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# *The Welfare State: An Historical Approach*

## *Introduction*

The relation of the Welfare state to the achievement of Socialism is a central problem of contemporary Labour politics. Our estimation of the future can only stem from an analysis of the present; and the present, for all of us, is biased by our particular interpretation of the past. If, as many in the Labour movement today believe, full employment, income re-distribution and a wide range of social security benefits have "reformed" capitalism "almost out of recognition" (Mr. Crosland) then the problem for the future is to ensure that the same lines of economic and social development continue. In the end we shall achieve Socialism; and the belief that we shall ultimately arrive is made more confident by the undoubted scale of changes in our society over the past half century.

This conviction that the Welfare state is, if not a halfway, then a part way house to Socialism, and that the same road will lead to Socialism, is based upon three main premises:

- (1) that the managerial revolution, among other things, has resulted in the owners of capital no longer having a decisive influence over business decisions, and in their political power being much weakened;
- (2) that the techniques of full employment are of such a character, and are so well understood, that prolonged mass unemployment is not likely to reappear; and the Labour movement is now so strong that in this, as in other matters, there is no likelihood of the clock being put back;
- (3) that the growth of the Welfare state - and in particular the levelling up of incomes and the extension of social services have largely abolished primary poverty.

Given these circumstances, the Labour movement must continue to push hard for social reform and for further economic changes; and on past evidence there is no reason to believe that the political problems, against the background of a more mature and greatly strengthened working class movement, will in any way prove insuperable.

The arguments developed in the present essay are concerned to deny certain of these propositions. The Welfare state, it will be suggested, has come about as a result of the interaction of three main factors: (1) the struggle of the working class against their exploita-

tion; (2) the requirements of industrial capitalism (a convenient abstraction) for a more efficient environment in which to operate and in particular the need for a highly productive labour force; (3) recognition by the property owners of the price that has to be paid for political security. In the last analysis, as the Labour movement has always recognised, the pace and tempo of social reform have been determined by the struggle of working class groups and organisations; but it would be historically incorrect and politically an error to underestimate the importance of either of the other factors in the situation. To do so would be to accept the illusion that the changes are of greater significance than in fact they are, as well as to misread the essential character of contemporary capitalism.

This essay is no more than a sketch of some of the main problems in this general question. Its approach is largely historical and only in the concluding sections is the shape and nature of our present day society commented upon. In later articles it is hoped to expand these passages more fully.

## II. *Rationality and Capitalism.*

The development of the scientific spirit and of increasing rationality in thinking and practice are central features of the evolution of bourgeois society. Rational calculation has come to pervade all business enterprise and most institutions; and although the calculation is largely in terms of profit and loss, rationality has increasingly entered into thinking in general and into many realms of 'pure' thought. It is, indeed, one of the many contradictions of capitalist society that this developing rationality of so much work and thought exists side by side with great areas of prejudice and unreason in social and political life as well as with the fundamental irrationality of the productive relationships based upon private property.

This spirit of rationality, exaggerated by historians of the schools of Sombart and Weber into the central characteristic of capitalist society, increasingly affects economic and social policies. As industrialisation has developed within the older agrarian economies, certain basic requirements for the effective operation of the industrial order have to be met. Social groups and institutions are compelled, in the long run, to adapt themselves to these new demands; and, leaving aside the central problem of political power, there take place large scale modifications to the old social framework. Sometimes these changes involve an entire re-casting of old institutions or a remodelling of the ancient legal structure; at others the new grows up within the old and gradually transforms it. From this point of view, the history of industrial capitalism can be read in terms of the processes by which the factors of production - labour

and capital - have been made progressively more efficient; and the study of the labour market (leaving aside the question of the origin of the proletariat) is among other things an analysis of the ways in which the labour force has been moulded to the requirements of the new industrial order. One of the crucial problems for capitalism (considered narrowly as an economic system) has always been to improve the productivity and efficiency of the man at the machine. In the first main stage of industrialisation (Britain 1780-1860), with a relatively primitive technology, the problem of labour productivity was solved mainly by coercive methods and techniques. It was not only the fact of proletarianisation, whereby the labourer had no choice but to work for wages, or starve (but this is always true) but even more the crude disciplinary methods inside the new factories which bludgeoned the labour force into the fulfillment of their tasks. Moreover, in a society that was making a rapid transition from an agrarian to an industrial order, with its attendant mass of degradation and misery, the State, confronted with the, revolutionary potential of the masses, was forced to use its coercive power in an open way on behalf of the property owners. Thus, legislation prohibiting trade unionism remained on the Statute book for a quarter of a century until 1824, and even after the Unions had achieved more or less legality, their rights were constantly challenged (*Hornby v. Close*, 1867; *Taff Vale*, 1901; *Trades Disputes Act*, 1927). Further, until the last quarter of the 19th century the Master and Servant Acts reduced the labourer to a position of marked legal inequality with his employer. By these, and a hundred and one other ways, the workers were steadily forced into an acceptance of the industrial requirements of the new society.

But capitalism differs from previous class societies in that the formal relationship between capitalist and labourer is based, not upon status, as in feudal society, but on a contract between two parties. And however much the balance was tilted towards the property owners, the contract has increasingly evolved into a legally free one. Moreover, as a dynamically expanding system, industrial capitalism is obliged to encourage amongst its workers the greatest possible co-operation. Its incentives must be sufficiently powerful to develop, as far as possible, a general support of the system as a whole, and this involves acceptance of the acquisitive motives of capitalism. Each industrial enterprise and industrial capitalism as a whole have therefore to assist the workers to respond positively, to the material inducements and incentives they have to offer, and they have to try to win, if not the political confidence, then at least the political neutrality of their working class.

