

**"The Development of Policy on Family Allowances  
and National Insurance in the United Kingdom  
1942-1946"**

**by Richard Paul Chapman**

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ABSTRACT

A variety of factors contributed to the creation of the Beveridge Report, which, despite covert Treasury attempts to muzzle it, was published in November 1942. Beveridge exploited the terms of reference he had been given to the full and made wide-ranging recommendations for a comprehensive reform of British social security.

When the Report was published it received widespread popular support. Following an initial examination by an interdepartmental committee of civil servants, the war Cabinet of the Coalition Government delegated the task of a preliminary response to the Beveridge Report to a Ministerial Committee comprising equal numbers of Conservative and Labour Ministers.

Over six meetings between 22 January and 10 February 1943, this Committee successfully hammered out decisions on Beveridge's proposals which would attract the support of the major political parties. However, poor presentation and a Treasury inspired lack of commitment to implementation nearly provoked a major crisis during a 3 day debate in the House of Commons in February 1943.

The enormous popularity of Beveridge's proposals ensured that, in the consensus ideology of the time, many of them would be implemented. Legislation for Family Allowances was introduced in the dying months of the Coalition Government and enacted by the Caretaker Government that followed in June 1945. The National Insurance proposals were enacted by the Labour Government in 1946.

Structural weaknesses in Beveridge's scheme coupled with a lack of commitment to transfer all the resources necessary to fully implement it have led to its failure to achieve many of its original objectives.

The various factors which contributed to the Report's genesis and implementation are analysed. The thesis concludes that there is little evidence of a consensus in ministerial circles in favour of reform of social security during war-time, and that popular support for egalitarian measures played a crucial part in their enactment.

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## INTRODUCTION

By the end of the 1930s a generation of leaders of the Labour movement had emerged, such as Ernest Bevin, Walter Citrine, Herbert Morrison and Clement Attlee, who did not want to overthrow capitalism. They had witnessed the noble but vague aspirations of previous leaderships crumble into the defeats not only of the General Strike of 1926 but of 1924 and 1929-31 as well.<sup>1</sup> They were not interested in distant utopias but in achieving some tangible improvements in working class life within the capitalist system. This meant jobs, and a decent minimum standard of living. The former involved the pursuit of full employment policies; the latter, the creation of a national minimum income, improved standards of housing and access to adequate health and educational services.<sup>2</sup> The social, economic and political changes created in the fires of the Second World War led, in Titmuss' phrase, to "the war warmed impulse of people for a more generous society", and gave the Labour leaders their chance. The result was the creation of what came to be called "the Welfare State".

The centrepiece of the Welfare State was the income maintenance legislation of 1945-48, including National and Industrial Injury Insurance, Family Allowances and the abolition of the Poor Law. The aim behind the legislation was to put an end to poverty among those who for whatever reason could not, or were not expected to, participate successfully in the wage market, and to do it in such a way that some dignity was restored to the poor and therefore to the non-poor. The humiliation of the means test was to cease. The failure of the legislation to achieve many of

- 
1. The years in which the first two Labour Governments were in power.
  2. For example, the "four essentials" which the Labour Party wished to see provided after the Second World War were as follows:

"We have to provide full employment, we have to rebuild Britain to standards worthy of the men and women who have preserved it; we have to organise social services at a level which secures adequate health, nutrition, and care in old age, for all citizens; and we have to provide educational opportunities for all which ensure that our cultural heritage is denied to none."

Labour Party, The Old World and the New Society (London 1942), p 11, quoted in A Marwick, The Labour Party and the Welfare State in Britain, 1900-1948.

Beveridge's objectives has been well described elsewhere.<sup>3</sup> What is perhaps less well known is the decision-making process surrounding the implementation of the income maintenance aspects of his report. Indeed it may be thought that these proposals were non-controversial unlike, for example, Bevan's Health Service plans which aroused the spleen of the doctors.<sup>4</sup> This is quite untrue. The Beveridge Report, while massively popular in the Country, aroused considerable opposition from within the civil service and the war-time coalition government. It created the biggest crisis of the coalition following a revolt of backbench MPs. When eventually the Labour Government of 1945-50 enacted the proposals in an atmosphere of calm, this was only because the controversial aspects had been dealt with during the war, largely in secret.

For a substantial period in the middle of the war, Beveridge's proposals for reform were a major source of conflict both within the civil service and between Ministers. Most of the arguing was done behind closed doors at innumerable committee meetings. Occasionally, a whiff of it spilled out and was reported in the press or in Parliament.

This is the story of this process as it affects the family allowance and national insurance aspects of the Beveridge Report. It concentrates on discussion of the major structural features of the national insurance proposals - their universality, the rate and duration of the leading rates of benefit for unemployment, sickness and retirement, contributions and the overall financial aspects. As a consequence, several other important areas of policy debate have had to be omitted.

Chapter 1 deals with the background to the formation of the Beveridge Committee in 1941. Chapter 2 with the influence of the civil service, both permanent and temporary, on the work of Beveridge and his Committee until the publication of the Report in November 1942. Chapter 3 describes the thinking and attitudes of the Philips Committee - the committee of officials set up to report to Ministers on Beveridge's proposals.

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3 cf, for example, B Abel-Smith, The Reform of Social Security, Fabian 1954; J Walley, Social Security - Another British Failure?, Knight 1974; and J C Kincaid, Poverty and Equality in Britain, Pelican 1973.

4 Cf Harry Eckstein, The English Health Service: its origins, structure and achievements, Cambridge Massachusetts 1958.

The first few meetings of the Cabinet Reconstruction Priorities Committee, during which the preliminary key decisions about the Report were taken by Ministers, is covered by chapter 4. Chapter 5 deals with the decisions of the War Cabinet on the Report, while their subsequent reception by an agitated House of Commons in February 1943 is tackled in chapter 6. Chapter 7 covers the period from the Commons debate in February 1943 until the enactment of the family allowance legislation in July 1945. The work of the Reconstruction Priorities Committee (retitled the Reconstruction Committee, by Churchill in November 1943) from March 1943 to the fall of the war-time coalition government early in 1945 is given only cursory attention because most of its work was concerned either with settling details of policy which were decided in outline prior to the debate in the House of Commons in February 1943, or in covering new ground not germane to the basic structure of the insurance proposals or this thesis. The implementation of the national insurance legislation by the Labour Government is dealt with in chapter 8. Chapter 9 discusses the impact of the national insurance and family allowance schemes. Finally, there is a concluding chapter which attempts to draw together some of the threads which run through the preceding chapters, and discusses the influence of the War on the policy-making process.



## CHAPTER 1

## BACKGROUND

It was Frank Wolstencroft, Chairman of the TUC's Social Insurance Committee, whose initiative set in hand a train of events which led to the social security legislation of 1945-48. Representations from individual trade unions and resolutions passed at the Annual Congress at Southport in 1940 convinced the Committee of the need for action over National Health Insurance. A letter was written on behalf of the Committee to the Minister of Health, asking him to bring health insurance into line with other social security benefits. The Minister of Health, Malcolm Macdonald, was anxious to accommodate the TUC. He wrote back, asking for a meeting. It took place on 6 February 1941. At the meeting Wolstencroft listed the defects of health insurance and the associated medical services and hospital system. But health provision could not be dealt with in isolation, the whole insurance scheme would have to be re-cast:

"From the insured person's point of view the problem is how to provide an income when he loses his wages and at present that central fact is dealt with by a whole lot of schemes purporting to deal with the same problems, but each providing a different kind of remedy. The method of application and administration is different in each case. The rules to be observed are very different. The methods of appealing against decisions have practically no resemblance to each other. The whole thing is in fact completely bewildering and even social insurance experts are at a loss to understand the ramifications of the various schemes...we therefore ask the Ministry of Health to take the lead in an examination of the whole position with a view to plans being produced at an early date which would provide a properly balanced scheme for the insured person."<sup>1</sup>

The glaring defects of health insurance should be examined now, added Wolstencroft. But a comprehensive plan should be prepared as well, to be implemented as soon as possible. Macdonald blandly reassured the TUC representatives that long-term planning was going ahead already at his Ministry. As for some short-term improvements, he would see what he could do. There the matter was left, and might have passed into political oblivion but for a number of peculiar circumstances. Of these the most crucial was the fact that Britain was engaged in

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1 TUC Social Insurance Advisory Committee, Minutes October 1939-January 1947, Soc Ins Cttee 4/1, 12 February 1941.

the most devastating war of modern times. A few hours before the men of the TUC's Social Insurance Committee marched up the steps of the Ministry of Health to press their claims to Malcolm Macdonald, several hundred men, women and children had been slaughtered in London by Nazi bombs. The blitz had raged nightly with undiminished ferocity for four months. Already, over 20,000 civilians had died. Much of London was being pulverized to ashes and dust. And yet here were Ministers, civil servants and trade union officials pursuing their normal round of business as usual.

Yet it was not quite like that. These reasonably modest demands made by the TUC were to bear fruit two years later when the most important report of World War II was published. The Beveridge Report sold over half a million copies and excited the hearts and minds of men and women all over the world. It led directly to the establishment of what in Britain came to be known as the "Welfare State". The image of a nation busily preparing plans for the future with one hand while keeping death and destruction at bay with the other is even more impressive than that of Sir Francis Drake preparing to disperse the Armada after a game of bowls. It certainly brought gasps of admiration from the Americans. A US journal wrote after the publication of Beveridge's report:

"Not the least wonder will be at the everlasting stamina of the British people, probably the only nation in the world which would even form such a plan while engaged in a war of survival." 2

This is fine propaganda but far from the truth. Had not the Beveridge Report received the support of two, perhaps three, men of whom by far the most important was Beveridge himself, it would either never have emerged at all or been emasculated beyond recognition. In this sense, the Report was a freak. However, there were a number of conditions which made the creation of the Report, or something very like it, highly probable. One of these, the war itself, has been touched on already. A second factor was dissatisfaction with British methods of income maintenance.

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2 CAB 123/45. Memorandum submitted to the War Cabinet on 10 February 1943 by Professor A Nicol, British Embassy, Washington DC, USA.

To describe British social security in 1941 as a "system" is to do offence to the English language. There were a number of different schemes for replacing lost income, each of which bore little relation to the others. For example, there were three different and mutually exclusive benefits for unemployment. There were three different sorts of State pensions for old age. Seven separate government departments administered these benefits. There was a different rate for each one, and contributions were calculated separately. The regulations governing the distribution of benefits were different for each benefit. The catalogue of variations and anomalies was enormous.

The short-term insurance benefits for sickness and unemployment provide a good example of the muddle. Both had been introduced by the National Insurance Act of 1911. They were designed to provide some income to working class people unable to afford private insurance who were unemployed or sick. Both were contributory insurance benefits. A system of contributory insurance was chosen because it was the best way to secure that the working class, who were too poor to pay income tax, paid for a substantial part of the benefits they received. There the similarity between unemployment and health insurance ends. Unemployment insurance was the baby of Winston Churchill, Llewellyn Smith and William Beveridge at the Board of Trade. They adopted with some changes the system recommended by the Majority Report of the Poor Law Commission. It was restricted in the first place to a small number of trades known to be vulnerable to cyclical unemployment, such as ship-building and mechanical engineering. The benefit was seven shillings (35p) per week for a maximum of 15 weeks per year. Contributions were one penny each from the workman, his employer and the Exchequer. The test of unemployment was provided by "signing-on" at labour exchanges. In 1920 an Act extended the scheme to nearly all manual workers and all low-paid non-manual workers. In 1921 dependants' allowances were introduced, and in 1936 a special scheme was set up for agricultural workers.

Sickness benefit was paid by privately run "Approved Societies" who worked under the guidance of a Joint National Health Insurance Commission. The Approved Societies were devices set up to accommodate the private insurance business. Supposedly non-profit-making institutions, many were run by life assurance companies enabling them to make enormous profits

by selling policies to contributors and beneficiaries of state benefits.<sup>3</sup> Sickness benefit was paid to manual workers and all workers earning less than £160 per annum. The sum of £160 was chosen because it was the limit for exemption from income tax. (By World War II the limit had risen to £430 per annum.) The basic rate was 10 shillings (50p) a week for 13 weeks, although better-off Approved Societies often paid more. When it ran out, it was replaced by a disability benefit at a lower rate. Other statutory benefits were a maternity grant of 30 shillings (£1.50) and general practitioner medical care including prescribed drugs. The total contribution levied was nine pence (3.75p) per week, nearly half of which was paid by the employee.

