

5. why not raise taxation?

There is, therefore, no case for trying to raise additional revenue for the social services by a greater use of means tests but there is some scope for further charges. But such charges could not bring in anything like enough revenue to plug the gap between private affluence and public squalor or to give a minimum of affluence to the millions of Britain's poor. We are back at the central dilemma. Are we prepared to reallocate not only new resources but also old resources on a sufficient scale to meet the need? If a Labour Government won't, who will? Socialists are often accused of wanting to level down instead of levelling up. Socialists are not afraid or should not be afraid of advocating redistributive policies. But it is irritating to hear conservatives using the "levelling up not down argument" to oppose change. In many respects socialism is about levelling up. This is precisely what our aim should be in health, education and social security. We want to give everyone the costly education the wealthy have long enjoyed, to give everyone the amenities that go with BUPA medical care, to give everyone the standard of social security provided under the best occupational schemes.

Where the transfer of resources to the social services takes place through government this inevitably involves higher taxation. What is wrong with that, providing the taxation is fair? Yet we find the Governor of the Bank of England reported as saying that taxation is "already dangerously high." One wonders what Douglas Jay thought about that statement. Was this part of the "crazy doctrines"? The Governor also told us that "now 'fiscal policy' must mean further reduction in the growth of governmental spending, including with special emphasis that of the local authorities." As the *Economist* asked, "what precisely do Governor O'Brien and his likeminded friends have in mind -" (29 October 1966.) He should not make such a statement unless he is prepared to come clean and make specific proposals. Does he want to cut expenditure on the police, on housing, on education, on sewerage, on refuse disposal or on the community care services so essential to the sick and frail? Last year spending on educational building was actually down £5 million on the previous year.

Why should expenditure be cut? Is this the old text book argument about incentives? Whatever the conventional wisdom may say, such empirical research studies as there are give little support to the supposed general relation between taxation and incentives. In a scientific age we can no longer rely on general statements based on traditional theories. We want to know which taxpayers are proved to be affected by which taxes.

Britain lightly taxed

As a whole the most recent figures show Britain much more lightly taxed than our continental neighbours who, as a whole, have experienced much more favourable

rates of economic growth than we have. In the United Kingdom taxes took 32.5 per cent of gross national product. The corresponding figures for Belgium were 32.9 per cent, for Italy 35.8 per cent, for the Netherlands 36.4 per cent, for West Germany 40.3 per cent, and for France 44.6 per cent. The main difference between us and our continental neighbours is in the role of social security contributions. We still have mainly a flat rate contribution system—a heavy weight of regressive taxation at the bottom of the tax structure and an inelastic source of revenue for social benefits. Such wage-related contributions as there are stop at a low income ceiling. The long awaited review of the whole social security system could be one of the keys to future progress in the Welfare State. But such a review is useless unless it is allowed to break through the whole of the public expenditure control system—to lay the Gladstonian ghost which still haunts the Treasury and the Bank of England.

tax changes

A second key to progress in the welfare state would be the abolition of tax allowances to all social dependents. This should form part of the social security review. Cash allowances must be substituted for allowances against income tax and the two existing social security systems—the Inland Revenue and the Ministry of Social Security—must be rationalised. At last, the quality press has taken up this cause: both *The Observer* leader writer and *The Times* Labour Correspondent have recently come out in favour of rationalising child allowances in the income tax with family allowances.

Any changes in taxes and social security contributions must of course take account of the tax system as a whole. In the same way as most people in Britain appear to believe that we have the highest taxation and the most generous social services in the world, so do most people appear to believe that the British tax system as a whole is progressive throughout its whole range—that the richer you are, the higher proportion of your income you pay in taxes of all kinds. This, however, is simply not true. Let us take as an example a family of two adults plus one child in 1962. The average taxes paid by households with an income of £500 per year was 37 per cent; where the household income was £1,100 per year, the proportion paid in taxes had dropped on average to under 28 per cent; even at £1,300 per year the burden of taxation was less than 30 per cent (calculated from Central Statistical Office, *New Contributions to Economic Statistics*, pp 104-22, Third Series, 1964) Because of the heavy burdens of national insurance contributions, rates and indirect taxes, low incomes in Britain are substantially more heavily taxed than average incomes. Only those with relatively high incomes pay as heavy taxes as those with low incomes. The middle income groups have long been the great mass of undertaxed in Britain.

It is too early yet to know the impact on the tax system of a Labour Government. The statistics are not yet available. National Insurance contributions have been increased, a massive extra weight has been thrown on the tax on cigarettes: the incidence of both these is heavily regressive. On the other hand, petrol has also been heavily hit, income tax has been increased and a capital gains tax has been introduced—though the effect of the latter in this present year is likely to help rather than harm the wealthy. In addition rate relief has been introduced though probably about half a million entitled persons have failed to claim. It will be interesting to see the total effect of all this. What has the government done to turn into legislation its statement in the 1964 election manifesto. "Taxation must be fair and must be seen to be fair." (*The New Britain*, pp 12-13)

conclusion

Much of this has been critical of Labour's social planning, but the criticism is intended to be constructive. It is true that the present economic crisis has been ignored in this discussion. But with luck, the crisis should be over in a few months and the government will be in a position to prepare a new national plan. And when it does so, let us hope that it will bear in mind that a Socialist is one who wishes to give the relief of poverty, distress and social squalor an exceptional priority over other claims on resources.

fabian society the author

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