In Britain, the beginnings of a positive social policy turned largely

upon the improvement of the physical environment within which the overwhelming mass of the people lived - and early died. The immense problems of the shocking and terrible conditions of the rapidly growing urban areas, the direct product of a rapacious industrialism, began to be recognised from the latter years of the 1830s; and the arguments for improvement were partly " the conviction that the condition of the great mass of the people was one of the surest tests of the wisdom and efficiency of the Government, and the indispensable basis of the stability of institutions " (Kay-Shuttleworth) and partly that the economic and social costs of ill-health to the community were vastly greater than the financial burden upon the tax payer of public health improvement. With few exceptions it was always to be true that social reform in the Victorian heyday would win quicker middle class support (verbally at least, if not always in practice) if it could be shown that the expected results could be translated into financially profitable terms. The most impressive example was in the Chamberlain period of municipal reform in Birmingham in the 1870s; and just as noteworthy to contemporaries was the strict accountability of Octavia Hill's housing schemes. There are many examples of this appeal to the pocket in the interests of higher things in the public health agitation during the 1840s. In part this was due to the fact that the Benthamites, always conscious of the economic calculation of social problems, were leading the struggle for improved sanitary measures; in part because the politics of the changes involved the mass of the middle and lower middle class ratepayers, to whom an appeal in economic terms was most likely to win a hearing. Thus Edwin Chadwick, in his 1842 Report on the Sanitary Condition of the Labouring Population, early recognised the importance of this economic aspect of social reform; and the many national and local reports that followed during the next decade always stressed the costs of ill-health and premature death, and the economic commonsense of sanitary improvement.

These two arguments for social reform - that the stability of society is threatened by dirt, disease and poverty, and the calculation of the changes favourable to the general efficiency of the economy - run right through the middle class debates around positive social policies. The context of the argument has changed radically, and appreciation of what threatens the stability of society has vastly changed its meaning with the emergence of the modern Labour movement and the propagation of a socialist alternative to existing society; but the central objectives of stability and efficiency, however much their local meaning has changed, have never been lost sight of by the intelligent among the business men and the percipient

among the politicians.

### ///. *Social Reform and the Working Class.*

All this, however, is to argue on a plane of abstraction, for it is not the middle class or any group of property owners who have been the prime movers in social change; and the discussion in the preceding section does not, for example, deny the humanitarian quality and the unselfish single mindedness of the liberal pioneers who fought so courageously for economic and social reform. What the argument does is to place these reformers within a framework of reference which their admirers and biographers (too often hagiographers) have usually omitted. Social conscience, except in the hearts and minds of a small minority among the middle class is a frail instrument of social policy, and conscience normally requires the support of some powerful 'interest' before it is translated into practice. Mrs. Sidney Webb who, we are told by Mr. Kingsley Martin, became a " Socialist because she was contemptuous of the inefficiency of the ruling people amongst whom she was brought up " saw to the heart of this middle class problem of social reform (for which also read Fabianism) when she wrote in her diary under the heading January 2, 1901 (after complaining of the many obstructions during the previous decade to factory reform):

What we have to do is to detach the *great employer*, whose profits are too large to feel the immediate pressure of regulation and who stands to gain by the increased efficiency of the factors of production, from the ruck of small employers or stupid ones. What seems clear is that we shall get no further instalments of reform unless we gain the consent of an influential minority of the threatened interest.

It is not however the abstract calculation of enlightened self interest on the part of the great employer, or the vigorous consciences of a minority of middle class humanitarians, that can account for the central direction and movement of social change; this is explainable only in terms of the continuous exertions and efforts of the working people to better their position in society. Social reform is the product of class struggle; and if little is said in this<sup>1</sup> essay about the development of working class organisation, and the central influence which the pressures from below exercise upon the shape and growth of social policy, it is always assumed as the essential thread of the whole story. In the last resort the determining factors in the evolution of the Welfare state will be the degree of organisation, and the determination to insist upon change, on the part of the working people themselves. However reasonable a reform and whatever the calculation of well being and therefore economic efficiency that would result therefrom, the weight of tradition, the tyranny of established ideas, and the general hostility to the mass of the people on the part of the property owners, have always operated to resist

change and to hold back social improvement. Reforms, whether large or small, have always been opposed by some section or group within the ruling class; and it has been rare for any reform to be achieved without modification in the interests of the propertied classes or within a short period of time. The argument *apres nous le deluge* has always been a most powerful delaying tactic and it has been used over the past century and a half to buttress existing traditions and practices. Only the massive development of the working class movement and the recourse to methods of direct action have been able to shift the mountains of unreason that have built themselves upon the foundations of private property. When faced with a challenge to any part of their privileged position, the ruling class in Britain have at all times retreated fighting. Normally the legislative reforms which pass through the Statute book have been fully and carefully calculated, and only on very few occasions have the ruling class been stamped into concessions which they have regarded as unwarrantable. When, as for example, with the coal subsidy after the determined stand of the Trade Unions on Red Friday, 1925, the bourgeoisie and their politicians were forced to give way against their will, their efforts to reverse the decision were unrelenting; and resulted in their decisive victory in the General Strike of the following year. In all this, in any short run period, the political decisions of the ruling class have often run counter to the demands for a more liberal social policy thrown up by the requirements of the economy; but the balance has always to be struck between the acceptance of demands which, taken by themselves, the economy could well afford and the political consequences which might follow therefrom. In doubt the policy has always been to delay and to trim; and the success of the propertied groups in Britain in maintaining their essential positions of power and privilege is a tribute to the balance of their practice.