By the Second World War little had changed. The Ministry of Health was in overall command of National Health Insurance, the benefits of which continued to be administered by the Approved Societies. Unemployment benefit was administered by the Ministry of Labour. A single man who was sick received 18 shillings (90p). A man who was unemployed could claim £1. An unemployed boy of 16 got only six shillings (30p) benefit, while a boy of the same age who was sick received 18 shillings (90p). The wife of an unemployed man received 10 shillings (50p) for herself and allowances for her children. The wife of a man on sickness benefit could claim nothing for herself or her children. Insured single women received two shillings (10p) less than men if they were unemployed; three shillings (15p) less if they were sick.<sup>4</sup>

If anything, the schemes of long-term pensions and benefits were more complicated. State old age pensions could come from one of three sources. Firstly, there were the Lloyd George means-tested pensions introduced in 1908. They were paid at a rate of five shillings (25p) at age 70. The Exchequer paid for these pensions, and no special contributions were levied. An income limit of £21 a year was applied for receipt of the full pension. In 1919 the amount of pension was raised to 10 shillings (50p), and the income limit eased slightly. There were no further changes. Instead, in 1926 contributory pensions of 10 shillings (50p) were introduced for insured men and women aged 65 and over. At age 70

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3 Cf Bentley B Gilbert, British Social Policy 1914-1939, 1971, pp 103-104.

4 Women paid lower contributions as well.

the non-contributory "Lloyd George" pension was paid. This peculiar situation was created because Winston Churchill, then Chancellor of the Exchequer, wanted to make a large reduction in the income tax. A concession also had to be made to the working class (who paid no income tax), and it was decided to make improvements to the pension scheme. Improvements to non-contributory pensions hardly coincided with tax cuts. The difficulty was overcome with the insurance device, a tax on the working class which ensured that they paid for most of their new pensions themselves. Although the scope of the scheme was extended during the 1930s, the size of the pension was unchanged.

A third type of state old age pension was that granted through the special superannuation schemes for state employees such as civil servants, members of the armed forces and police. Unlike insurance for the general working class population, these schemes were earnings-related and attempted a relatively high level of income replacement. The civil service scheme, for example, which was non-contributory, paid a pension equivalent in amount to up to half of the average of the last three years' annual salary.

There were four schemes of non-means-tested benefits for the disabled. A scheme of "workmen's compensation" covered workmen for accidental injuries incurred at work and for "prescribed" diseases contracted through work. While it was a state scheme, it was non-contributory, and benefits were paid for by the employers. Maximum benefits comprised 50 per cent of earnings up to a maximum of 30 shillings (£1.50) per week in 1939. There were also earnings-related benefits for partial disability. While the scheme provided benefits far superior to those offered to the general population, workmen's compensation was a continuing source of grievance among workers and trade unions. The scheme had been established by an Act of 1897. It was influenced largely by the Common Law idea of personal responsibility for wrong done. Legal liability was placed upon the employer. Consequently, the enforcement of a claim for compensation against an employer frequently led to conflict. Disputes were settled in the County Court. There were several thousand cases every year. The workman was at a disadvantage in these situations where cash resources, legal and technical expertise and time were on the employer's side. Cover under the scheme was limited to those in manual occupations who earned less than £420 per annum in 1939. The maximum payment of 30 shillings (£1.50) had been set in 1923 when wages were much lower than in 1939. This was a major source of antagonism among workers, who

campaigned for maximum benefit equal to two-thirds of earnings, which was common abroad and had been recommended by the Holman Gregory Committee in 1932. There were other injustices. Employers were allowed to settle a claim for compensation by agreement with the injured workman. Sometimes they tried to settle by payment of a lump sum frequently worth a great deal less than a lifetime pension.<sup>5</sup> On other occasions, agreements would be reached before a reliable prognosis was made, which might reveal a worse condition than the workman suspected.

Those who suffered personal injury or death as a result of war service received compensation from the War Pensions scheme. This scheme was the best developed of all the public sector social security schemes, both in terms of the level and type of benefits supplied. It was to serve as the model for the new Industrial Injuries scheme which was to replace Workmen's Compensation after the war. Under it, the level of disablement was measured on a percentage basis by comparison with the condition of a normal healthy person of the same age and sex. The size of the benefit also depended on the rank of the person injured. Thus the maximum (100 per cent) disability allowance for the lowest rank, in February 1942, was 37 shillings and sixpence (£1.88) per week; while a sergeant-major received 54 shillings and two pence (£2.70), and a major-general 150 shillings (£7.50). Widows', children's and dependants' benefits and pensions generally were similarly comparatively generous.

In addition, a Personal Injuries (Civilians) scheme was introduced early in World War II, to provide for the fact that, with the threat of bombing, all members of the community ran the risk of injury or death by enemy action. The scheme classified potential beneficiaries into four main groups and compensated them accordingly.<sup>7</sup> The maximum benefits payable

5 Such abuses led to tighter control by the Ministry of Pensions. The Ministry claimed that by 1939 only five per cent of such cases ended with lump sum payments.

6 This was a not inconsiderable group. In March 1939 - before the start of World War II - there were 877,400 pensioners of World War I, and dependants of pensioners, still on the payroll of the Ministry of Pensions. Cf Social Security, W A Robson (ed), p 184.

7 The four groups were civil defence volunteers, gainfully occupied persons, non-gainfully occupied persons, and children under 15.

under this scheme were generally equivalent to those paid to the lowest ranks or their dependants in the War Pensions scheme for similar injuries or death.

The third non-means-tested disablement benefit was that awarded to insured people under the National Health Insurance scheme. It replaced sickness benefit when that ran out after six months. It was paid at a lower rate than sickness benefit. The rate for a man was 10 shillings and sixpence (52p) per week, for a woman it was only eight shillings (40p) per week. Like sickness benefit, it could not be paid to any dependants of the insured person.

The last scheme of state disablement benefits was for the blind. They were awarded the 10 shillings (50p) non-contributory pension given also to the over-70s, from the age of 40.

Widows and orphans were the other group of people eligible for pensions. The Pensions Act of 1925, which had introduced contributory old age pensions, also brought in 10 shillings (50p) pensions for widows and orphans. The widows' pensions were generous in the sense that they were paid to all widows for life, except when they remarried.<sup>8</sup> They were ungenerous to the widow with children who was unable to work. The insured guardians of motherless children received benefit of seven shillings (35p) per week for the children's care under the same Act.

The overall picture of state non-means-tested pensions and benefits is one of muddle and inadequacy. There were numerous gaps in the pension structure, and the rates of benefit were inadequate. This ramshackle structure was shored up by two other income maintenance systems. The first was private insurance. The second was poor law relief and its progeny, means-tested assistance.

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8 Lifetime pensions were awarded because (a) it was felt that some women might have been encouraged to withdraw from the labour market by payment of a widowed mother's pension; (b) a high rate of remarriage among young widows meant that pensions for them would not be costly; and (c) alternative solutions involved new administrative machinery, and any further delay was politically unacceptable.

Private insurance was taken out by many better-off people (ie those who paid income tax) to protect themselves financially against many of the more common risks of life as well as the certainties such as death. However, it was not the exclusive prerogative of the affluent. For example, some of the earliest insurance arrangements were made by guilds on behalf of craftsmen who lost their tools as a result of fire or theft. Such arrangements were generally made for mutual protection, and could include insurance against the contingencies of sickness, old age and death. The guilds were replaced by numerous friendly societies who concentrated mainly on administering sickness and burial assurances, although some continued to offer other benefits as well. Because of the difficulty they found in maintaining sickness insurance on a viable basis, many societies from the mid-nineteenth century concentrated exclusively on burial assurance, which became known as industrial assurance.

Such societies were known as collecting societies. The 1911 Health Insurance Act incorporated both the friendly societies and the more commercially oriented collecting societies as "Approved Societies". The Approved Societies administered National Health Insurance, and many of them used the access this gave them to working class households to extend their commercial interests, industrial assurance in particular.

By the end of 1938, there were over 100 million industrial assurance policies in existence.<sup>9</sup> For many low income families, ensuring themselves a decent funeral was the only form of assurance they could undertake. The cost could be relatively large, with up to a fifth of a week's income being paid as premiums solely for burial assurance.

While the middle classes and the better-off working classes used private insurance to see them through the lean times, the poor had to rely on charity or the Poor Law. The right to poor relief dated from the sixteenth century and was administered by locally elected Guardians who worked within a framework of regulations laid down by a central authority which by 1919 had become the Ministry of Health. While the sick could obtain relief out of the workhouse, during the nineteenth and early twentieth centuries

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9 Robson, op cit, p 250.



the able-bodied poor and the elderly were often forced to live in the workhouse as a condition of obtaining relief. Men, women and children were kept separate. By the early twentieth century, the administration of the Poor Law had become rather less oppressive, although humiliation continued to be the least of the trials of those who had to endure it. The most repressive aspects of less eligibility were removed, although a searching means test continued to be imposed, and poverty became less stigmatised than it used to be. Outdoor relief was more widely used, although grants seldom reached a subsistence level.<sup>10</sup> The huge growth in the numbers of able-bodied poor due to mass unemployment, and the defeat of the General Strike in 1926 led to a period of retrenchment of Poor Law principles which lasted until the Second World War.<sup>11</sup> In 1929, local government took over the running of a re-vamped Poor Law. It was called "Public Assistance". Ostensibly the "scope of the old Poor Law had been reduced".<sup>12</sup> But placing assistance in the hands of democratic Local Authorities strengthened the system rather than weakened it. The cost of relief could be spread more evenly. Scattered institutions could be brought under a single control. The Poor Law was being modernised in the sense that it was less starkly inhumane, less vulnerable to criticism and a great deal more efficiently run. Its job was the same as it had always been. The Poor Law Act of 1930 set out the duties of the new Public Assistance Committees in virtually identical terms to those used by the "Act for the Reliefe of the Poore" in 1598.

In 1934 the Unemployment Assistance Board was set up to deal with the able-bodied poor. The need for the UAB arose because of the failure of unemployment insurance to cope with mass long-term unemployment, and because of central governments' mistrust of "irresponsible" local

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10 K de Schweinitz, England's Road to Social Security, 1961, p 212.

11 "Guardians were encouraged, and if necessary warned, to examine claims more closely, to refuse help to single men, to continue relief to families only if the husband and father would enter the institution." M Bruce, The Coming of the Welfare State, p 256.

12 Ibid, p 259.

authorities and desire to impose an equitable and standardised system of relief for unemployed people.

To ease employment dislocation after the First World War, a temporary non-contributory unemployment benefit at subsistence rates was introduced. Rising unemployment and the fear of labour unrest, should the Poor Law have to be widely resorted to by the unemployed, led to the continuation of this temporary benefit in one guise or another throughout the 1920s and early 1930s.<sup>13</sup> Millions joined the dole queue but were saved from the workhouse. The financial and political crash of 1931 led to the introduction of a means test to these extended transitional unemployment benefits. This was done by the "National" Government as an economy measure. The administration of the benefit was handed over to the Poor Law Committees. Means-tested benefits played an ever growing role in securing income maintenance throughout the 1930s, despite the hostility of the labour movement. The creation of the Unemployment Assistance Board was a logical step after the economies of 1931. Certain public assistance committees had, in the government's view, been over-generous to the unemployed. Means-tested payments to them would be administered in future by a board of government nominees which made for efficiency and standardised treatment.

Another nail was hammered into the coffin of contributory insurance in 1940. Towards the end of the 1930s pressure built up for improvements in pensions. Shortly after the outbreak of war, Chamberlain decided to make concessions. The demands of the TUC were moderate. They were prepared to accept an increase in the rate of old age pension of five shillings (25p). They were content for the cost of this increase to be met entirely from contributions, ie from the working class. Instead, a new means-tested supplementary pension was introduced. It was to be administered by the Unemployment Assistance Board.<sup>14</sup> The task of securing

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13 "Some policy makers acted out fears for public order, some with humanitarian sentiments, and some in the name of party ideology. But all manipulated unemployment insurance because it was easily available and they could think of nothing better to do about unemployment itself." H Heclo, Modern Social Politics in Britain and Sweden, 1974, p 110.

14 Re-titled the "Assistance Board".

subsistence incomes to pensioners reliant chiefly on state support was thereby transferred from the local authorities to the UAB. To the extent that the supplementary pension secured equality of treatment across the country, it was a progressive measure. Used as it was as a substitute for an increase in the rates of contributory pension, it was a wholly regressive step. It was an event which, as Sir John Walley has pointed out, was of enormous significance for social security policy. By failing to increase the insurance pension, the gap between rates of insurance and assistance payments was allowed to increase. It is a gap which has never been closed. The Act helped to ensure that the main bulwark against poverty in old age would be the heir of the Poor Law: means-tested assistance.

The Act is highly significant in another way. It provides an example of the influence of the Treasury. It was the Treasury that led the attack against the TUC proposals. There is of course nothing sinister in that. As guardian of the public purse, the Treasury has the responsibility to attack any proposal that involves a commitment to increased public spending. Where spending is inevitable, the Treasury will back the cheapest proposal or provide one of its own. While many might argue for a more rational approach to the redistribution of resources, it is an accepted function of the Treasury to say, "No".<sup>15</sup> In this case, however, the Treasury's enthusiasm for the means-tested option cannot be attributed to zealous housekeeping.<sup>16</sup> Sir John Walley has suggested that the Treasury's hostility to a contributory insurance solution arose from other considerations:

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15 As W J M Mackenzie notes, "the only rational principle followed has been to resist all pressure equally until it proved too strong or skilful". W J M Mackenzie, "The Plowden Report: A Translation", in R Rose (ed) Policy Making in Britain, 1969, p 275.

