

FAILURE OF THE WELFARE STATE

The welfare state has failed, explains Dr. George Miller. A new social system must provide a fair way for people to earn their income. The author, a Fellow of the Royal College of Physicians, is a senior clinical scientist with the Medical Research Council's Epidemiology and Medical Care Unit in St Bartholomew's Hospital, London. He is an international expert in diseases of the heart. He was Professor in Residence in Epidemiology and Preventive Medicine at Albert Einstein College of Medicine, New York, in the 1980s.

WE TAKE great pride in the welfare state, but how far has it met its objectives? These are all to do with furthering the health, happiness and prosperity of our people. I say furthering, because the achievement of health, happiness and prosperity is precisely what every generation has laboured for throughout time, and what all people work towards themselves.

People labour in an attempt to improve their own lot, that of their families, and that of their community. They strive in the hope of leaving for their offspring a better world than they were born into. Although many give up the task or lose sight of it along the way, by and large society is successful, as evidenced obviously by the increase in wealth generated over the centuries. I use wealth in its very broadest and truest sense, not simply to mean financial wealth, but also advances in knowledge and in the arts and sciences.

How then are we to distinguish between the progress towards health, happiness and prosperity to be credited to our welfare state from that which would have been achieved anyway, had there been no Welfare State? Sometimes, indeed quite frequently, I think some people are confused on this point. The fundamental point to grasp is that, first and

foremost, the welfare state is about a fairer and more equitable distribution of wealth, rather than about the creation of wealth in general.

Criteria and Starting Points

It is probably true that, with a more equitable distribution of wealth there will follow a more efficient creation of wealth. But even if this were the case we cannot claim the welfare state to have aided in the creation of wealth until we can show that, first, it has succeeded in laying the foundations for this by improving the distribution of wealth. So it is no good pointing to general improvements in the state of the nation's education, or its health, or its prosperity, and claim a role for the welfare state in all of this, unless we can first show that it has met the prerequisite: a fairer distribution of wealth. To test this we need measures of the distribution of wealth in society. Using one fundamental measure, and one which I believe to be the best to hand, I suggest that the welfare state has fallen far short of its objectives; and for one very simple reason - it is folly to build castles on sand.

When asked about the age of Britain's welfare state, some people say, 'Oh, it is a postwar phenomenon, dating from Beveridge, Aneurin Bevan, and the legislation of 1948'. That is incorrect. Taking it to mean

State intervention to improve the conditions of the poor, its origins can be traced back to the late 19th century; in fact I would say the origins of the modern welfare state are about 120 years old.

It was in 1870 that William Forster, a Bradford woollen manufacturer, secured the passage of the Education Act, which established school boards with a duty to provide elementary education for all children not then receiving it through private means. In 1886 another northerner, Joseph Chamberlain of Birmingham, issued a circular stating that respectable men, temporarily unemployed, should not be thrown onto the Poor Law, but instead should be assisted by their Municipal Authority. Both Forster and Chamberlain were in the government of William Gladstone.

The School Boards soon came to realise the manifest absurdity of spending money to educate children who were too sickly and hungry to benefit from it. Though under no legal obligation to do so, the education authorities slowly began to provide meals and medical care for their pupils, initially through voluntary effort but gradually through the education rate. The Liberal Government of 1906 regularised this situation by passing the necessary Act. In that government was David Lloyd George, born in

Manchester and a native of North Wales, who secured the Old Age Pensions Act of 1908 and Health and Unemployment Insurance in 1911. Between them, these men of the north, along with others such as Churchill, had the concept of State Welfare well established by 1911, though by no means the whole nation liked what they were about. In examining the success of this venture we need to look back over something like 80 years, and here we are in one sense fortunate, in another, unfortunate, as I shall explain.

Remember! What the welfare state seeks is a redistribution of wealth, both in cash terms and in kind. It is about narrowing the gap between the wealthy and the impoverished. As soon as we begin to look into it, however, we become bogged down by definitions of what it is we are trying to redistribute. It is well nigh impossible to define material wealth in ways that satisfy everybody. If we can't measure it, how can we assess the effectiveness of legislation meant to redistribute it? Upon further reflection, however, we realise that this gap between the rich and the poor has many other dimensions of fundamental importance. There are inequalities in health, life span, education and environment, for example.