In real life, the alternatives between economic efficiency and political necessity are never sharply drawn. Every generation stumbles and gropes for an understanding of the emerging problems of its contemporary society; and reforming ideas have to be transmitted through the traditions of the policies and the politicians of the time. In the 19th century the dogma of *laissez faire* - never fully implemented in practice - exercised a most powerfully retarding influence upon reform; and in our own day the label of socialist upon essentially liberal policies has similarly but not so drastically retarded improvement. What emerges from the discussions and the pressures of interested groups and parties is usually a distorted and always an inadequate degree of social change; and the history of education in particular in the 19th century offers many illustrations of the

thesis that while so many of the changes and improvements in economic and social life are built-in requirements of the industrial order their legislative enactment is carried through with much political obstruction, piecemeal rather than comprehensively, and with considerable delay.

#### IV. *Social Reform and the Modern Labour Movement.*

The political problems associated with social reform became immensely complicated with the rise of the modern Labour movement. The intelligent bourgeois - Mrs. Webb's 'great employer' - was confronted with a complete programme of radical reform put forward in the name of those who were now the majority of the electorate. In the 1860s the demands of the politically articulate sections of the working class were largely those which the rare enlightened entrepreneur or the liberal humanitarian were already advocating but within two or three decades large parts of the working class programme had become specifically socialist, and on paper at least went beyond the boundaries of existing society. The new political problem for the propertied classes was a two-fold one: on the one hand to accept those economic and social demands which made no serious inroad into property rights (an acceptance which always involved conflict with the simple minded traditional conservatives who always fail to appreciate the new territory they are moving through) and on the other, to recognise those claims which, implicitly or explicitly, were concerned with fundamentals and which must either be side-stepped or smothered. As Cardinal Manning so nicely put the problem, in 1888, in a letter to his friend J. E. C. Bodley: "If the Landlords, Householders and Capitalists will 'engineer a slope' we may avert disastrous collisions. If they will not, I am afraid you will see a rough time."

The question of timing was, and is crucial; for what may be a major victory for the working class at one point in time and which may well lead to significant changes in the internal balance of political forces in the country, is not necessarily of the same importance when it has been long delayed. From the standpoint of property, delay must always be supported: for delay gives opportunity for the vested interests to mobilise themselves, and on the other side it has often a marked centrifugal effect upon the forces of reform, who can rarely agree about the relationship of short term with long term aims. Coal nationalisation is an excellent case in point. The first serious demand for coal nationalisation came in 1919, a year when the desire for change was immensely strong among large sections of the people. Of all the years in the 20th century, not excluding 1926, 1919 had probably the greatest potential for radical reform. The 'passion of Labour' to remake the world was echoed by

many outside the movement. The Labour Party's new programme 'Labour and the New Social Order,' adopted in the middle of 1918, called for the common ownership of land, the railways, coal, electric power and among other industries 'the manufacture and retailing of alcoholic drink.' The opening months of 1919 were a time when a political explosion seemed inevitable. There were mutinies in the Army by soldiers who wanted quicker demobilisation; Clyde-side saw the 40-hour week strike (Jan. 27-Feb. 11); there was the threat of a national coal strike backed by the other members of the Triple Alliance (railway men and transport workers). Among large sections of the people there was not only an immense war weariness but a widespread rejection of the old order; and it was to be expected that politicians and publicists alike, following this mood, would go on record for change. So we find Winston Churchill, during his election campaign in Dundee in December 1918, advocating railway nationalisation; and J. L. Garvin, editor of the *Observer*, noting that nationalisation of coal, electricity and transport was 'inevitable.' But the situation never seriously got out of hand, for the leadership of the Labour Party and the Trade Unions were easily fooled, and in Lloyd George the ruling class had a politician of genius. Lloyd George played for time - the Sankey Coal Commission and National Industrial Conference were his principal instruments, and by a judicious mixture of lies, half-truths, evasion and deceit Lloyd George saw the year through to tame conclusions. A combination of an extension of social insurance in 1919 with the beginning of mass unemployment in the spring of 1920 completed his efforts on behalf of the propertied classes. But had coal nationalisation been achieved in 1919 the political consequences would have been immense, for among other things it would have meant that Lloyd George's major aim would have been defeated and the position of Labour would have been tremendously strengthened. In the event, coal nationalisation, the pivot of the whole situation in the years immediately after 1918, was delayed for over two decades; and when it came it was a matter of the State taking over a bankrupt industry from the incompetent mine owners who could congratulate themselves only on the compensation they successfully extorted from the Labour Government. As a political act coal nationalisation in 1945 was of minor (significance).

