

From: Lord Vaizey



K30/4

V/DHW

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My dear Margaret

The Financial Times today discussed the possibility of a new Beveridge. I try not to push my own claims forward with my powerful friends, but I think you ought to know that Hugh Thomas, Ralph Harris and I have been talking this over and we have a proposal for me to conduct such an enquiry.

May I tell you what my fears are? The DHSS, for better or for worse is still imbued with the idea that the National Health Service and Beveridge represent the highest degree of wisdom. If the review is carried out from there I think we shall have another disaster on our hands like the Royal Commission on Health which just proposed more and more money from the Exchequer. If you go for an academic the name which will emerge will undoubtedly be that of some bland figure who will not come up with anything of any great significance. It seems to me that there is no use pretending that the debate on the future of the welfare state is not going to be a matter where the left and right will disagree. From our point of view then something conducted by the CPS and the IEA will be desirable, and if the left like to do something through the SSRC and NIESR that is their prerogative. I do beg you not to close any options till Hugh and I have been to see you.

Yours ever

John

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A New Beveridge

In 1909 Britain, though rich by the world standards of the time, was a country full of relatively poor people, 95% of whom lived in rented accommodation. There was a Poor Law which provided infirmaries for the indigent, old age pensions had just been introduced and there was a system of out-relief to supplement private benefit schemes run by trades unions and friendly societies. It was against this background that Beatrice Webb produced her Minority Report of the Poor Law Commission which sketched out a plan for what is now called the welfare state.

In 1942 Lord Beveridge was given the brief of working out a fully-fledged post war system of social security to replace the patchwork which had evolved in the year 1920 to 1939.

His one-man report harked back to the principles of 1909. In place of the patchwork it proposed two major schemes. The first was a universal national provision of health care, free of charge to the patients. This had two implications. All existing schemes were to be swept away, so that in place of the 'panel' system, which paid for medical care for most male manual workers, there was a universal panel system; and almost all the provision of medical care was made a state monopoly.

The other area of Beveridge's war on poverty was the proposed adoption of a system of national insurance which would embrace financial provision of old age pensions, sickness and unemployment benefit, without means test, at a

flat rate, in return for universal contributions at flat rates by employees and their employers.

With various adaptations the Beveridge schemes came into operation on 5th July 1948. In the 36 years since then major changes in the schemes have come about.

The NHS has proved a far heavier charge on the public finances than ever foreseen, and it now faces a squeeze between legitimate public expectations for medical care, based on medical advance, and the ability of the Exchequer to provide such care. An affluent population is increasingly driven to make provision for its own care privately. This problem will rapidly develop. A proposal for radical reform is contained in the present author's 'The National Health' (Martin Robertson, February 1984).

The national insurance scheme has been radically altered. The flat rate benefit has been replaced by a two-tiered system, of a basic benefit plus an income related payment. The setting of the basic rate of benefit was to have been above the so-called 'poverty' level. It has never been so, at any time. In consequence the safety net of National Assistance (since renamed Supplementary Benefit) designed for a few cases, has become an integral part of the scheme for many millions of beneficiaries. The insurance principle has been largely abandoned, in favour of a pay-as-you-go system for the main benefits. In addition a host of 'special' benefits, for rents and mortgage payments, the disabled, and other categories, have been added to the structure of public social security. The result is as complex and capricious as the system that Beveridge sought

to replace.

Alongside this public system of social security a vast private system of benefits has grown up, often aided by substantial tax-reliefs, including redundancy payments, pension arrangements and sickness cover. One of the major sources of income maintenance is the growth of property ownership.

The questions that pose themselves are:

1. Is it possible to describe the existing welfare state in all its complexity, simply and clearly?
2. Is it possible to describe not only income maintenance but health care and housing, so that a true picture is given of the distribution of costs and benefits?
3. Is it possible to analyse the work of the 'poverty lobby' to see whether it has adequately diagnosed the problem?
4. Is it possible to present a coherent reform of the ramshackle structure on an acceptable basis of financial viability, equity and compassion?

On the assumption that the answer to these questions is "yes", it is proposed to mount a two year project conducted by the present author. There will be no supervisory committee, from which agreement is sought, except that a group will be necessary to monitor progress and to keep the accounts.

The following two year budget is required: £

The investigator - professorial salary	40,000
Research assistant on health services	20,000
Research assistant on social security	20,000
Support costs	<u>50,000</u>
	150,000

It would be essential to gain the support of the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Social Services for access to official material.