With life span there can be no argument. We all have a birth certificate and a death certificate. Thus the health dimension of deprivation is quantifiable in ways that material wealth is not. As such, life span provides a powerful tool with which to judge the effectiveness of policies that are meant to alleviate the plight of the lowest socio-economic groups in our society.

It was in 1874 that Charles Ansell first used the records of births and deaths to compare death rates between the classes of British Society. He found that of every 100 children born to peerage families, 12 were dead before their 10th birthday. For the general population, the figure was 30% of children dead before their 10th birthday. Little more was done until the turn of the century, when because of the rise in demand for a national

programme for personal security, Dr Stevenson of the Registrar General's Office introduced a scheme of social classification based upon occupation.

Class I consisted of Professionals and the elite of society, Class III were the skilled workers, and Class V the unskilled. Intermediate occupations fell into Classes II and IV. This 5 class system remains in place to this day. So applying it to data coming from the National Censuses and the births and deaths records, let us see how death rates compare in the social classes. We are in for a bit of a shock.

The big killer in Britain is heart attack, both in men and women. The waste and tragedy of death in men and women from a heart attack was brought home to us all recently with the death of the Labour Party leader (John Smith) on May 12. From a medical point of view, however, his was simply a spectacular example of something that kills around 30 men in middle-age each day of the year in the UK, and many more in old age.

The links between heart attack and an unhealthy diet, high blood cholesterol, cigarette smoking, obesity and high blood pressure, are well known. But how many people are aware of its association with social class? When asked to think about it, some will suspect that it will be social class I that suffers most from heart attack. All the stress that goes with responsibility and leadership! Wrong. It is the unskilled worker who succumbs most to heart attack. In the Civil service, for example, the death rate from heart attack in the lowest grades, the messengers and unskilled workers, is three times higher than that in the top administrative grade. Isn't that extraordinary?

LET US look more deeply to see if this social class difference in disease rate applies to any other common causes of death.

When one eminent professor recently looked at 78 different diseases, he found no fewer than 65 of them to cause more deaths in the unskilled workers and their families than in the members of social class I.

Cancers of many kinds, stroke, accidents, mental illness with suicide, all were taking a heavier toll among the lower social classes. So we see that the problem takes on a more appalling dimension; it is not simply death from heart attack that strikes down the lower social classes excessively and prematurely, but it is death per se.

In 1985, the latest year for which we have statistics, the death rate from all causes in social class V was 2 times that in social class I.

In coming up with this figure, we are looking at the mortality pattern in the members of 4 generations alive around 1985. We are looking at infants born in the 1980s, men in their middle-age born around the second world war, and our senior citizens born around or before the first world war. In other words, we are looking at a full age-range of males and females who have lived their entire lives within the welfare state.

Some people may say, "Well, this is not a fair test of the modern Welfare State, because most deaths will have occurred in the elderly whose early years were spent in a society with undeveloped Welfare. So we may be assessing yesterday's welfare state rather than today's". Very well then. Let us confine ourselves to infants, the most fragile in our society, who have only known the welfare state as it is today. We find that the baby of a father in unskilled employment has about twice the risk of dying before its first birthday than the baby of the professional father. When births outside marriage are counted, the contrast is even greater.

How do these figures compare with those when the welfare state was in its relative infancy? In the years between 1930 and 1932 the death rate in infants with unskilled fathers was 25% above the national average. In the period between 1988 and 1990 it was 51% above the average. Nowhere can I find any assurance that the lowliest in our society are really being helped to catch up. What it all adds up to today is an excess of 3000 deaths in babies and infants of families below the professional band, deaths which

would be prevented if the health experience of these families was as good as that of professional families.

Add to this the 40,000 excess deaths that occur each year in the breadwinners of these lower social class families, and we see how serious is the problem. We must not forget that what goes for death also holds for chronic sickness; there is much more of it in social class V than in social class I. It all reminds me of a remark made by Dr A.K. Chalmers at the turn of the century: "The dead baby in next of kin to the diseased baby, who in time becomes the anaemic, ill-fed and educationally backward child, from whom is derived, later in life, the unskilled 'casual' who is at the bottom of so many of our problems".

Doesn't this sound a little like what we call the 'Inner City' problem of today?

ABOVE everything else, it was this gap between the health and life expectancy of the rich and the poor that the welfare state was meant to minimise.