The British political situation has always contained certain special and difficult features that have demanded much subtlety of manoeuvre on the part of the bourgeois politicians. Compared with America, Britain was a closed and less dynamic economy with vertical movement for the working class severely restricted and with emigration as the main avenue of escape; while compared with

France, Britain was overwhelmingly proletarian. It was this fact of a predominantly working class society that occasioned Lloyd George's famous comment, quoted by Lenin in *Left Wing Communism* (Lenin dedicating his pamphlet "to the Right Honourable Mr. Lloyd George as a token of my gratitude for his speech of March 18, 1920, which was almost Marxist and, in any case, exceedingly useful for Communists and Bolsheviks throughout the world"). The passage quoted by Lenin reads :

If you go to the agricultural areas I agree that you have the old party divisions as strong as ever: they are far removed from the danger (of Socialism). It does not walk in their lanes. But when they see it, they will be as strong as some of these industrial constituencies now are. Four-fifths of this country is industrial and commercial; hardly one-fifth is agricultural. It is one of the things I have constantly in mind when I think of the dangers of the future here. In France the population is agricultural, and you have a solid body of opinions which does not move very rapidly, and which is not very easily excited by revolutionary movements. That is not the case here. This country is more top heavy than any country in the world, and if it begins to rock, the crash here, for that reason, will be greater than in any land.

It was not numbers only - although the working class majority in the nation certainly worried the Victorians - but political cohesiveness that presented the dangers. The working class had been kept outside the civic pale for two decades after 1848 - one of the payments made in return for the hysteria that Chartism generated. Despite the absence of political democracy after 1850 there took place the great development of skilled trade unionism and a growing political sense of unity and solidarity among the working people. It was these developments that produced the widespread anxiety over 'the leap in the dark' when the vote was given for the first time to sections of the urban workers in 1867. In many towns this made the working class the majority of the voters, and the many correctives and brakes upon full democracy are an indication of the fears that were aroused. Universal suffrage was introduced only by stages, and it was not until 1884 that most of the miners and the agricultural labourers received the vote. Even then many workers remained outside the franchise. But delaying tactics of this kind (in addition to plural voting for property owners and the many tiresome difficulties put in the way of the working class voter recording his vote) could work effectively only for a few decades; and in the long run, given the working class majority among the electorate, both Tories and Liberals were forced to adapt themselves to the political demands of this new audience. Both parties made careful and sustained appeals; but while the Tories, with their record on factory legislation and their anti-bourgeois bias, were never without work-

ing class support in the towns, and for different reasons in the countryside, most Workers attached themselves to the Liberal Party and the politically conscious among them became part of its left wing. To lead the left wing in the 1870s and 1880s were a group of Radical leaders - Bradlaugh, Dilke and Chamberlain - whose historical role was to delay for several decades the emergence of an independent Labour Party representing the industrial Workers. Given the facts of British society, an independent workers party was historically inevitable; but compared with similar situations elsewhere - Germany for example - the development of an independent working class political force was extraordinarily slow; and among the reasons for the long period of gestation was the vigour and the liveliness, as well as the personal courage and ability, of the Radical leaders. The crux of the Radical position - and it states the central assumptions of the Welfare state of the 120th century - was summed up in a famous phrase which Joseph Chamberlain used in 1885. His speech on this occasion marked the opening of the campaign for the Unauthorised programme, an early blue-print of the Welfare state of today. "I ask" said Chamberlain, "what ransom will property pay for the security which it enjoys?"

Now ransom, as Chamberlain's biographer sorrowfully noted, is an "ugly" word. It went, explained Garvin, far beyond Chamberlain's real intention which was only that "private property must pay to be tolerated." Chamberlain himself immediately recognised his error, and anxious to correct what he appreciated was a serious mistake, substituted for ransom in all his later speeches, the less explosive word "insurance." This, said Garvin, was what he was henceforth to "speak and think." The programme that Chamberlain was explaining to his audiences, and which because of his use of such an ungentlemanly word as ransom was to appear much more radical than in fact it was, has provided the framework within which the modern Welfare state has been built. Chamberlain and his colleagues recognised that State intervention was developing at an accelerated rate; and it was further accepted that much of the intervention must be on behalf of labour against the predatory claims of capital. The division between classes was too great for the political health of society; and new positions must be built as a result of which confidence between employers and workers could grow. Not, of course, that Chamberlain in any way accepted the idea of displacing private enterprise; his concern was always, wrote Garvin, "to supplement it (private enterprise) powerfully where it was no longer adequate for social justice and national needs." As the last phrase shows, Chamberlain was fully aware of the relationship between welfare and economic efficiency, although his primary con-

cern was with political stability.

Chamberlain pioneered within the old established parties and those who followed him did no more than enlarge upon the foundations he had laid. Among these the Fabians are by far the most important, and in many fields of social policy it was the Fabians, directed by the Webbs, who provided the detailed blue-prints for the legislation of the 20th century. Believing in the inevitability of gradualness, the Fabians emphasised the Ways in which collectivist practices and legislation had been increasing steadily throughout the second half of the 19th century; and how what we have come to call the Welfare state developed naturally and inevitably, despite intensive political opposition, out of the individualism of the early years of Victorian England. As Sidney Webb wrote in 1889:

The 'practical man,' oblivious or contemptuous of any theory of the Social Organism or general principles of social organisation, has been forced by the necessities of the time, into an ever-deepening collectivist channel. Socialism, of course, he still rejects and despises. The individualist Town Councillor will walk along the municipal pavement, lit by municipal gas and cleansed by municipal brooms with municipal water, and seeing by the municipal clock in the municipal market that he is too early to meet his children coming from the municipal school hard by the county lunatic asylum and municipal hospital, will use the national telegraph system to tell them not to walk through the municipal park but to come by the municipal tramway, to meet him in the municipal reading room by the municipal art gallery, museum and library, where he intends to consult some of the national publications in order to prepare his next speech in the municipal town hall, in favour of the nationalisation of the canals and the increase of the government control over the railway system. "Socialism, sir," he will say, "don't waste the time of a practical man by your fantastic absurdities. Self help sir, individual self help, that's what's made our city what it is."