16 "Their (the Treasury) spokesmen noted that, even initially, the TUC proposals would be cheaper than their own unless Ministers could be trusted to stand firm on the 'household' basis of the Assistance means test; and this within a matter of months, would be swept away." J Walley, Social Security: Another British Failure?, 1972, p 68.

"Without seeing how vital it was to have the good will of the TUC in war, ignorant of contributory pensions history, politically as well as financially naive, the Treasury insisted that pensions were not a 'social' benefit - by which they meant one paid only on proof of need - and therefore, on principle, ought not to be increased in war time ... behind it all, I detect a reluctance to face the certainty of war inflation and to plan accordingly, as well as the old illusion that a standard of provision based on the payment of contributions must be a bigger political commitment than one based on proof of need."<sup>17</sup>

The tenor of Walley's argument is that the Treasury, in its rather silly old-fashioned way, had got things wrong. Yet Sir John comes very close to attributing political prejudice on the part of the Treasury. It disliked making "bigger political commitments" and was "politically naive". Being an ex-senior civil servant himself, and presumably subscribing to the view that the Civil Service is 'non-political', Sir John is careful to use words which do not subscribe political bias to Treasury officials, while implying that it was officials who inspired the arguments which (Conservative) Ministers accepted. Nonetheless, it is difficult on reading his account not to be left with the feeling that the Treasury officials, even more than their masters, were the reactionaries over social security policy.

Apart from introducing supplementary pensions, the 1941 Act reduced the pension age for women from 65 to 60. This Treasury-inspired short-term "cheap dodge" was designed to relieve political pressure on the pension rate itself. It exacerbated the already severe sex inequality in pensions provision, and in the long-term, with the number of pensioners due to double in the next 20 years, it could only make it that much harder to secure adequate pension cover in the future.

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17 Walley, *op cit*, pp 68-69. Walley goes on to say, "In defence of this position they went so far as to suggest that increased pensions would stimulate wage claims and might even lead our French allies and what we then called the Dominions to believe that we were not wholeheartedly in the war - to which I feel the only possible reply was Chesterton's, 'Chuck it, Smith!'".

Thus by 1941 means-tested assistance payments provided the major source of relief against poverty in Britain. The long-term unemployed and the aged without other resources were forced to rely on these payments entirely for subsistence and face the household means-test. The household means-test involved taking into account the means of all members of a household when one of them made a claim for benefit. It was greatly resented by all those subject to it and bitterly opposed by the TUC. The chronic sick were left to the Poor Law. The liberal contributory insurance reforms of 1908 - 1911 proved too feeble to resist a resurrected and reformed Poor Law. State insurance provided some temporary relief for the sick and unemployed but benefits were inadequate and soon exhausted. Old age pensions were paid but they too were insufficient for subsistence.

Many of the sick, unemployed and elderly would not apply for relief under the Poor Law or for assistance payments. The principles of less eligibility and the household means-test embodied in these relief systems were designed to deter all but the most desperate from applying. Poverty was rife. Rowntree's survey of the working class in York in 1936, for example, found around one third of families with incomes below what he regarded as an adequate subsistence income. While many of these families were unemployed, a large number were also wage earners. Low wages were one of the principal causes of poverty. The social security systems took no account of this. The effect was particularly marked on large families. Poverty told particularly on young children. Rowntree reported that half of the children in his sample lived below what he described as the level of dietetic and health efficiency during the first five years of their lives. "Half of the country's children, in fact, lived in families whose income was less than £3 per week."<sup>18</sup> This was only 35p above Rowntree's poverty line. Child poverty and the inadequacy of the wages system put a system of children's allowances on the agenda of reformers.

There were other powerful arguments in favour of universal payments for children, which had made the introduction of family allowances difficult to resist by the end of the 1930s.

Firstly, an allowance for children could be used as an arm of wages policy. When, in inflationary periods, governments wanted to restrain incomes in order to damp down demand, allowances for children could be an important bargaining counter in gaining acceptance for such a policy from

the unions. Indeed, this is an important reason for the reluctance of the trade union movement to accept the need for child allowances. Their reluctance was only finally overcome in the autumn of 1942 when the TUC unenthusiastically passed a resolution in favour of universal schemes of children's allowances at its annual conference. According to Hilary Land, it was only the radical increase in their bargaining power brought about by the war and the introduction of Labour Party members into the Government that led the TUC to accept children's allowances.<sup>19</sup> Secondly, children's allowances were seen as a way of improving work incentives and as a necessary concomitant of provision of social security benefits at subsistence level. The principle of less eligibility required that benefits must be kept below the lowest wage levels. If they were not, some people would choose a life of indolence, living on insurance or assistance payments. Universal children's allowances provided a way of raising the wage threshold of men with families further above the level of state benefits, thereby increasing the will to work. This was the reason why the introduction of family allowances became one of the assumptions adopted by Beveridge in 1942 in his plan to reform social security. Subsistence level benefits for those not in work could not be introduced while the income of many of those in work was little higher.<sup>20</sup>

Finally, universal children's allowances won further support from people with widely ranging political views because of the population "problem". There was some evidence of an overall decline in the population by the mid 1930s. The increasing burden of old age was noted.<sup>21</sup> The relative infertility of the middle classes, it was suggested, could be boosted by social security benefits. While such arguments may have carried small weight in a period of high unemployment, in 1940, in a life-and-death struggle against fascism they assumed increased persuasiveness.

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19 H Land, "The Introduction of Family Allowances", in Hall et al, Change, Choice and Conflict in Social Policy, 1975, pp 185-195.

20 "From his experience with UISC Beveridge had become convinced that family allowances in wages would have to be incorporated into any reorganised social security scheme in order to ensure work incentives and labour mobility". Macnicol, Family Allowances 1918-45, 1981, p 183.

21 It was estimated that by 1975 30 per cent of the population would be aged 60, and only 7 per cent under 15. H Land, op cit, p 172.

The second precondition for reform of the social security system was the economic, social and political changes created by the war. The effect of the war was so powerful that while it did not create a revolution it led to wholesale changes in social attitudes. From 1940, egalitarianism and community feeling became, to a great extent, the pervasive ideals of social life.<sup>22</sup> By December 1942, the month of the publication of the Beveridge Report, Mass Observation reported that about two out of every five people had changed their political outlook since the war began.<sup>23</sup> This mass movement of opinion and attitude was almost entirely leftwards. How can it be explained?

Firstly, in democracies modern war creates conditions in favour of egalitarianism. The need to switch resources from the private to the public sector drastically reduces the privileges available to the wealthy. By 1941 the basic rate of taxation on earned incomes was 50 per cent. Food rationing, introduced to satisfy popular demand for sacrifices rather than from pure economic necessity, aimed to secure an equal share of the same basic foodstuffs for everybody. From March 1942 the petrol ration was available only to people who needed to travel to work. Human resources were fully mobilised. Over a million and a half were unemployed in 1939. By 1944 only 75,000 were left idle, a staggeringly low figure. Wage income rose by 18 per cent between 1938 and 1947. Income from property fell by 15 per cent and from salaries by 21 per cent.<sup>24</sup> The improvement in working class standards of living created by the war led to rising expectations. Class barriers were not destroyed but took a hammering, as the stock broker and the shopkeeper found out, as they huddled together in the public air-raid shelters. Massive bombardment of civilians and the prospect of imminent invasion catalysed dramatic changes in social relations:

"the people increasingly led itself. Its nameless leaders on the bombed streets, on the factory floor, in the Home Guard drill hall asserted a new and radical popular spirit. The air raid warden and the shop steward were men of destiny, for without their ungrudging support for the war, it might be lost."<sup>25</sup>

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22 P Addison, The Road to 1945, Jonathan Cape, 1976, pp 127-163.

23 Addison, op cit, p 127.

24 Ibid, p 130.

25 N Calder, The People's War, Panther, 1971, p 21.

Around eight million men and women became members of either the armed forces, Home Guard or Civil Defence. Nearly one and a half million evacuees, half of whom were children, were temporarily billeted in others' homes. Nearly two million women became industrial workers for the first time. Traditional values were completely inappropriate in this new situation:

"It is quite common now, Lord Marley was reported as saying in 1941, to see Englishmen speaking to each other in public, although they have never been formally introduced."<sup>26</sup>

It was a sign of the times when first class travel on the Underground was abolished.

The surge towards equality was accelerated by what Ralph Miliband has called the "the rhetoric of war". Unity, sacrifice and teamwork were the attitudes created by the holocaust and assiduously fostered by the government. Moreover, this was an ideological war: a war against fascism; a war for freedom fought by the common man against a fanatical mob of gangsters. The moral code of war "demanded that no one should benefit unduly from a collective effort in which men were getting killed".<sup>27</sup>

"Equality of sacrifice"; "fair shares for all": these were the popular slogans. Economic privilege became a major source of grumbling. "Whenever there was a military setback or a crisis in war production, resentment would break out against the 'vested interests', people who were alleged to be clinging to their privileges at the expense of the common good."<sup>28</sup> Inevitably, it was the Tories who suffered. It was they who had been in charge in the 1930s. They were the "men of Munich", "the Appeasers", "the old gang". Inevitably, the Labour Party and the left were the political beneficiaries. The heroic resistance of the USSR against the Nazis captured the enthusiasm of the British to an extent that seems incredible in retrospect. Membership of the Communist Party more than trebled.

26 Addison, op cit, p 130.

27 Ibid, p 131.

28 Ibid, p 131.



Changes in social life were matched by those of economic life. The need to create a war-winning machine meant that old patterns of production and distribution had to change dramatically. Weapons to fight the war and exports to pay for it had to be made as rapidly as possible. Imports and home consumption had to be cut to the bone. Only strong government intervention would do this. Virtually every level of production and consumption was controlled. Although many of these controls were voluntary, sanctions were available to enforce them where necessary. The Emergency Powers Act of May 1940 gave the government the power to direct anyone in the kingdom over the age of 16 to perform any work or service required. Such powers as these were used only in extremis, however. Close consultation between government, employers and unions, financial incentives, retraining, "dilution",<sup>29</sup> and the employment of women were the voluntary measures successfully preferred. The effect was dramatic. For example, aircraft production in 1938 was 2,800. In 1942, 26,000 planes were manufactured. Little was wasted.<sup>30</sup> The number of allotments almost doubled. By the end of the war Britain imported one third of its food, instead of two thirds.<sup>31</sup>

A necessary concomitant of such social and economic change was change in the political management of the country. Apart from two brief Labour governments, there had been nearly 20 years of Tory rule. The dominant style of the period was Baldwin's. He represented Little England: cosy, suffocating, paternalistic. Tory governments were for "safety first", balanced budgets, economies in public spending, and fatalism in the face of mass unemployment; the exact opposite of what the new war-time emergency demanded. The Labour Party had, for many years, been wrapped up in utopian solutions involving the wholesale transformation of society and the total abolition of poverty. It began to offer more moderate and more acceptable alternatives to Conservatism only late in the 1930s. By then, the right wing of the party, typified by men such as Ramsay MacDonald and

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29 Dilution: a variety of processes designed to achieve the most economic use of skilled manpower.

30 Even pots and pans: "Women of Britain, give us your aluminium ... We will turn your pots and pans into Spitfires and Hurricanes, Blenheims and Wellingtons". Lord Beaverbrook, July 1940, quoted by S Briggs, Keep Smiling Through, Fontana, 1976, p 185.

31 Ibid, p 170.

Walter Citrine, had asserted the supremacy of the "socialism by stages" school of thought. Indeed, this period marked the final transformation of the Labour Party into a bourgeois social democratic party committed to a programme of modest reform involving a managed economy and the expansion of the social services.

While the main pressure for reform in the 1930s came from the Labour Party, its reformist goals tended to be defined by non-party reformers of the liberal centre - Keynes on economic management., Rathbone and Rowntree on poverty, Spens on education, Barlow on town and country planning. The majority of the Conservative party leaders were not interested in implementing the reforms suggested by such people. There were some left-wing Tories, such as Butler and Macmillan, who shared some of the ideals of the centre progressives and the Labour Party. And it was men such as Macmillan who were to act as midwives for the necessary transformation of British political life. Labour's claim to power, however, did not rest principally on its programme of reform. Labour gained a great deal of moral authority from its stand in favour of resistance and rearmament in 1938, as the British government steadily yielded to Hitler's threats of force. Soon after the outbreak of war, the Prime Minister, Neville Chamberlain, offered the Labour leaders a share in the government. Chamberlain was particularly hated by the Labour movement. His name was associated with the defeat of the General Strike of 1926, the National Government of 1931 and the Means-Test. His cool air of superiority infuriated the working class leaders. Attle recalled, "he always treated us like dirt",<sup>32</sup> and refused to serve under him. Before Labour would participate, Chamberlain would have to go. Chamberlain, however, convinced that the war would not last, was not interested in resigning the premiership. He soldiered on. It was a grave mistake for the Tory Party. Had Chamberlain accepted Labour's terms at the beginning of the war, the Tories would have retained the initiative. As it was, Chamberlain continued to blunder along for another nine months, creating such bad feeling even among his party supporters that Labour were able to wreck the Conservative administration and take power almost as equal partners.