Clearly, 80 years of ever increasing state welfare has by no means eliminated the gap, as we have seen, but has it gone some way towards narrowing it? To examine this question, let us see what the situation was more than 70 years ago, in 1921, when the welfare state was in its infancy.

When we allow for differences in the size and the age structures of the populations then and now, and calling the average death rate in the population 100, then in 1921 the death rate was 82 in social class I, and 125 in social class 5. So in 1921, the wealthiest in society had a death rate 18 points below the average, while the poorest social class had a death rate 25 points above the average.

Seventy years later, in 1981, we find that the death rate in social class I was 66, while that in social class V was 165. So social class I now had a death rate, not 18 points below the average as in 1921, but 34 points below the average. And social class V now had a death rate not 25 points above the average as in 1921, but 65 points above the average.

The gap between the health of the rich and poor, relatively speaking, is worse now than it was 70 years ago.

What obscures this shocking statistic from the eye of the layman is that things in general are much better now for everybody than in 1921, due to the labour of our great grandparents, our grandparents, our parents and ourselves. But if the welfare state had been working as we have been working, the distribution of health would have improved at the same time. Instead of social class I having death rates 18 points below the average in 1921 and 25 points below the average in 1981, we might have expected something like 18 points in 1921 falling nowadays to 5 or 10 points. And for social class V, instead of their death rate being 25 points above the average in 1921, increasing to 65 points above the average in 1981, we would have hoped the figures to move the other way - say, 25 points above the average in 1921, falling to say 5 or 10 points above the average in 1981, so narrowing the gap. This did not happen. In its primary aim, the welfare state has failed; the health gap between rich and poor has in no way narrowed.

"Ah," I hear some say, I can still see a flaw in your argument. Maybe the welfare state has not removed the contrasts between the rich and the poor, but maybe it has shifted some of the poor into more well-off classes. The poor are still as relatively deprived as they ever were, but there are fewer of them these days because of welfare.

Such a shift has certainly happened during this century. The population structure looked like a pyramid in 1910, with a large base of unskilled manual workers, and a small apex of elite. In 1990 it looks more like a lightbulb, with its swollen middle classes. But this change is exactly what we would expect to happen as society progressed from the horse and cart to the motor car, from the ready reckoner to the computerised cash till, from candlelight to nuclear power. It does not need a welfare state for this to happen.

But has the welfare state improved the social flow in society between

classes, in such a way as to help reduce the numbers of the poor? When sociologists John Goldthorpe and Clive Payne of Oxford examined movements between the social classes during this century their conclusion was unequivocal. For those born between 1908 and 1917 in the lowest social classes, their chances of being found in these lowest classes in 1972 was three times that of those who had been born into classes I and II. For those born 30 years later in 1938 to 1947, the chance of those born into the lowest classes being found in the lowest classes in 1972 was not 3 times higher than those born into social classes I and II, but 4 times. These numbers go the wrong way from what should have been found if the welfare state were helping the poor to move up the social scale.

What has happened is that the new service jobs were filled just as preferentially by the sons and daughters of the higher social classes as by the sons and daughters of the lower social classes. This pattern has continued into the 1980's, with one important development. High levels of unemployment have re-appeared, and the threat of loss of work and long-term unemployment is much greater for those in manual wage-labour than for those higher up the socio-economic scale.

So, sorry! I cannot find evidence to show that the welfare state has oiled the wheels of mobility for the lower social classes.

IF THE state welfare did oil the wheels, the only way it might be able to do this is through education.

But there is no automatic connection between supply coming from our schools and colleges, and the demand for it in the labour market. This is all too obvious today. How many parents are distressed by their university graduate children who end up on the dole or in menial jobs? An education is no certain passport to happiness and prosperity, though it obviously improves one's chances. But here are two facts to chew on.

- Between the 1920s and 1940s, the number of children sent to gram-

mar school by every 100 working class families increased by 8; but at the same time the number they sent to technical school fell by 8. And for the same level of intelligence, it is still much more difficult for a working class boy to enter university than it is for the professional family's boy. No - I'm afraid we are stuck with it - the system does not work nearly as well as we would like it to.

In questioning the record of the welfare state, I am not out of sympathy with its basic tenets. I am diametrically opposed to Thatcherism, which espouses the virtues of the Victorian capitalist ethos and sees the welfare state as not merely ineffectual but as dissipative if not actually ruinous. To me, the welfare state is an acknowledgement of the need to reform the capitalist system as it had evolved up to the beginning of this century. My argument is that though reforms were most certainly needed, the welfare approach adopted has been largely ineffectual. The Victorian problems that the welfare state was meant to remedy are still there; the Thatcherites pretend they next existed.