Like the Benthamites, their predecessors, the Fabians were primarily concerned with efficiency and social justice; like Chamberlain, they sought to influence the traditional parties. In practical terms what they have done is vastly to enlarge the meaning of "supplement" to private enterprise; and the 20th century has witnessed a most striking growth of state intervention. It is this change in the role of the State that has confused so many as to the essential characteristics of contemporary society; but what has not changed is that state intervention still "supplements" private enterprise, in Chamberlain's meaning of the terms. After more than half a century of overt socialist thought and agitation and majority Labour Governments the fundamental structure of society remains unaltered.

#### *V. The Development of the Welfare State*

As the quotation from Sidney Webb indicated, the growth of municipal and state enterprise in social and economic affairs had already proceeded a long way by the end of the 19th century. Sid-

ney Webb's list of collectivist measures is by no means complete; and among those omitted were factory legislation and the establishment of a factory inspectorate, the elementary beginnings of a housing policy, and the introduction of workmen's compensation. This last achievement began an important new stage in the relationships between capital and labour and represents one of the pillars of the Welfare state.

In the 20th century the legislative structure of the Welfare state, erected upon Radical-Fabian foundations, was carried through in three main periods of social reform. These were :

I. The Liberal Governments of 1906-1914; and among the major social reforms of the successive Liberal Governments may be noted the following:

- 1906 meals for necessitous school children
- 1907 medical inspection of school children
- 1908 the first Old Age Pensions
- 1909 the first Trade Boards Act and -the establishment of a minimum wage in selected industries
- 1911 the beginnings of national health and unemployment insurance.

II. The second main period of reform, not as spectacular or as concentrated in time as that of the Liberal Governments after 1906, was the years of the first world war and the inter-war years. The pace of change was uneven and slower, but the Conservative administrations - the minority Labour Governments, in this as in all other matters, making a poor showing - continued to extend social security benefits. Among the reforms of this second period, the most important were the 1918 Maternity and Child Welfare Act; the 1919 Housing and Town Planning Act (which introduced subsidies on a considerable scale and took the Government into the business of housing); the 1920 Unemployment Insurance Act, which brought nearly all workers earning below £250 a year into the scheme; the 1926 Hadow report on education and the slow improvement in educational structure and organisation in the years which followed; the 1927 Widows, Orphans and Old Age Contributory Pensions Act; and the 1934 Unemployment Act.

III. The Labour Government, 1945-1950. In general this short period after the second World War may be compared with that of the Liberal Government after 1906, although in terms of social policy the Labour Government showed much less originality and initiative and were more in the stream of tradition than were the Liberals before 1914. Hence the relative ease with which social legislation was passed after 1945, largely because the proposals represented a minimum which the Tories had already accepted in principle. The

main contribution of these years was to make an extended range of social security benefits available to the whole population. Among these were the raising of the school leaving age, a comprehensive health service, retirement pensions and family allowances. It was a modest programme, and a couple of decades overdue by the standards of the previous half century and its achievement was followed by a partial retreat in 1950 with the imposition of charges for certain health services.

This growth in social security benefits in the 20th century has involved an increase in expenditure per head of population of about twelve times between 1900 and 1950 (allowing for changes in the value of money). But the starting point was from a very low level, and for an economy as industrially advanced and as economically wealthy as that of Britain, the pace of change has been surprising slow. It is the success of the determined opposition to reform that merits attention - not the social legislation that has been achieved. The range and distribution of social security in Britain represents no more than elementary social justice for the mass of the people; ardirorirthS7?ideof industry it can be reckoned as a sound economic investment. The struggle for any particular reform has always in this country aroused so much opposition that when it is achieved it at least understandable that those who have spent half a lifetime on its behalf too easily believe that with its enactment a new period in social history is beginning. Members of Parliament in particular arc cautious individuals (if not by temperament and training then certainly by adaptation to the Parliamentary scene) and they are especially liable to emphasise the difficulties of legislative change. When it comes, its results are usually exaggerated and its significance grossly over-estimated.

Education in England provides an illustration of this point. Since there are few advanced societies where education is as class conditioned as in England, democratisation of the educational structure and the widening of educational opportunity have always figured prominently in the programme of the Labour Party - and before Labour, of the left wing Liberals and the Radicals. The considerable advances that have been made in the educational field during the past half century are considerable only by English standards, for the **self** styled educational revolution has still left us some way behind **the** most advanced educational practice in other bourgeois countries. At all levels, from the primary school to the university, English education is both highly selective and technically inefficient'; and inefficiency and effectiveness increase as one moves along the road to the university. This, of course, is an indictment that any educationalist, given that he or she cares for educational opportunity - an

assumption that might however be wrong in perhaps a majority of cases - would be prepared to make. But socialists must take the argument much further. They must recognise not only the gap between English education and the best elsewhere but that because of the class ridden and totally inadequate structure from which reform began in the latter decades of the 19th century, the educational advances have only improved the structure without changing its essential basis. For the majority of our people the educational ladder is still a greasy pole; all that has happened in the last few decades is that the intellectual elite of working class children have been provided with the necessary equipment to climb it. But it is no matter for congratulation by Socialists that because the increasing complexity of society is demanding larger numbers of top and middle level administrators and scientists, a small proportion of working class boys now reach University, while the bulk still remain outside by virtue of their class origin. Those who climb to University have to be very strong minded to resist the absorption of bourgeois values and ideas; for there is no better way of trimming working class ideas than by three years at our English Universities. There is, on the whole, little to choose between Redbrick and Oxbridge in this respect, although the latter with a greater expanse of ivy, a deeper greenness of lawn and the accumulated weight of tradition, have certain obvious advantages. Educational reformers in the Labour movement have so far said very little concerning the content of education; and the passionate egalitarians, who class themselves as Socialists and who so often quote the improvement in the numbers and the proportion of working class boys receiving higher education are missing these essential points - largely no doubt because so many of them share the same bourgeois values.