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32 Addision, op cit, p 61.

On 8 May 1940, at the end of a two-day adjournment debate in the House of Commons following the failure of the Norwegian Campaign, Labour challenged a division. The voting was 281 for the government and 200 against. Around one fifth of government backbenchers voted against the government or abstained, despite a three line whip. It was a moral catastrophe for Chamberlain and the Tories. A new government would have to be formed and would have to include Labour and Liberal representatives. This time, Labour could dictate terms. At dawn on 10 May 1940, the Germans invaded Belgium and Holland. By 3.30pm on the same day, Chamberlain resigned following the news that the Labour Party would not join a coalition under him. It was a major turning point. A day when patronage and power began to pass from one set of hands to another:

"The critics of the National Government - the Labour movement, the stage army of philanthropists and social engineers and the anti-appeasement conservatives - had finally got the better of their old opponents."<sup>33</sup>

The change came just in time. The fall of France, Dunkirk and the Battle of Britain were only weeks away. The new coalition government that emerged was a government of all the talents. It was able to guide the country from its darkest hour to its finest. The new Prime Minister was Churchill. Churchill was a great war leader. But he was not interested in social affairs, particularly while the war was being fought. Consequently, he concentrated almost entirely on prosecuting the war and foreign affairs. Home affairs were left to others. It was into this gap that Labour stepped. Churchill, moreover, was by this time a reactionary on social questions, despite his past achievements. He presented a major stumbling block to any war-time reform. Ultimately, however, he became powerless to prevent the initiation and implementation of reconstruction policy. "Gradually it flowed around and past him like a tide cutting off an island from the shore."<sup>34</sup>

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33 Ibid, p 102.

34 Ibid, p 126. An anecdote illustrating Churchill's lack of power over "home front" policy is recorded by Oliver Lyttleton, a businessman who became President of the Board of Trade in October 1941. Churchill, who resented austerity measures, vetoed clothes rationing in Cabinet. The veto was finally overcome, Lyttleton recorded, when two senior members of the Cabinet button-holed Churchill while he was busy following the sinking of the Bismarck. "Do what you like", the PM rasped, "but please don't worry me now". Quoted in Calder, op cit, p 276.

There were four men who, as ministers in the coalition government, were to make particularly important contributions to the creation of a new social security policy. The first of these, "a smiling, clever, chubby little man",<sup>35</sup> had by 1940 reached the pinnacle of his career.

Sir Howard Kingsley Wood was born in 1881, the son of a Methodist minister. He became a lawyer specialising in insurance matters and made a name for himself by acting as spokesman for the Association of Industrial Assurance Companies and Collecting Friendly Societies, known as the "Combine". In this role he became "one of the most able lobbyists of the pre-war period in Great Britain".<sup>36</sup> Wood was instrumental in forcing Lloyd George to give big business a share in running the Health Insurance Scheme of 1911. In particular, the autocratic industrial assurance companies, although unsuited to the task, were allowed to register as Approved Societies along with the friendly societies. Lloyd George was forced also to drop his plan for widows' pensions because of the hostile campaign run by the insurance companies. Subsequently, Wood entered Parliament as the Conservative MP for Woolwich in 1918. He was knighted and, in 1938, Chamberlain (whose close supporter he was) made him Secretary of State for Air. By 1940 he was Chancellor of the Exchequer. A more redoubtable and powerful opponent to the extension of State insurance can hardly be imagined.

A man, however, who towered over Kingsley Wood - in every way - was Sir John Anderson. Born a year later than Wood, in 1882, to a shopkeeper and small businessman in Edinburgh, Anderson, who had a brilliant intellect, had a meteoric rise to success in the Civil Service. By the age of 40 he had reached the highest stratum in the hierarchy of the Civil Service, as Permanent Secretary at the Home Office.

During his career as a civil servant, Anderson was intimately involved with insurance issues. Firstly, he helped to establish the administrative machinery for the new Health Insurance Scheme, as Secretary to the National Insurance Commission. Secondly, he played an important part in

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35 B B Gilbert, The Evolution of National Insurance in Great Britain, 1966, p 221.

36 Ibid, p 222.

the Royal Commission established in 1924 to enquire into National Health Insurance. Thirdly, he chaired the Anderson Committee of officials, whose recommendations for an extension of contributory insurance were implemented in 1925.<sup>37</sup>

After five years as Governor of Bengal, from 1932-1937, he won a seat in Parliament as an Independent back-bencher. Within nine months he had become a Cabinet Minister. After a period as Home Secretary, in 1940 he became Lord President of the Council. With his outstanding capacity for coordination and his administrative genius, he soon established himself as "overlord" of the "home front", freeing Churchill to run the war.

Standing alongside these two men in the government, but sometimes opposing them in secret committee, were the two most important Labour leaders of the war. Of these the most remarkable was Ernest Bevin. The son of a Somerset farm labourer, he had begun work at the age of 11, having had no formal education to speak of. He had, however, a brilliant intellect, boundless energy and self-confidence. Between the wars he not only created the Transport and General Workers' Union but fashioned it into Britain's most powerful trade union and himself as the dominant trade union leader. Churchill made Bevin Minister of Labour and National Service, an inspired move. Bevin was conspicuously successful as a war-time minister and he made the Ministry of Labour perhaps the most powerful of the war-time government departments.

In his politics Bevin was on the right of the Labour party. He would have no truck with socialist utopias but was passionately concerned to end poverty and unemployment amongst his own class. His goals were the managed economy and the welfare state. As a man he has often been compared with Churchill himself. He had a vivid, intense imagination. He was passionate in public, reserved in his private life. He was an individualist: truculent and prejudiced on the one hand, humane and loyal on the other; he was always his own man.

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37 The Contributory Pensions Act 1925 introduced contributory old age pensions for those covered by the Health Insurance Scheme aged between 67 and 70, as well as benefits for widows and orphans.

If loyalty both to Churchill, with whom he shared a mutual respect, and to Attlee his party's leader, was one of Bevin's most impressive attributes, it could hardly be said to qualify as one of Herbert Morrison's, the other outstanding Labour leader of the war. Morrison intrigued on a number of occasions to oust his leader, Attlee. This infuriated Bevin, who regarded disloyalty as the most heinous of crimes, and blocked Morrison's path to the Premiership. In fact, Bevin disliked Morrison intensely. He regarded him as devious and untrustworthy. The sourness of their relations had unfortunate repercussions for the Labour Party's influence in the coalition. Rarely did the two men act in concert at Cabinet or Cabinet Committee meetings.<sup>38</sup>

Morrison was the son of a South London policeman. He left school at 14 to work as a shop assistant in Pimlico. His interest in politics was conceived at an earlier age than Bevin's. But, while Bevin trod the road of trade unionism, Morrison's path led towards local government. By 1934 Morrison was leader of the London County Council, a job which he made his own, like Bevin had done at the Transport and General. Morrison was a masterly politician. "He became the best-known figure in local government in Britain. No local leader, before or since, gained such a national reputation for his work in a local authority."<sup>39</sup>

Morrison started off in the coalition as Minister of Supply, but was much more conspicuously successful after being moved to the Home Secretaryship in 1940. The "brisk and bouncy" "Minister for Morale" rapidly made a great impression with his supreme organising ability and intuitive grasp of people's needs. While Bevin was rooted firmly in the working class, Morrison represented the lower middle class. Always more insecure about his roots than Bevin, he remained something of an aspirant, who surrounded himself with people who had the qualities and education that he lacked. This was something Bevin would never have dreamed of doing.

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38 "Don't you believe a word the little b... says", he would warn his colleagues, and more than once embarrassed his neighbours at a Cabinet meeting by the scornful comments, conveyed in highly audible asides, with which he greeted the proposals of the Home Secretary." Bullock, The Life and Times of Ernest Bevin, Vol II, Heineman, 1967, p 117.

39 B Donoghue and G W Jones, Herbert Morrison, Portrait of a Politician, 1973, p 208.

Bevin and Morrison cannot be discussed without some mention of Clement Attlee, leader of the Labour Party, whom Churchill appointed Lord Privy Seal. A more introverted personality than Bevin or Morrison, he was nonetheless their master. Of middle class parents, public school and university educated, Attlee qualified as a barrister. He worked for 14 years in the East End doing social work, joining the Fabians and the ILP and becoming in 1920 the first Labour mayor of Stepney. He had become leader of the Parliamentary Labour Party in 1935 when it had only a small rump of MPs, and its fortunes had reached a nadir. To some people it is a mystery that he could have remained as leader and subsequently Prime Minister. According to legend, Churchill once called him "a modest little man with plenty to be modest about".<sup>40</sup> He was certainly quiet and unassuming. His quiet competence, however, was able to win him a following that Morrison, who made enemies, was unable to match.

With the recruitment of the Labour leaders there was general recognition of the need for the creation of a war machine far superior to anything previously contemplated. In turn, this necessitated far greater government planning and control over resources. To assist this process, it was necessary to recruit men and women who were sympathetic towards such ideals. Consequently, there was drawn into the net of government a group of men and women, generally liberals, sympathetic to Labour ideals. By the summer of 1940 men such as John Keynes, Lionel Robbins, James Meade, D N Chester, Harold Wilson and William Beveridge had been recruited to the government. Many of them were employed by the Central Economic Information Service. Some of them were to play vital parts in the development of social security policy. It was men such as these who provided the inspiration behind the war-time reform consensus. The most important of them was John Maynard Keynes. Keynes was elitist, upper middle class, progressive and brilliant. In 1936 he revolutionised economic theory with his "General Theory of Employment, Interest and Money". He demonstrated that, by stimulating consumption and investment, government could increase demand to the level of full employment. By the beginning of the war Keynes' ideas on economic management had gained a considerable following. By July 1940 he was in a room at the Treasury, as adviser to Kingsley Wood the Chancellor.

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40 Calder , op cit, p 120.

At the same time as Keynes was joining the Treasury, Sir William Beveridge became a temporary civil servant at the Ministry of Labour engaged on a manpower study. Beveridge shared Keynes' love of mankind with a contempt for the working class. He had had a distinguished career, starting as a social worker at Toynbee Hall, followed by a spell as a journalist for the Morning Post and then, a longer period, as a civil servant setting up the first labour exchanges under Churchill. By 1919 he was Permanent Secretary at the Ministry of Food. However, Beveridge felt frustrated in the Civil Service, and in the same year accepted Sidney Webb's offer of the directorship of the London School of Economics. Beveridge was to remain at the LSE for 18 years.

Since his days writing leaders for the Morning Post in 1906, Beveridge had been a powerful advocate of compulsory insurance as the best means of meeting financial need. In 1924 he wrote a pamphlet for the Liberal Party, entitled "Insurance for All and Everything".<sup>41</sup> He served as chairman of the Unemployment Insurance Statutory Committee from 1934. All his life, Beveridge had occupied a fixed position in the political spectrum at the Liberal Centre. However, until World War II, he was a determined supporter of economic orthodoxy, who had had no hesitation in firmly rejecting Keynesian ideas. Then, in 1940, one of the most remarkable and important changes of mind brought about by the war took place. So affected was Beveridge by the war that he gradually began to adopt many of the views which had been held by the left wing of the Labour Party for many years; a process no doubt replicated in others all over the country:

"At the time of writing his report, however, Beveridge's reservations about state planning appear to have faded away. He had become convinced that some form of planning was no longer an option but a sheer practical necessity; and his hope that planning would be made compatible with democracy seems to have been greatly strengthened by the experience of war. The war entailed an enormous extension of state control over production without apparently destroying democracy or straining the political consensus, and at the same time it brought about a considerable advance in planning techniques. Beveridge hoped that these same techniques could be used to maintain full employment after the war."<sup>42</sup>

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41 The scheme proposed by Beveridge in "Insurance for All and Everything" was, in fact, much more restricted in scope than the one he was to put forward 18 years later. For example, benefits were not to be at subsistence level, and only those with incomes below a certain limit were to be included.