If the welfare state has failed, why has it failed? We cannot blame those who work within the system - the health workers, the social security workers, etc. They are dedicated and applying the rules as best they can, although I am sure many become jaded by the deterrent aspect of it all, and behave as if direct descendants of the Poor Law relieving officer.

We must therefore ask ourselves whether, under the rules and regulations, there has been any meaningful redistribution of wealth. Our health statistics would suggest that there has not, but do statistics bear this out? Here we are extremely unfortunate! Because now we are faced with a poverty of information.

But from the official government statistics there is no doubt that massive inequalities in the distribution of wealth still exist in Britain. Furthermore, all the figures indicate that the inequalities are getting greater rather than narrowing.

Statistics suggest that our system

of taxation has produced some redistribution, but how far can they be believed? For example in 1981/1982, the top 1% were supposed to receive 6% of all income before tax and 4.6% after tax. This statistic is false because it ignored VAT. Even more, most wealth in the UK exists in other forms than income - there are stocks and shares, bank and building society accounts, property and land. Inland Revenue statistics suggested that in the 1980s the top 50% owned 96% of all marketable wealth, leaving only 4% for the bottom 50%. When pensions are taken into account, the bottom 50% now appear to hold 20% of all wealth rather than 4%. But can all this be believed? There are serious concerns about the reliability and validity of these statistics which are collected for limited purposes.

"Among our problems is the political attitude which refuses to support any objective examination of the distribution of wealth for fear of generating a climate of envy. This is like saying 'Do not remove the dressing from the wound to see what treatment may be needed for the patient, because the sight may make him sick.'"

For example, pensions are supposed to raise the share of wealth held by the bottom 50% in society from 4% to 20%. Now I am not certain how these figures are calculated, but I want to point out one fact. Based on past experience, the 20 year old man who is an unskilled worker can expect to live 5 years less than the 20 year old professional. These 5 years lost are retirement years when pensions are claimed. So do pensions really raise the share of wealth for the unskilled worker from 4% to 20%, if he is not around to claim his 5 year's worth? Are all forms of wealth measured accurately, and do the figures give a true picture of distribution?

The experts are of the general opinion that they do not. They make the picture look rosier than it is, largely because the wealthy, with official

connivance, conceal what they hold and are permitted by the law to hold on to it.

For the rich, modern Britain is a fiscal paradise, as one expert put it. And it is no accident that this is so; the executive and legislature have ensured that it is so. By contrast, the wealth of the bottom 25% is relatively easy to assess; they own no land, no significant sources of capital, and 70% of their income comes from social security payments.

Can you really believe it? My feeling is that the rich may have shifted a little of their wealth to their not-so-wealthy relatives, but that in relative terms what the poor have gained through welfare is a drop in the ocean. This all looks very odd when we are told that of a total public expenditure of £126 billion in 1984-1985, social security and health accounted for more than £52 billion. The reason for the apparent contradiction is that most of it goes back to where it came from. Since 1960 virtually the whole working population has been subject to tax, either at source or at the point of expenditure. The Family Expenditure Survey has shown that in 1986, income-in-kind from the use of the National Health Service amounted to about £900 a year for each family in the bottom 20% of income, and £700 for those in the top 20%. Not much difference. For state education it went the other way: £850 per year for each family in the wealthy 20%, but only £370 for families in the bottom 20%.

When you add it all up the wealthy get at least as much out of the welfare services in kind as do the poor. Neither I nor anybody else on the planet can give you accurate or reliable figures. Among our problems is the political attitude which refuses to support any objective examination of the distribution of wealth for fear of generating a climate of envy. This is like saying do not remove the dressing from the wound to see what treatment may be needed for the patient, because the sight may make him sick. I believe our conclusion has to be that there has been little meaningful and effective re-distribution of wealth through the

welfare state over the past 70 years.

Is this situation inevitable? Is it that governments, with the best will in the world, lack the power and the means to ensure a more fair and equitable distribution of wealth? My answer is, not a bit of it! The problem is that we are failing to tackle the underlying causes of poverty in an effective way. Also, we are collecting revenue for redistribution using a system that has been subverted to minimise what was intended. Let us go back to the beginning and re-trace our steps to see where we went wrong.