It is not only in the field of education that the parochialism of our countrymen leads them to believe that the rate of social progress in Britain during the past half century is almost unknown elsewhere. It is widely believed, inside the Labour movement as well as outside, that our range of benefits under the Welfare state is far in advance of other countries. The fact is, however, that the main principles of the Welfare state, and the distribution of security benefits, differ in no fundamental degree from other countries, including America on the one hand and less economically advanced countries (such as France for example) on the other. If Britain is compared with the countries of Western Europe - most of which not even the Fabian Society would classify as Socialist - the techniques and the essential structure of social security schemes will be found to be comparable in all important respects. In general throughout W. Europe there is a correlation between low wage countries and a high proportion

of the National Income devoted to social charges. Britain, which in the ranking of average earnings per hour comes about half way along the range of earnings of the countries of W. Europe and Scandinavia, is also in roughly the same position in the proportion of its national expenditure spent upon social security benefits; and as a relatively high wage country Britain spends less of its National Income upon social charges than half a dozen countries of Western Europe, including West Germany and France. The accompanying Table sets out the relevant data.

The first conclusion from the figures in the Table is that the relative burden of social charges upon employers is less in Britain than in almost any other country of the OEEC group. Column C shows that in the high wage countries in general (Scandinavia, Switzerland and U.K.) employers pay social charges which add up to a negligible proportion of the total wages bill. Indeed only Sweden, a high wage country, and backward Ireland (Eire) impose lower proportions than does Britain. Of the cost to employers of holidays with pay, while there is less variation between high and low wage countries, only Finland and again Ireland, show a smaller proportion than Britain. Column E adds the social charges and holidays with pay which are compulsory levies upon the employer to average wages and the result in general is to improve the competitive position of British employers

Table. Comparison of Earnings and Social Security Charges in Western Europe.

Country	Av. Hourly earnings In Swiss Francs	1954 UK — 100	Obligatory social charges as % of assessable wages Uan.1956	Cost to employers of days off with pay as % of wages 1952-3	Wages -j- social charges -f days off A+C+D UK = 100	Social Security Receipts as % of National Income 1948
	(A)	(B)	(C)	(D)	(E)	(F)
Sweden	3.3	148	2.2	6.0	145	11.6
Finland	2.8	125	6.0	4.5	126	10.6
Denmark	2.7	118	7.5	6.5	123	9.2
Norway	2.6	115	3.7	6.0	115	9.2
Switzerland	2.6	114	3.9	6.0	114	8.8
U.K.	2.3	100	2.7	6.0	100	12.9
Belgium	1.9	85	17.7	11.6	100	14.1
France	1.9	83	29.8	7.2	104	13.9
W. Germany	1.7	77	11.7	9.8	85	18.6
Ireland	1.5	68	1.7	4.6	66	7.3
Netherland	1.4	61	19.0	7.2	70	9.4
Austria	1.3	58	19.0	10.1	68	15.0
Italy	1.2	55	53.5	14.2	83	11.5

Sources: Columns A to E. Freer Trade in Europe (H.M.S.O.) 1957, quoted in Free Trade and Security, PEP Planning, 15 July, 1957. Column F from 'A Comparative Analysis of the Cost of Social Security.' International Labour Review, LXVII (1953) Table 2.

with their low wage neighbours. Whereas, for instance, average hourly earnings in France in 1954 were below those in Britain, the effect of the compulsory social charges was to raise the average level of wages slightly above those in this country. Or compare Italy, at the bottom of the earnings range, with Britain. On straight earnings in 1954, the average in Italy was 55% of the level in Britain; but when obligatory social charges were added Italy's wage level was now 83% of Britain's, a not unfavourable result from the point of view of the competitiveness of British products in the European market. While this discussion has left taxation out of the story - a matter which is briefly discussed below - it serves to illustrate the general point that the United Kingdom is in no way peculiar, or advanced, or out of line with general social security practice in other countries. Being a wealthier country than most, the absolute level of benefits is naturally greater; but there is no evidence to show that the development of social policy in Britain is different in kind from that which has occurred as a natural and inevitable growth in all countries which have experienced some measure of industrialisation, and in which a working class movement has become rooted.

A main reason why public opinion in general, and the Labour movement in particular, have become confused as to the essentially bourgeois nature of the Welfare state is that both in the propaganda of the Labour Party and in the criticisms of its opponents, the legislation of the 1945 Labour Government was labelled 'socialist.' The melancholy business of making a collection of the idiotic and wildly unrealistic statements of Labour's intellectual leaders concerning the 'social revolution' of the post war years must be left to others; but it must be noted that given the attribution of 'socialist' to the measures of nationalisation and 'free' social security benefits, even the rank and file of the Labour movement began to believe this propaganda which came as much from those who purport to be its friends as from its enemies. With most of the Labour 'New Thinkers' the changes in the last twenty years have been elevated to a radical transformation in the character of society. Mr. Crosland, one of the more articulate of the Labour Party's economists, has argued that with the legislative achievements of the 1945 Government we have all been involved in "a major historical change." This revolution, it is no less, Mr. Crosland used to call "statism" (although he has since discarded the term).