42 J. Harris, William Beveridge, A Biography, 1977, p430



Between 1942 and 1944 Beveridge's views on issues such as public ownership, redistribution of income and extension of social services were similar to those of men and women on the left of the Labour Party, such as Aneurin Bevan.<sup>43</sup> This fact is of vital importance for British social security policy. It seems unlikely that Beveridge would have produced anything as wide-ranging or populist as his famous Report without the events of the war to spur him on. Indeed, by the end of the war he had returned to his former more orthodox ideas. Nor does it seem likely that Beveridge would have been recruited to lead a committee of civil servants if Ministers had been aware of his new frame of mind.

Unhappily, Beveridge lacked Bevan's charm, an essential attribute in anyone of the left who wants to retain access to power. Instead, he was arrogant and conceited, flaws in his character which did his ambitious plans no good.

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The recruitment of the progressive centre and moderate left into the government coincided with the advent of a period of political upheaval all over the country. Four weeks after the incorporation of the Labour Party into the government, the evacuation began of the remnants of the British army from Dunkirk. Britain stood alone against the might of Nazi Germany, and a further vital push was given towards reform:

"The brief era of Dunkirk and the Battle of Britain was to have as great an impact on the domestic future as the great slump of 1929. The leading Conservatives of the 1930s found themselves turned into the scapegoats of defeat, a reverse from which their reputations were never, in their lifetime, to recover. The demand for social reform at home sprang up as suddenly as a gust of wind on a still day, and continued to blow with increasing force."<sup>44</sup>

During the Blitz, between 1940 and 1942, over 100,000 civilians - men, women and children - were killed or seriously injured by Nazi bombs. The effect was to transform social and political life. Britain, in the words of J B Priestley, "was being bombed and burned into democracy". For a brief period the people acquired some semblance of a collective power. The government was to a certain extent forced to respond to their

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43 Harris, op cit, p.440

44 Addison, op cit, p.104.

felt needs. One of these needs was for post-war reconstruction. Men and women woke up thankful to be alive. Life, quite simply, became more important than money. When it was all over people wanted a better life. They wanted to be sure that their struggle was worthwhile; that this war could never happen again; that the world of the 1930s would be improved beyond recognition. Because of the bombing, millions of women and children were evacuated, and the Emergency Hospital Service was created. These two experiments, as Titmuss has shown, revealed the extent of unmet needs and the possibilities for improvement.<sup>45</sup>

The immediate impact of the Labour ministers on the government was to give some effect to the principle that if dangers were to be shared, then resources should also be shared. For example, Bevin quickly forced Kingsley Wood the Chancellor of the Exchequer to make concessions over old age pensions.<sup>46</sup> In June, the Food Policy Committee, chaired by Attlee, approved a scheme for free or subsidised milk to mothers and their children aged under five. In August 1939, the idea had been dismissed as financially impracticable. The Labour ministers did not have a total monopoly of progressive policies. Liberal conservatives, such as R A Butler, were also making their presence felt. Butler was President of the Board of Education which announced in July that free school meals should be provided for children whenever possible.

Free school meals and free milk were improvements. But they were not the blueprint for a better tomorrow that was being demanded increasingly vociferously. Government ministers could hardly have been expected to provide such a blueprint. At the best of times, governments are not geared up to long-term planning. The next election is the limit of their time-horizon. The middle of the most destructive war of all time was not the moment, either, for worrying about how better to organise things when it was all over. The war had to be won first. Even Attlee

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45 R M Titmuss, Problems of Social Policy, 1950.

46 H F Crookshank, a Conservative whom Churchill had appointed Financial Secretary to the Treasury, noted on 22 May, 1941 "Ctee on OA Pensions at 5, where Kingsley (Wood) gave way to Bevin, a sign of the times." Quoted in Addison, op cit, p 114.

and the Labour ministers avoided discussions over potentially controversial questions such as post-war reconstruction.<sup>47</sup> Not to have done so would have risked splitting the coalition down party lines. However, they managed to satisfy their appetite for amelioration by supporting the work of men such as Keynes, Beveridge and Butler, while obeying the rules of the coalition punctilliously.

The Labour Ministers were well supported by the highly sympathetic environment outside government circles, particularly in the media and information services, where liberal and left wing ideas were finding a home. Just as there had been an influx of expert outsiders into positions within the government, so the new men found also a voice outside the government. J B Priestley, Aldous Huxley and Professor Joad of the Brains Trust had a tremendous following on the radio. In literature there were the Penguin specials, a political series sponsored by Allen Lane of Penguin and Victor Gollancz of the Left Book Club. For the press, the Daily Mirror was gaining a huge new readership. Papers of the centre and right such as the Times were publishing articles espousing the cause of social and economic reconstruction in the name of democracy and equality.<sup>48</sup> Even the army did not escape the egalitarian movement. The mildly left wing Army Education Corps was assisted by the Army Bureau of Current Affairs, set up to increase and maintain morale. The Bureau published fortnightly bulletins on current affairs, and these were discussed at compulsory weekly meetings at platoon level. The

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47 "When Laski drew up one of his memoranda calling for 'socialism now', Attlee told the National Executive that: 'With his colleagues in the Government he held the view that the Labour Party should not try to get socialist measures implemented under the guise of winning the war.'" Quoted in Addison, op cit, p 182. In 1945 Bevin boasted, "During the five years I was in office, I did not make a political speech of any kind." Bullock, op cit, p 276.

48 The Times also directly lobbied ministers to gain support for reconstruction policies. In 1941 a letter was sent to R A Butler, and subsequently circulated to the Reconstruction Problems Committee by R M Barrington-Ward, editor of the Times. The letter represented the collective views of the editorial staff of the Times. It firstly enumerated a number of democratic principles to be adopted by the British government, and then went on:

"In accordance with these principles the British Government will endeavour within its own jurisdiction to secure that every child shall be given the education and opportunities necessary for full development and that all its citizens shall be protected against the extreme of poverty and against the hazard of accident, ill-health and unemployment and shall be adequately provided for in their old age."

pamphlets were not noticeably left wing in themselves. The political significance of army education lay in the stimulus it gave to the informal discussion of politics led by liberal progressives who were active in educational circles. And it was Chamberlain's England that was their chopping block.

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## CHAPTER 2

## THE TREASURY VERSUS BEVERIDGE

The Government was not at all keen to plan the post-war world while it was busy winning the war. Nonetheless, on 23 August 1940, the War Cabinet agreed to set up a sub-committee on War Aims. The new Committee was given the task of suggesting a durable post-war international order, and considering "means of perpetuating the national unity achieved in this country during the war through a social and economic structure designed to secure equality of opportunity and service among all classes of the community".<sup>1</sup> The War Aims Committee had been conceived at the Ministry of Information as a means to combat the proclamations of the birth of the New Order in Europe issuing from Nazi Germany. Counter-propaganda was urgently required. However, when a draft statement was worked out, Churchill turned it down flat on the grounds that precise aims would compromise future governments, while vague principles would please no one. "In practice, Churchill violently deprecated any mention of war aims by his ministers."<sup>2</sup>

Nonetheless, Churchill recognised the need to silence the critics on the left. In a minute dated 30 December 1940 he announced his intention to appoint the Minister without Portfolio and a staff of five or six to study post-war problems. Their job was "to obtain and sift practical reconstruction plans to be given effect in (say) the 3 years after the war". Any attempt to upstage Lloyd George was ruled out. There was to be no "grandiose Ministry of Reconstruction".<sup>3</sup>

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1 CAB 233 (40) 23 August 1940.

2 Calder, *op cit*, p 114. It was not until August 1941 that a statement of war aims was made. This was the Atlantic Charter, an agreement drawn up in the first place between Roosevelt and Churchill. It was full of high-flown phrases. Perhaps because it was recognised as an empty vessel, it made virtually no impact. In Cabinet, on Bevin's insistence, a phrase dealing with Social Security had been inserted but Churchill had refused to make a similar commitment to full employment.

3 CAB 117/1. PM memorandum dated 30 December 1940.

The Minister without Portfolio was Arthur Greenwood. Greenwood, although at the height of his power in the Labour Party, had a difficult drink problem and was in decline personally. He was no longer capable of holding down a key job. His appointment indicated the lack of importance attached to reconstruction by the Government. Churchill wrote to Greenwood in February 1941, telling him that the new Reconstruction Problems Committee should be "low level" and that only Ministers who were not too fully occupied should be appointed to it.<sup>4</sup>

On the face of it, Greenwood and his committee were a flop. The Committee met on only four occasions during 1941, and Greenwood was sacked in February 1942. The Committee had no power over departments. It could only coordinate and get things done by agreement. It had only three Labour representatives and eight Tory. Bevin and Morrison were not members. Greenwood started off with grand intentions. In a memorandum to the Committee on 27 February he outlined a great list of problems to be tackled covering every possible sphere of activity.<sup>5</sup> Two of them were a "national minimum" and the "reform and consolidation of social services". In a further memorandum Greenwood proposed that every government department be invited to submit their views under the appropriate heads. A further 13 surveys and inquiries were to be set in hand on domestic affairs alone. One of these was to be a review of social services to be undertaken by Political and Economic Planning. Greenwood was trying to run before he could walk, and most of these ideas came to nothing.

The minutes of the first committee meeting, early in March 1941, suggest that most of its members did not see the work outlined by Greenwood as a priority. The proposed PEP enquiry into social services did however excite some enthusiasm and support. It was agreed that life insurance and burial insurance should be included in any such review, and J T C Moore Brabazon, the Minister of Transport, even suggested to the Chancellor of the Exchequer that he might consider taking control of the

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4 CAB 117/1, Churchill to Greenwood, 4 February 1941.

5 CAB 87/1, RP(42), 27 February 1941.

life insurance business. The Chancellor of the Exchequer was Sir Kingsley-Wood - the same Kingsley-Wood who had so ably ensured that widows and orphans pensions and funeral benefits would be excluded from the 1911 Insurance Act, so that the position of the commercial insurance companies would be secured and enhanced. The committee agreed with Brabazon, and Wood had no choice but to agree to look into it. No memorandum on this question, however, appears to have ever been provided for it by the Chancellor.

At this meeting Attlee's voice is indistinguishable from that of his new Conservative colleagues. His only recorded comment is to suggest that the question of the national minimum could be deferred until plans for the extension and coordination of existing social services had been prepared.<sup>6</sup>

If the Reconstruction Problems Committee had been formed to placate opinion outside Whitehall, then it failed lamentably. Its failure was discussed openly. The Economist wrote that,

"as things stand reconstruction has been put in charge of a Minister who should not be entrusted with anything really important. There is no authority behind the handful of committees. Time is wasted in endless quarrels over departmental jurisdiction and in elaborate studies of what turn out to be regarded as details. So far from inviting the assistance of the people officials are forbidden to join in discussions with gatherings of outside experts. The exclusive rights of the Civil Service are asserted and advantage is not even being taken of the talent temporarily enrolled in the Civil Service."<sup>7</sup>

While this is an apt description, its writer was not to know that events had been set in hand which were to confound his judgement completely.

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It was while Greenwood was struggling to make headway with his committee that Frank Wolstencraft's TUC deputation to Malcolm Macdonald at the Ministry of Health gave him his opportunity to get something tangible off the ground. The TUC were complaining, moreover, not only about health

6 CAB 87/1 RP (41) 1st meeting, 6 March 1941.

7 The Economist, May 1941.

insurance, but about Workmens' Compensation. A deputation had visited Osbert Peake, Parliamentary Under Secretary at the Home Office, with a long list of complaints, in March 1941. At that meeting Peake had said that Workmens' Compensation interlocked with other social services and could not be considered in isolation.<sup>8</sup> Greenwood already had it in mind to conduct a comprehensive survey into the social services, and the replacement of MacDonald at the Ministry of Health with Ernest Brown, a National Liberal, gave him his chance. Greenwood arranged a deal with the TUC, whereby they would accept minimal short-term improvements to health insurance and Workmens' Compensation, in return for plans to be prepared for the reform of these and other social services after the war. On 10 April, Greenwood wrote to Brown suggesting an investigation into the whole field of social insurance because of the criticisms of National Health Insurance and Workmens' Compensation.<sup>9</sup> He suggested that departmental officials should meet to decide terms of reference and the composition of the Committee. Brown replied, agreeing to Greenwood's idea.

Six weeks later, the Minister of Health announced a 15p increase in the rate of sickness benefit and the raising of the income limit for Health Insurance and Workmens' Compensation, from £2.50 to £4.20. He also announced the formation of an interdepartmental committee of officials "to undertake a thorough overhaul of the existing schemes of social insurance". The chairman of the Committee was to be Sir William Beveridge. Bevin and his officials at the Ministry of Labour had found Beveridge a more than difficult colleague to work with. Bevin, as a way of getting rid of Beveridge, suggested to Greenwood that he be appointed to chair the enquiry. Greenwood agreed, and the mortified Beveridge found himself without a job at the Ministry of Labour.