THE FORCES that gave rise to the birth of state welfare evolved slowly over the 19th century and were complex in nature.

Much of the motivation I feel certain was humanitarian, arising from personal knowledge of the conditions of the urban and rural poor, an expression of the ethos developing at that time.

Some will have been ideological, linked to ideas about the proper balance between individual and collective responsibility, and of the distribution of wealth.

Some was undoubtedly pragmatic, something simply had to be done about the alarmingly high levels of malnutrition, ill health, poor physique and poor education of the masses upon whom the country was dependent for labour, both civil and military.

Some was conspiratorial - if we the Liberals and Tories don't do something about the grievances of the poor, they will turn to the Fabians and Marxists. Revolution was always a worry.

Some will have been bureaucratic - seeking to use local and central government resources to more effective ends.

Whatever the mix, a social force arose leading to the conviction that the evils of poverty in the midst of plenty needed remedy as quickly as possible. The great reformers of the late 19th century knew that money had to be found to pay for their programme for personal security.

Some also grimly aware that something needed to be done not simply to alleviate poverty, but to prevent it.

The three great classes of wealth were recognised as being wages, the return for labour; interest, the return on the use of capital, and the economic rent, the return going to the landowner for the use of land. One therefore had a choice of taxing the wages, or the interest or the rent of the wealthy for social purposes. But knowing there was more to the problem than simply collecting revenue, and that prevention is better than - I won't say cure but palliation - they considered carefully which approach would afford the best hope for real social justice.

The Liberals came to the view that land was the proper category of wealth to focus on, for several good reasons. The site value of land is created by the community, not solely the landowners, and therefore morally belongs to the community. Secondly the monopoly in land could be shown to distort the economy in ways that worsened poverty. Thirdly, the collection of site values for central purposes could provide a social fund more than enough to meet the social reforms. Fourthly, unlike taxes on wages and interest or profits, which can be made to fall on all social classes in any way you like, a tax on site values can not be passed on by the landowners to the landless classes.

By 1900 the Liberals knew how they were going to pay for their reforms, by collecting site values. The Conservatives fought this tooth and nail. Lloyd-George had a serious problem. He was bringing in his reforms in line with the Liberal manifesto, particularly the national pension scheme, but he could not get the fiscal land reforms past the Lords. In his 1911 People's Budget he was forced back onto income tax until such times as the preliminary valuation of the nation's land was accomplished, a Ministry of Land was established, and further legislation was passed. His 5000 valuers eventually set to work, and despite World War I, more or less completed the job.

But political power went through severe upheavals between 1914 and 1918. Those against site value collection re-gained the upper hand, and from then on the increasing expenses of the Welfare state were covered by taxation of income through wages and interest, exactly what the Liberal reformers did not want.

The result of all this was that the welfare state was built on sand. No sooner did it introduce universal coverage for the man and his family, than the tax system was gradually expanded to ensure that the costs were spread more and more across society, so diminishing any element of redistribution of wealth. It simply became a form of family insurance.

Notice I make no mention of the concept of absolute poverty, because it is a red herring that takes us off the track. Poverty in Britain cannot be measured by any scale which would better describe the situation of a shipwrecked mariner on a barren desert island: namely, how much can be scraped together to survive until rescue is to hand. Britain is not a barren desert island. Poverty on this island needs to be measured on a scale which expresses in relative terms how close an individual has come to being a social castaway in the midst of a densely populated land of plenty.

By failing to treat the rent of land as the correct source of public revenue, the poor have been left in the relatively disadvantageous position that they were in 50 or more years ago. I find it hard to produce any evidence to show that the welfare state has reduced the shortfall in health of the poor.

True, everybody is much better off now than 50 years ago, but we can thank the society itself for this rather than the welfare state. Contrary to public opinion, the very rate of accumulation of wealth in Britain over this time testifies to the productivity of those in all social classes who have laboured. But little thanks the lower social classes get for their contribution - in fact they are sold short in ways they hardly begin to perceive. The unskilled man does not labour to give

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his children poorer life chances for health, education and a pleasing environment than the child of the wealthy. But without knowing it, that is the sacrifice he makes even today. And since we are talking of life and death, sacrifice is not an inappropriate word in this context.

Reform is as relevant today as it was in 1894.

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