With its arrival, the most characteristic features of capitalism have all disappeared: the absolute rule of private property, the subjection of the whole of economic life to market influences, the domination of the profit motive, the neutrality of government, the typical *laissez-faire* division of income, the ideology of individual rights. This is no minor modification; it is a major historical change,

It should be remarked, first of all, that nowhere, except in the more remote parts of Scandinavia and among Labour publicists in Britain, is this sort of viewpoint seriously argued. As for the claim that the Welfare state is an early form of a socialist society, it must be emphasised that both in Western Europe and the United States social security schemes are placed firmly within the framework of a free enterprise economy and no one suggests that what is a natural development within a mature capitalist economy should be given new names. In Britain the Socialists before 1914 did not make this mistake, and it is worthwhile to look again at the discussions in which they considered the relationship between social reform and socialism.

The general proposition that most Socialists accepted before 1914 was that the State, from the proceeds of a progressive system of taxation, should pay for social reform. When, in 1911, Lloyd George introduced the principle of compulsory contributions into the new insurance schemes, the left wing socialists Lansbury, Snowden, Keir Hardie and a few others went into vigorous opposition, with McDonald and the majority of the Labour Party supporting Lloyd George. In the Commons George Lansbury and Snowden were the most vehement opponents of the new measures (Lloyd George much annoying the Tories by taunting them that "Lansbury had taken the position of leader of the Opposition"). Their main arguments can be summed up as follows :

- (i) that social reform must at all times be paid for by those best able to bear the burden and not by those whose economic and social condition the reform was intended to benefit;
- (ii) that the principle of compulsory contribution not only placed at least a part of the financial burden upon the poor but by avoiding the necessity of having to raise the whole financial amount by taxation it thereby side-stepped the political problem involved in a drastic redistribution of wealth;
- (iii) that it was a retrograde measure. As Snowden said in the House of Commons, 6 July, 1911; "... the principle of State financial responsibility is embodied in nearly all recent legislation \_ in the Workmen's Compensation Act, in Public Health Acts and even in the Old Age Pensions legislation."

Fortunately for Mr. Crossman these arguments have for the most part been forgotten by the Labour movement; and the latest Labour Party proposals are based firmly upon the contributory principle which Mr. Crossman, following Beveridge, has elevated into a virtue. The increasing acceptance of the principle by successive Governments in the 20th century has meant that the social services have developed in such a way that the financial burden upon the rich has been very largely cushioned. Even more striking however - and it is a matter on which there has been virtually no hostile comment from Labour theoreticians - is the growth of direct and indirect taxa-

tion upon working class incomes to the point where much of the expenditure upon social services is no more than a transfer of income by taxation within, the working class. Or, to put the matter more simply, to a very considerable extent the working class pay for their own social security benefits by compulsory contributions and a high level of indirect taxation.

One of the more recent studies of this problem has been made by an American scholar, Findley Weaver, in *The Review of Economics and Statistics* (August 1950). His main conclusions are given below, and they deserve to be widely known. His study relates to the years 1948 and 1949.

The outstanding feature of the postwar growth in redistribution is not that of taking from the 'classes' and giving to the 'masses.' The main feature is that the benefits of redistribution cut across income groups and are largely related to consumption. As a general proposition, the working class pays enough additional in beer, tobacco, and purchase taxes, and other indirect levies to meet the increased cost of the food subsidies and health and education expenditures, while the increase in the direct taxes they pay covers the rise in their transfer money receipts.

... Most of the post war increase in personal taxes has been levied indirectly on consumption and has fallen on those who smoke and drink or consume non-utility clothing and household goods. The incidence of these regressive taxes is mainly on the working class who are also the chief recipients of the benefits of redistributive governmental expenditures. Generally, the low income group pays for its benefits, the redistribution being within the group based largely on considerations as to the most socially desirable forms of consumption (p. 201 and p. 206).

This conclusion - that the working class pay largely for the social services they receive, has been challenged by some English economists who have argued that a considerable measure of redistribution of income from rich to poor does in fact take place if all national expenditure is taken into account. Without entering into the details of the argument, even those who oppose Mr. Weaver's general approach are agreed " that in certain instances, notably in the provision of social security benefits," Mr. Weaver is correct (A. T. Peacock, in *Income Distribution and Social Policy*, 1954. p. 166). In the context of the argument developed in this essay, the points of disagreement between the economists are largely irrelevant. It is to be assumed that the institutional forms of social security that develop in capitalist society will extract as much as possible from the recipients themselves; and if the process is hailed as a major social revolution by Labour Party theorists and *soi-disant* socialists, who is to complain? Moreover, a limited redistribution of income from the rich to the poor cannot be regarded as unexpected or unusual in the political conditions of the second half of the 20th century; it is no more than the " insurance," not to speak of " ransom," that Joe Chamberlain forc-

saw would have to be forthcoming if private property were to remain essentially unchallenged. The level of insurance required has indeed been most moderate.