Officials at the Treasury and Cabinet office were none too pleased either, about the new appointment. They had lined up Sir Hector Hetherington, Tory Chairman of the defunct Royal Commission on Workmens' Compensation, for the job. They were annoyed to find Beveridge appointed over their heads by direct Ministerial intervention. However, the Treasury officials were not going to take the establishment of the interdepartmental committee lying down. With the active support of Kingsley-Wood, the

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8 TUC Annual Report, 1941, p 116.

9 PIN 8/85, Arthur Greenwood to Ernest Brown, 10 April 1941. There is no minuted record that either the War Cabinet (chaired by Churchill) or the Lord President's Committee (the chief co-ordinating Committee for Home Affairs, chaired by Sir John Anderson) formally approved the creation of the Inquiry, although Greenwood may have consulted Anderson personally.



Chancellor of the Exchequer, they began a wrecking campaign against the Committee. The first step was to keep the work of the Committee secret.<sup>10</sup> This would prevent any public campaign being whipped up in support of its findings. However, this suggestion was rejected quickly. The TUC had accepted an increase of three shillings (15p) on sickness and disablement benefits, as an interim measure, only on the understanding that the Government would announce its intention to undertake a complete review of the social services to be undertaken immediately and to be put into operation at the end of the war. By this clever device, Greenwood had secured acceptance of the Government's proposals for benefit increases (which it would not have improved upon, in any case) while forcing through an inquiry which might otherwise have been lost to sight. The inquiry could hardly be secret, as the TUC required it as tangible proof of the successful outcome of their talks with the Government. Thwarted in their initial demand, the Treasury then suggested that the terms of reference of the Committee should not be publicly revealed unless specifically asked for. This somewhat futile request was agreed. When a draft of the terms of the statement to be made by the Minister of Health announcing a "thorough reform of the existing schemes of social insurance" was circulated, Treasury officials insisted that the word "overhaul" be substituted for "reform". "Reform", according to Sir Alan Barlow, the Second Permanent Secretary, implied something too "liberal and expensive". Sir Kingsley-Wood agreed. Overhaul was "a much safer word".<sup>11</sup>

Having failed to smother the nascent committee at birth, the Treasury tried to make sure that its progeny would be as feeble as possible. During two interdepartmental conferences which took place in May, terms of reference were agreed. The draft terms of reference drawn up by a Ministry of Health official were extensive. The survey would look for "gaps" and "inconsistencies" in the schemes, at the "desirability of extending them", and "advise as to the other benefits which should be provided". Major principles such as whether benefits should be graduated or flat-rate would have to be examined as well as the future of the Approved Societies.<sup>12</sup> The Treasury disliked anything as wide-ranging as

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10 PIN 8/85, Sir George Chrystal to Sir John Maude 2 July 1941.

11 PRO, T 161/1164/S484971/1, B W Gilbert to Sir Alan Barlow, 7 June 1941.

12 PRO, PIN 8/85. Paper by R Hamilton Farrel, undated.

this. Before the interdepartmental conferences took place, they agreed a much shorter version with the Health officials. This was approved by the conference and was, to all intents and purposes, the same as the terms finally approved. The terms of reference were,

"to undertake, with special reference to the inter-relation of the schemes, a survey of the existing schemes of social insurance and allied services, including workmen's compensation, and to make recommendations".

To Health officials these terms of reference were "as wide as possible."<sup>13</sup> The men from the Treasury took a very different view. On 7 June 1941, Bernard Gilbert, a Treasury Under Secretary, noted triumphantly, "the terms of reference are as harmless as they can be made".<sup>14</sup> At the conference it was agreed also that the committee should be comprised entirely of civil servants. This would enable the Treasury to secure a reasonable degree of control over its findings.

Nonetheless, there remained some anxiety in the Treasury over the committee, particularly after the appointment of Beveridge to chair it. Beveridge's support of family allowances was well known, and the officials were sure he would try and include the subject in the committee's discussions. Moreover, Bevin had proposed that death benefits should be part of the remit of the committee. This was bound to be controversial. They had been included because, suggested Gilbert darkly, of "Bevin's desire to put the industrial insurance companies out of business".<sup>15</sup> The question remained for Treasury officials of how the committee could be prevented from dealing with these and other controversial issues. Gilbert suggested getting an understanding with Beveridge via Greenwood as to precisely what subjects the committee would consider and those which it would not. Sir Alan Barlow favoured a more Machiavellian approach: "it might be better to let him [Beveridge] conduct an enquiry with a panel of departmental helpers; they would then be free to repudiate his conclusions".<sup>16</sup> Eventually it was this approach that was adopted. But

13 PRO, PIN 8/85. Note of conference held in Secretary's Room, 24 April 1941.

14 PRO, T 161/1164/S48497/1, note by B Gilbert to Sir A Barlow, 7 June 1941.

15 Ibid.

16 Ibid.

for a while Beveridge was left to conduct his inquiry in peace, unaware of the intrigues against him.

In fact, Beveridge at first was not terribly interested in his new job. He was still smarting from the effects of his brush with Bevin and from being shunted into what he took to be a siding. Nonetheless, as the war crisis deepened, his political views had become more radical. He had always argued that a government firmly committed to social reform would greatly help the war effort. "He gradually became convinced that the social insurance committee gave him a chance to provoke such a commitment; and he determined to use the inquiry not merely to rationalise the existing insurance system but to lay down long-term goals in many areas of social policy."<sup>17</sup> He made his position clear at the committee's first meeting on 8 July. "Any provision", he said, "... designed to afford greater security might at some date be the concern of the Committee".<sup>18</sup> One dissenting view is recorded in the minutes of the meeting. The Treasury representative, Edward Hale, a Principal Assistant Secretary, remarked that he wished the study to be confined to existing schemes. Beveridge and the Treasury were firmly set on collision course.

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The confrontation occurred early in the committee's proceedings. The timing was Beveridge's. On 11 December, after only five meetings, at which general discussion had taken place of the principles of the existing schemes and evidence had been heard from the Association of Approved Societies, Beveridge circulated a long memorandum of a new scheme of social security.<sup>19</sup> The plan he outlined was identical in virtually every major respect to the one which was to emerge a year later in the final report. He proposed a unified comprehensive system of flat-rate insurance benefits at subsistence level. They would be paid for by flat-rate contributions divided equally between employers, employees and the Exchequer.

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17 Harris, op cit, p 381.

18 PRO, CAB 87/76 Sic (41), 1st meeting.

19 PRO, CAB 87/76 Sic (41) 20, "Basic Problems of Social Security with Heads of a Scheme".

Virtually the whole population would be covered compulsorily, and the means-test would be abolished except for those who could not pay contributions. Benefits at subsistence level would get rid of poverty but not affect voluntary private thrift. There was "no reason for the State to deprive the better paid workman of the responsibility and opportunity of making his own provision for higher standards".<sup>20</sup> Approved Societies would be abolished and the new system administered by a Social Security Board. Beveridge stated that in devising the scheme he had made three assumptions. Firstly, a free national health service would be introduced. Secondly, children's allowances should be paid for all children, whether or not the parents were at work. Thirdly, unemployment would be reduced as much as possible.

This was all too much for Edward Hale, the Treasury representative. Hale wrote to his masters on 22 December 1941, that the Chairman's memorandum had been the last item on the agenda, "not for full discussion but primarily to consider what aspect of the various problems should next be studied and by whom". According to Hale, Beveridge asked him to provide a paper on family allowances. Hale asked Beveridge if he wanted to include family allowances because without them benefit rates for larger families would equal or exceed low wage rates. "The Chairman replied that this was a subsidiary reason, but his main reason was that he could not conceive a scheme of social security without family allowances and he made it plain that he held very strong views on the subject". Hale said primly that he would have "to get instructions as the Chancellor had kept family allowances very much in his own hands".<sup>21</sup> Hale had also taken the trouble to have the proposals costed by the Government Actuary. He estimated that Beveridge's plan would double the cost of social security and health services to the Exchequer.<sup>22</sup>

In producing his memorandum at such an early stage in the committee's proceedings, Beveridge had made a grave error of judgement. He could have waited until the committee had heard evidence from the 127 groups

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20 Ibid.

21 PRO, T 161/1164/S48497/1. Hale to Gilbert, 22 December 1941.

22 Ibid.

and individuals about to give it, before drawing the threads together.<sup>23</sup> By acting precipitately, he showed a contempt for democratic procedure. He also attempted to railroad the other members of his committee who were given little chance to make their own contributions. His autocratic action alienated a potential source of support, for most of the committee were sympathetic towards his views. He also gave the Treasury the excuse they needed to move against him.

Hale and his senior colleagues were in no doubt that Beveridge and his grandiose plans must be stopped. It was agreed that Beveridge should be asked to repudiate the three assumptions he had made about family allowances, a free health service and the maintenance of employment. If he refused, then Sir Alan Barlow's suggestion of leaving Beveridge in splendid isolation and relegating his committee to the role of "advisers and assessors" would be adopted. Subsequently, Sir Richard Hopkins, the Treasury's Permanent Secretary and the titular Head of the Home Civil Service, admitted that the Treasury would have liked more "drastic" steps to have been taken, such as "turning Sir William into a Royal Commission". This was seriously considered, and judged impracticable.<sup>24</sup> The Chancellor agreed. On 13 January, Kingsley-Wood met Arthur Greenwood, still the Minister in charge of reconstruction problems and put to him the Treasury's complaints. "It was wrong", he stated, "for the Chairman of the Committee to start off with fixed assumptions before he had heard any evidence. It was unfair to the witnesses, inasmuch as some of the proposals were highly controversial, and it put the Civil Servants on the committee in an impossible position."<sup>25</sup> Kingsley-Wood demanded that Beveridge should be made to withdraw his three assumptions. Greenwood defended Beveridge. He argued that the Minister of Health's statement about hospital policy in the House of Commons, on 9 January, justified the assumption of a national health service. Wood contested this view, and in the end Greenwood agreed to ask Beveridge to withdraw the assumptions.

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23 Although, in fact, the views of many of the groups and individuals who subsequently gave evidence to the committee turned out to be similar to Beveridge's.

24 PRO, T 161/1164/S48497/1, note by Sir Richard Hopkins, 16 January 1942.

25 Ibid, Barlow to Hale, 13 January 1942.

Subsequently, when he was approached and asked to withdraw his three assumptions Beveridge, to his eternal credit, refused. Officials at the Treasury, presumably with Wood's agreement, decided to put into operation the plan they had conceived when the committee had first been appointed. Nine days after Wood's meeting with Greenwood, Edward Hale had drafted a letter to Beveridge. It said curtly, "the Report, when made, will be your own report, it will be signed by you alone, and the departmental representatives will not be associated in any way with the views and recommendations on questions of policy which it contains".<sup>26</sup> The letter was signed by Greenwood and sent to Beveridge, who had no choice but to accept it. While Beveridge could not be nobbled personally, the rest of the committee could. It was arranged for Sir Alan Barlow to speak to the departmental representatives "so as to ensure that their participation in the discussions [of the committee] is reduced to and kept to a minimum".<sup>27</sup>

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Commentators on the Beveridge Report appear uniformly to have accepted the official explanation of the separation of Beveridge from his committee. This was, as Beveridge wrote in paragraph 40 of his report, that it was inappropriate for any civil servant to express an opinion on matters of policy which might prove controversial and which had not been approved by Ministers. Beveridge tends to be described as a maverick, both in the way that he rode roughshod over his committee and by his introduction of radical proposals which exceeded his terms of reference.<sup>28</sup> However, such facts as the official papers of the time reveal suggest that the truth is rather different. The Treasury goal was to nullify the work of the committee from the start, thereby keeping any public expenditure implications to a minimum. On the other hand, those who had been closely involved with setting up the committee, the TUC, the Health and Home

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26 Cmnd 6404 (Beveridge Report), p 19.

27 PRO, T 161/1164/S48497/1, note by Sir Richard Hopkins, 16 June 1942.

28 Cf, for example, Bullock, op cit, pp 225-226; Addison, op cit, pp 169-170; Heclo, op cit, p 141; Harris, op cit, p 386; Frazer, op cit, p 214.

Office and the Minister without Portfolio, expected it to produce major proposals for reform which, if adopted, would have led inevitably to increased public spending. Hence the Treasury approved terms of reference which, in their view, were as innocuous as possible. The view of others, however, such as officials at the Home Office and Arthur Greenwood, were that the terms were very wide. In fact the wording was sufficiently loose to allow virtually any interpretation. The Treasury objected that Beveridge's three assumptions exceeded his terms of reference.

Beveridge denied this. In fact, once as thorough-going a reform of existing schemes as that proposed by Beveridge had been decided upon, the inclusion of family allowances became inevitable. If work incentives were not to be severely jeopardised, children's allowances for families at work were the concomitant of children's allowances and benefits on a subsistence basis for those not in work. Even Kingsley-Wood had agreed, on 3 January 1942, that there could be no bar to the discussion of family allowances by the committee.<sup>29</sup>

Nor could Beveridge's discussion of future health service provision be regarded as controversial. Medical benefits were tied in with health insurance benefits. It was inevitable that the committee should discuss the reform of health services; a fact recognised by the Ministry of Health.

Beveridge's insistence on the maintenance of employment was more controversial. Nonetheless, it cannot be denied that, in terms of social security policy, a low rate of unemployment is a highly desirable goal. Beveridge, it should be remembered, had been closely connected with unemployment insurance for much of his life. He, perhaps more than any other, would have been conscious of the disasters visited upon the unemployment insurance scheme of 1911 by mass unemployment in the 1920s and 1930s. Mass unemployment in the future would have the same devastating consequences for his own insurance proposals, leading inevitably to mass means-testing; a situation he wished to avoid above any other. Nonethe-

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29 On 2 January 1942, Greenwood wrote to Wood, "I do not see how we can rule out consideration of death benefits anymore than we can bar discussion of family allowances." Next to this sentence, Wood wrote in red pencil, "I agreed to this." T 161/1164/S48497/1, Greenwood to Wood, 2 January 1942.

less, there is no doubt that Beveridge favoured the pursuit of full employment policies for their own sake. It could be argued, as no doubt Treasury officials did, that he was using the committee as a convenient peg on which to hang such ideas.

While Beveridge did not exceed his terms of reference, there is no doubt that he stretched them to their limits, particularly in his arguments for the maintenance of employment. For the rest, the breadth of his inquiry is much closer to what the TUC, the Ministry of Health, the Home Office and the Minister without Portfolio had in mind in setting up the study than is the Treasury view of "a sort of tidying up operation - eg perhaps relieving the Customs and Excise of their administration of the Lloyd George non-contributory pension".<sup>30</sup> Ultimately, Parliament and the people of Britain were to show resoundingly whose side they were on. Had the Treasury view prevailed, the results with some justification could have been regarded as a betrayal of the promises made to the TUC by the Minister without Portfolio in July 1941.<sup>31</sup>

The fact is, of course, that while the Treasury were genuinely shocked by Beveridge's plan the argument over terms of reference was simply an excuse to block major proposals for public expenditure. Once Beveridge had been appointed to lead the committee, Treasury officials realised that, almost inevitably, it would discuss major policy issues. In order that the government would not be pushed into a commitment to back any of the recommendations which Beveridge's committee might propose, as a result of publicity given to it, the Treasury requested that its work be kept secret. However, this was impossible because of the nature of the promises made to the TUC. To have reneged on these would have angered the Labour Movement. With the Nazis knocking on Britain's door, this possibility could not be contemplated. As an alternative, the

30 Harris, op cit, p 386.

31 On 24 July 1941, Greenwood made a statement about the proposed work of the Beveridge Committee to a Joint TUC Social Insurance and Workmen's Compensation and Factory Committee. He said it would cover health insurance, unemployment benefit, pensions, workmen's compensation and unemployment assistance. It would also take into account public assistance, hospital and medical services "and in fact the terms of reference of the committee were very wide". TUC Soc.Ins.Advisory Committee, minutes October 1939-January 1947.



Treasury officials planned to withdraw the permanent civil servants from full participation in the committee, at the earliest opportunity. By isolating Beveridge they hoped to reduce the credibility of his proposals and any imagined commitment to them by the government. In the event, it made no difference whatsoever. The Treasury would have achieved its ends far better by allowing the full committee to run its course. It could have ensured that the permanent civil servants on it produced counter-proposals to Beveridge's. Alternative sets of recommendations could have been used as a basis for further procrastination. Of course, no one could have forecast that Beveridge's Report would have such a huge popular following. But, even at the time, the Treasury's action must have seemed unsubtle to say the least. In the face of the pressure put upon him, lesser men than Beveridge would have dropped the three assumptions. Some would have found it impossible to continue, and resigned. Stubbornly, Beveridge soldiered on.

The Treasury's action in isolating Beveridge not only rebounded on them, but did a great disservice to social security policy-making. Prior to the decision to dissociate members of the committee from it, there had been some discussion of first principles. For example, whether flat-rate systems were preferable to earnings-related schemes. While Beveridge was autocratic, opinionated and stubborn, he was also highly rational and quite capable of changing his views, as has already been demonstrated. The effect of isolating him was to increase his power and diminish the likelihood of the remainder of the committee influencing him. Subsequently, basic principles were never discussed by Beveridge with his newly styled committee of "advisers and assessors".<sup>32</sup> Astonishingly, they were never to be discussed again, other than cursorily, until after the 1946 Insurance Act had been enacted and social security policy set on course for decades.

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<sup>32</sup> Although they were to some extent discussed with the witnesses who appeared before the committee.

During the early months of 1942 many of Beveridge's own ideas on the sort of system he might adopt were confirmed by the evidence submitted on behalf of over 100 organisations. These included trade unions, some employers, friendly societies and insurance interests, local authorities and other professional and research groups. The similarity between many of the proposals put forward in evidence and those Beveridge had in mind is very marked. Unified insurance, subsistence level benefits, an end to the Poor Law, a free health service, family allowances: these were the constantly reiterated themes.

The TUC proposals, for example, were very close to Beveridge's. By 13 August 1941, after Beveridge's committee had met only once, the TUC's Joint Social Insurance Committee had agreed a draft programme which included:

- 1 An inclusive scheme to cover unemployment, sickness, maternity, old age, blind, deaf, widows, orphans and non-compensated accidents.
- 2 All employed persons irrespective of income.
- 3 Flat-rate benefits of £2 per week for a single person plus dependents' allowances.
- 4 Unlimited duration of benefit.
- 5 Flat-rate contributions.<sup>33</sup>
- 6 One Ministry.
- 7 A comprehensive state health service available to everybody.
- 8 Workman's Compensation to be dealt with separately.<sup>34</sup>

There is a remarkable degree of coincidence between these and Beveridge's own proposals outlined in his December Memorandum.

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33 At a later meeting, it was decided that contributions should be paid in the ratio employers 25 per cent, employees 25 per cent, Exchequer 50 per cent.

34 TUC Social Insurance Advisory Committee, minutes October 1939-January 1947. Minutes of Meeting of Joint Social Insurance and WC and Factory Committee, 13 August 1941.

Having been cut off from his civil service base, Beveridge became acutely aware of the need to build a base of political support for his proposals if they were to get anywhere. Subsequently he spent a considerable amount of time wooing the TUC to complete agreement with him.<sup>35</sup> He failed over the question of Workmen's Compensation, but was otherwise very successful.<sup>36</sup> In fact, Beveridge did not have to try very hard to gain support. His ideas reflected a broad body of opinion from the left to the centre. "Even the industrial assurance companies claimed to favour a great expansion of existing statutory services, provided they could continue to act as agents for national insurance and retain the commercially valuable right of door to door collection."<sup>37</sup> There were of course exceptions to this consensus, the most notable being the British Employers Federation. The Employers failed to submit evidence to Beveridge, arguing that any reforms of social security should be postponed until after the war.<sup>38</sup>

While Beveridge could count on a lot of support outside government, his influence began to grow within it as well. By March it was clear that he had won over Wood's adviser, John Maynard Keynes. Beveridge had written to Keynes in March, asking for his advice about the financing of the scheme. Keynes waxed enthusiastically about Beveridge's work in his reply, and made one or two suggestions which encouraged Beveridge to increase rather than to reduce the cost of the proposals.<sup>39</sup>

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35 The Government was so struck by the similarity between Beveridge's and the TUC's schemes that a paper was circulated comparing them. CAB 123/43 Relations of TUC Scheme and Plan for Social Security in Sir William Beveridge's Report, November 1942.

36 Beveridge wanted to assimilate Workmen's Compensation into the general insurance scheme. The TUC wanted a separate, preferential scheme of Workmen's Compensation. Beveridge proposed a compromise of assimilation of short-term benefits and separation of long-term benefits. This was rejected by the TUC.

37 Harris, op cit, p 414.

38 Ibid, p 415.

39 These suggestions were for benefits indexed to cost of living increases and for the nationalisation of Industrial Assurance and Employers Liability Insurance.

Further support was provided by the Economic Section, under Lionel Robbins.<sup>40</sup> In January, Beveridge's committee had invited the Economic Section to submit a paper on the economic aspects of the scheme outlined by Beveridge in December. The resulting memorandum was circulated on 16 June 1941. It was overwhelmingly in favour of Beveridge's scheme. The post-war economic goals outlined in the paper were to reduce the national debt, to keep unemployment to a minimum and to maintain a high national income. A growth of national income of perhaps £100 millions per annum was forecast, "if large scale unemployment can be avoided". Total public expenditure would have increased by around 80 per cent between 1938 and the immediate post-war period: "It is estimated that on the proposed extension of social security, total public expenditure in the early post-war years is likely to be some 32 per cent of total taxable incomes. This percentage is about midway between the pre-war ratio of 25 per cent between current accruing revenue and total taxable incomes and the 1941 percentage of 40 per cent." Expenditure on Social Security and Assurance transfers would more than double. Generous benefits would help to maintain a minimum level of purchasing power in times of trade depression and "make a substantial contribution to the maintenance of full employment". Productivity would be improved by a better fed, clothed, housed, educated and healthier working population. Family allowances would maintain work incentives by increasing the gap between wages and benefit. Unemployment benefit would not need to include any allowances for children. More generous benefits would assist labour mobility. A man would be more prepared to give up his non-transferable private pension, knowing that the state pension scheme would mitigate the loss. The replacement of private insurance by public insurance might mean that "the same or better service is provided at a much reduced cost to the community".

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40 The Economic Section was established following the creation of the Coalition Government and the recruitment of academic economists into the administration, initially to expand the Central Economic Information Service. Subsequently, they were regrouped into a section attached to the offices of the War Cabinet. From this position they were able to play an influential part providing an alternative, generally Keynesian, economic perspective to Treasury orthodoxy, to provide secretaries for various special committees and to brief the Lord President of the Council on the state of the economy and on agenda items of the committees he attended. Cf Robbins, Autobiography of an Economist, 1971, p 7; J W Wheeler-Bennett, John Anderson, Viscount Waverly, 1962, pp 262-264.

The only doubts cast by the Economic Section were on the method of payment for the Scheme. Employers' contributions would push up employers' costs and might hinder full employment policies. However, on balance, a contributory system was best because it would probably be easier to raise revenue that way than from general taxation after the war. Rates of contribution could also be varied to help regulate demand.<sup>41</sup>

Sir Richard Hopkins, Permanent Secretary at the Treasury, was quite clearly upset at the tacit support given to Beveridge's plans by the Economic Section. He wrote to the Chancellor,

"the note conveys an impression (which is quite certainly entirely misleading) that the great new tax burdens could in the future peace-time be easily and comfortably borne. On the contrary ... they may prove terrific and disastrous. Once a scheme of this kind is promulgated governments can expect to have little peace. Yet it would surely be a disaster if the government became committed here and now to pay dividends on this scale out of the assumed profits of the new El Dorado".

Wood agreed and minuted, "This is very serious. Let me know what follows."<sup>42</sup>

What followed was a series of recriminatory notes passed between the permanent Treasury officials and the Economic Section.

On the basis of the assumptions they had made about the post-war national income, the Economic Section asserted that the Beveridge plan could be afforded. The Treasury, arguing from a different set of assumptions, argued that the plan could not be afforded. The Economic Section argued that the Treasury assumptions were too pessimistic. The Treasury argued that the Economic Section was being over-optimistic. The difference between the forecasts was relatively small; a matter of a few hundred million pounds out of a National Income of some £6-7,000 millions. Yet it made all the difference to whether the Beveridge plan was viable or not. Sir Richard Hopkins argued that the new-fangled forecasts based on unproven assumptions should not be used for policy-making at all.

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41 SIC (42) 76, 16 June 1942.

42 T 161/1164/S48497/2, Hopkins to Wood, 26 June 1942.

Given the dubious state of the art, one could have sympathy for this view.<sup>43</sup> Unfortunately, in general Sir Richard Hopkins appears to have been as dogmatic as anyone over what in the end were purely matters of opinion. The dispute remained unsettled when, on 30 June, Hopkins wrote to Beveridge who by now was ready with a draft of his full report. Hopkins was anxious for the Report to be studied at the Treasury before it was circulated round the other departments. "I have seen a copy of the note which was furnished to you by the Economic Section", he wrote, "and while I have a very high appreciation of the work which Robbins and his colleagues have done in connection with Reconstruction, I do not feel that this particular note gives you an adequate picture of the financial problem - at any rate as we see it here." Hopkins went on to invite Beveridge to an informal talk with him to discuss these financial questions.<sup>44</sup>

Meanwhile, Keynes had been trying to conciliate the Economic Section and the Treasury. His own estimate of post-war national income came mid-way between the opposing forecasts. He warned Hopkins diplomatically that they "should avoid counting too many chickens before they are hatched, while holding out reasonable hopes that if all goes well, we could manage to do a great deal".<sup>45</sup>

Indeed, at first sight it looked as though a great deal would have to be done, if Beveridge's latest plan was to be implemented. The cost of his new proposals, including a national health service, had risen by nearly £200 millions to £690 millions. The increase in cost was to pay for the new rates of benefit which Beveridge had raised by one-third to take account of inflation: £310 millions were to be paid from contributions and the remainder by the Exchequer. Total expenditure on social security

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43 He wrote: "National income is a valuable basis for comparisons of past and present and for informed conjectures about the future. An estimate of future national income based on assumptions not yet proven is nevertheless a dangerous basis for immediate action." T 161/1164/S48497/1.