All this has a good deal of bearing upon the much disputed matter of the levelling up of incomes in the years since 1940; and while this question must be left to another occasion for a detailed analysis, there are some points that can be made here. There is, in the first place, no doubt that there has been some levelling up of incomes in favour of the working class. The figures are widely known and have been used by Labour commentators such as Mr. Strachey and Mr. Crosland to indicate the magnitude of the social changes which they believe have taken place. There are three points to be made in this connection. The first is that at least part of the additional share of the national income accruing to the working class in the post war years has been absorbed by higher indirect taxation to pay for the increased social services. Secondly, the major redistribution occurred during the war years; and since then, the official calculations show a slow but persistent trend towards greater inequality. This is, of course, what must always be expected of capitalism, for it continuously generates inequality. Thirdly, the official calculations of income distribution, the basis for many sweeping generalisations made by those who are convinced they have been living through major historical changes in Britain since 1945, omit three factors whose individual and collective effect is to increase sharply the inequality of incomes. These are (i) capital gains, (ii) expense allowances, and (iii) tax evasion; and only the politically innocent really believe that the official figures of taxable income for the upper income brackets represent the true position.

Concerning the distribution of property in the country there is no dispute. The Welfare state, with its higher death duties and its supposedly crippling and burdensome taxation upon the rich, has effected practically no change in the distribution of private capital. Mr. Crosland has summarised the position from the most recent studies :

It appears that 1% of persons over 25 own 50% of all private capital in England and Wales, 10% own 80%, while 61% may be content with a residual 5%. If we take a wider definition of ' Total Net Worth ' (liquid assets plus securities plus property plus private businesses plus loans plus motor cars minus overdrafts minus debts), we find that in 1954 one-third of the population had a net worth of zero, over one-half of less than £100, and only 5%, of over £5,000. This upper 5% owned 60% of positive net worth, 12% owned 80%, while 62% owned only 2%. (And the figures would be much more unequal even than this but for the fact that many people own their houses). (*THE Future of Socialism*, p. 298).

### VI. *Conclusion.*

The welfare state is the 20th century version of the Victorian ideal of self-help; and since this involves, in addition to benefits, high taxation on alcohol and tobacco, it must be said that these aspects of the Welfare state, taken by themselves, can not be objected to by Socialists. The state now 'saves' for the working class and translates the savings into social services. As the Economist remarked in 1950 of the social services : " It is still true that nobody - or practically nobody - gets anything for nothing." Since the Welfare state in Britain developed within a mature capitalist society, with a ruling class long experienced and much skilled in the handling of public affairs, its growth and development has been slow and controlled; and the central interests of private property have never seriously been challenged. Britain remains a society in which the distribution of capital wealth is no more equal than it was half a century ago; and although income distribution has proved more amenable to political pressure from the Labour movement, there exists within any capitalist society strong and powerful tendencies offsetting egalitarian measures.

These general facts raise some crucial questions for the British Labour movement. The reforms embodied in the Welfare state represent the aspirations and achievements of countless thousands of men and women without whose struggle and sacrifice the social services of today would not exist. Moreover, in the course of the economic and political struggles out of which the reforms were won, new instruments of working class strength have evolved; and in both trade union and political organisation the gains in experience and maturity have been considerable. It is these development in strength, many believe, which provide the bulwark for the future, and which will ensure that there shall be a continuous forward movement along the same road of social reform and change. And yet the questions remain.

In the first place, it is too often forgotten that only in the last decade has the imperialist basis of the British economy seriously decreased. While it would be incorrect to argue that the main reason for the relatively high living standards - and the level of social services - in this country is attributable to colonial exploitation, nevertheless the economic contribution of the colonies has been considerable. When therefore we accept, and rightly, the achievement of the Welfare state as the product of working class agitation and struggle, we should also be clear that a part, at least, of the flexibility and manoeuvrability of the ruling class has been derived from the possession of the world's largest Empire.

Secondly, there is the question of the relationship between social

reform and the long term aim of Socialism. In Britain, socialists find themselves confronted with a society that has bought political security and achieved a reasonable degree of economic efficiency by the erection of social and political shock absorbers whose function is to offset the grosser inequalities and the natural insecurities of the capitalist order. Compared with other countries of Europe, living standards are high; and although the cushioning effect of the Welfare state has been greatly exaggerated (as we shall discover if unemployment ever returns) it would be idle to pretend it does not exist. The consequences that follow from the achievement of these improved living standards are contradictory : on the one hand since they are the result of struggle, the Labour movement has grown stronger with success; on the other, since so far social and economic reforms have been easily absorbed into the economic system, there is an immense confusion of ideas as to what exactly has been achieved. The effect of these confusions has undoubtedly been to weaken socialist aims and principles. It is not only that the social composition of the Labour leadership is increasingly middle class, or that the top and middle level trade union leadership displays the unmistakable characteristics of a bureaucracy; but it is also that among the rank and file of the movement the dynamism for radical social change has steadily weakened. Those who see the growth in numbers and physical strength of the movement as a considerable achievement too often miss the equally important point that these improved instruments of working class organisation and power have today become much blunted in purpose. The crucial problem is the definition of 'purpose.'

These are big questions for the Labour movement; and in one form or another they have been central to socialist discussion ever since the 1880s. As a starting point in our own movement, it is important that the many confusions concerning the real nature of the Welfare state shall be debated and, it is to be hoped, ended. For the Labour movement to continue to accept the current version is to refuse that analysis which alone can unite desire and purpose. If we are to adhere to the ideals of a socialist society we must first provide a realistic analysis of the society from which it takes its starting point.