44 Ibid, Hopkins to Beveridge, 30 June 1942.

45 Ibid, Keynes to Hopkins, 30 June 1942.

compared with expenditure in 1938 would be trebled. Apart from the increased cost and the wealth of detail which had been added, Beveridge's proposals were essentially those of his December memorandum.<sup>46</sup>

However, Keynes went on to suggest to Hopkins that, if Beveridge economised by £100 millions on pensions, "he would have a pretty plausible tale to tell". Keynes did indeed make it look pretty plausible. He outlined the finances as follows:<sup>47</sup>

	£m
Pre-war tax contribution raised to correspond to prices is	170
Family allowances, which are more or less inevitable anyhow,	100
	<hr/>
	270
Balance of cost of Beveridge's proposals 680-270	410
Contributions by employers and employed, as proposed by him	310
	<hr/>
Deficit	100

Keynes argued that if the £100 millions deficit could be wiped out the Exchequer would have nothing extra to pay for the scheme other than for family allowances, which it would have had to pay for in any case. Hopkins, however, remained unsatisfied. He argued that the contributions were far too high and would be rejected by employers.<sup>48</sup> Keynes pointed out that they would add no more than 1.5 per cent to costs.

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46 PIN 8/87, "First Draft of Report by Sir William Beveridge", July 1942.

47 T 161/1164/S48497/2, Keynes to Hopkins, 30 June 1942.

48 Increases in taxation were anathema to Sir Richard, who regarded them as "a heavy deterrent to new enterprise, progress and invention". Ibid.

Keynes' strong support for the Beveridge plan was to some extent balanced by the objections raised by another Treasury adviser, Hubert Henderson. With some justification, Henderson pinpointed some of the weaknesses of Beveridge's insurance proposals. He pointed out that Beveridge's proposed insurance system was neither as "uniform" nor as "comprehensive" as he claimed, that a majority of people benefitting from the scheme would not be in "need", that flat-rate benefits could not take account of local variations in the cost of living, and that flat-rate contributions were an unjustifiable tax on both employer and employee. Henderson argued that a more cost-effective solution would be to introduce a mean-tested scheme on the same basis as the newly introduced tax returns.<sup>49</sup>

On 6 July, Hopkins and Keynes put their arguments to Beveridge who had agreed to a meeting. There are no minutes of this meeting but it appears that Beveridge was asked not to circulate his draft until Sir George Epps, the government actuary, had studied the figures. Beveridge refused this request and subsequently circulated his draft without Treasury approval. This meeting may have been acrimonious, for the following day Keynes, who remained on good terms with Beveridge, lunched with him. His mediation had some effect. Beveridge agreed that he, Keynes, Robbins and Epps, the government actuary, would meet to discuss the financial aspects of the plan. Significantly, no permanent Treasury officials would be present. Hopkins was pleased with this outcome and noted his satisfaction to Wood.<sup>50</sup>

A little over a week later, on 16 July, Hopkins briefed the Chancellor on Beveridge's recommendations which were,

"not directed to the matter which was committed to Sir William to explore, namely, consideration of the proposals emerging from the existing national schemes of social insurance and ways to dovetail schemes together and remove disparities between them. The recommendations are for a plan of social security going far beyond anything envisaged in the existing system, and although the plan is worked out in great detail in regard to special cases and the like, it bears all the imprints of a political broadsheet."<sup>51</sup>

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49 Henderson Papers, "The Principles of the Beveridge Plan", by H D Henderson, 4 August 1942, quoted in Harris, op cit, p 423.

50 T 161/1164/548497/2 Hopkins to Wood, 7 July 1942.

51 Ibid, Hopkins to Wood, 19 July 1942.



Certainly sentences such as "A revolutionary moment in the world's history, is a time for revolution, not for patching",<sup>52</sup> are hardly typical of government publications. Nonetheless, there was a war on, and Beveridge might have been forgiven his florid style of presentation which was no more than icing on a cake, 95 per cent of which contained sober and reasonable proposals for social security. While Sir Richard's distaste was partly conditioned by the financial implications of the plan, it is also reminiscent of the feeling engendered among many of the centre and right during the war, that the left were using the national crisis as a cover to introduce their own policies.<sup>53</sup> However, the Treasury was not impotent. Hopkins arranged a meeting of heads of ministries affected by the plan, to discuss a suitable response.

Although no record of this meeting, which probably took place on 22 July 1942, appears to have survived, Sir Richard Hopkins recorded his intentions in a note prepared on the same day as the meeting. This suggests that the proposed expenditure on the scheme was such that it should be seen as no more than "an ideal to be looked forward to in a different world".<sup>54</sup> It went on to propose that a committee of officials should be created to look at "particular difficulties" of the scheme and to study ways of reducing its cost.<sup>55</sup> However, this action seems to have been deferred, pending the outcome of Keynes' meetings with Beveridge.

During August and early September 1942, Keynes from the Treasury, Robbins from the Economic Section, and Epps from the government Actuaries Department, had a series of meetings with Beveridge to discuss economies in his scheme. As things stood, the Treasury had costed the scheme at £690 millions, with £380 millions of this burden resting on the Exchequer. Keynes' target was to reduce the Exchequer cost to below £100 millions

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52 Beveridge, op cit, para 7.

53 Cf Addison, op cit, pp 128-129, and 145.

54 T 161/1184/S48497/2, The Social Security Scheme - This afternoon's meeting. Opening statement. Note by Sir Richard Hopkins, 22 July 1942.

55 Ibid.

per annum. One of his main intentions was to distinguish a bedrock scheme, "so as to indicate what could be detached from the rest, if the scheme as a whole is financially impossible".<sup>56</sup>

Beveridge was no doubt as fully aware as was Keynes of the need for the size of the Exchequer contribution to be reduced, if his plan was to be supported. Indeed, he may even have exaggerated the size of his claims to leave room for cuts. Keynes and his group proposed that the Exchequer cost of Beveridge's scheme be reduced by £250 millions. In turn, Beveridge readily agreed to cuts totalling some £100 millions. These comprised reductions to some benefit and pension rates, and the exclusion of the first child in a family from family allowances. This latter proposal did not meet with the whole-hearted approval of the Treasury group and Robbins in particular, who argued for children's allowances for the first child on the grounds that they were "more just and more popular" than "very high pensions for the old". Beveridge showed himself more in touch with popular opinion when he argued against children's allowances for the first child "on its merits", and stuck to his guns over pensions. However, he refused to reduce the rate for children's allowances from six shillings and 3 pence (31.5p) to five shillings (25p), as Robbins suggested, and said it might well have to be increased to as much as seven shillings and sixpence (37.5p). Initially, Beveridge also completely rejected Keynes' proposal to scrap universal insurance and include only the existing classes of insured persons. Subsequently, according to Keynes, he agreed to delay the introduction of the new groups into state insurance by six years. Beveridge said that the only way he could reduce the Exchequer contribution to the extent required by the Treasury was by increasing employers' and employees' contributions, and he proposed to do this by raising them to a total of eight shillings (40p) per week. Keynes and his group argued forcibly against this.

"We all pointed out that a contribution of eight shillings would be extremely difficult to obtain and that the contributory system pushed to such a length was a bad form of taxation inasmuch as it was a poll-tax related neither to the amount of wages earned nor to the amount of profits earned."<sup>57</sup>

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56 T 161/1164/S48497/2. Note by Keynes. What follows is based on the notes written by Keynes himself in the Treasury after his meetings with Beveridge.

57 Ibid. Note by Keynes on meeting with Beveridge.

These are powerful arguments either for low benefits or for earnings-related contributions. Beveridge was, however, completely committed to flat-rate contributions and subsistence benefits.

"Beveridge argued that he was strongly of the opinion that benefits must be paid for, and that a high rate of benefit should be contingent upon a high rate of contribution."

Moreover, he argued that,

"if the existing heavy expenditure by the working class on industrial assurance and outside medical benefits was brought to an end they would not be paying any more than they were now".<sup>58</sup>

Keynes and his colleagues were convinced, however, that a total contribution of eight shillings (40p) per week was not politically viable. If the whole package was to be acceptable, then expenditure on retirement pensions - much the biggest item - would have to be cut. Keynes was critical of Beveridge's pension plan which he said, "would succeed in spending the largest amount of money for the smallest amount of popular satisfaction".<sup>59</sup> Different classes of people with the same needs would get different amounts of pension, while the retirement condition was a "drastic" means-test on earned income which allowed unearned income to escape unscathed. Keynes' solution to the pensions problem was a simple 50 per cent increase in the current rate of contributory pension to be awarded to everyone of pensionable age.<sup>60</sup>

Beveridge did not agree with Keynes. He wanted his plan to stand or fall by its adherence to subsistence principles. At the same time he had become fully aware that, unless he reduced the cost of his subsistence pensions, they would never get government approval. After his first meeting with the finance group on 10 August, Beveridge saw Keynes again two days later, when they had luncheon together at the Gargoyle Club. A

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58 Ibid.

59 Ibid.

60 Ibid.

week went by before Keynes received a letter from Beveridge which announced his intentions over pensions. Beveridge's ingenious plan was simply to defer payment of full subsistence pensions for 20 years. Pensions would be only 14 shillings (70p) (single) and 35 shillings (£1.25) (married) in the first year. Those who qualified under the current contributory scheme were to have the amount of their pension increased every two years so that, after 20 years, the full subsistence pension was paid. This "golden staircase" could not be climbed by those without qualifications under the old contributory scheme. The size of their pension would depend upon the number of contributions paid under the Beveridge scheme. Once paid, it remained fixed at its original level. This became known as "the tin can round the neck".<sup>61</sup> These transitional arrangements suggested by Beveridge after a week's thought to satisfy Keynes and the Treasury were in many respects more open to criticism than his original proposals, although they cost a good deal less. Keynes, however, was pleased. He wrote to the senior officials at the Treasury: "he [Beveridge] will propound his scheme as being a scheme for pensions of 24 shillings [£1.20] (single) and 40 shillings [£2] (married) but in fact no one who is now above 45 years of age will receive pensions at this rate and this will not be the prevailing rate of pension for 30 or 40 years."<sup>62</sup>

While Beveridge had climbed down over pensions, his new plans for family allowances involved a higher level of spending. Beveridge put them at the rate of eight shillings (40p). "He agreed", according to Keynes, "that he had no justification for going for so high a figure except that he must give the subsistence figure to the children of the unemployed and if he did not give it all round he was afraid that the earnings of a family man out of work would approximate too closely to what he could earn when in work."<sup>63</sup> Beveridge refused to accept Robbins' suggestion of five shillings (25p) for the second and eight shillings (40p) for subsequent children (thereby saving £20 millions), but he did agree to

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61 As reported to me in conversation by Sir John Walley.

62 T 161/1164/S48497/2. Note by Keynes.

63 Ibid. Note by Keynes.

insert a clause that the children's allowances, except in the case of the unemployed, might be paid at a rate of six shillings (30p) without jeopardising the rest of his plan.

Finally, Beveridge agreed to stress the financial completeness of his plan and that there would be no room for concessions except in return for higher contributions. He also promised to emphasise the contributory character of the plan so that "the rights of those who have not contributed in the past will be legitimately limited".<sup>64</sup>

After their fourth and final meeting, on 24 August, Keynes reported at the Treasury that Beveridge had made a "manful" effort to meet the criticisms that had been made. His new proposals could not be criticised on purely financial grounds. The initial cost to the Exchequer would be around £115 millions, an amount equal to the whole of the cost of the new children's allowances. The whole of the rest of the additional expenditure including an extra £100 millions on health services, new pensions and other benefits would be met out of contributions. These were four shillings and three pence (21.25p) for the employee, and three shillings and three pence (16.25p) for the employer. They were no more, according to Keynes, than what the average wage earner was spending already on insurance. The effect would be to raise prices by a small amount - around one per cent.

Keynes and Beveridge must have been reasonably pleased with the compromise they had agreed. Politically it was a highly attractive package. Any government introducing it would be able to claim the creation of the social security millenium: including a national minimum, family allowances, free national health care, and an end to the Poor Law and means tests. The cost to the Exchequer was no more than the cost of family allowances which would have had to be introduced anyway. This had been achieved principally by shifting expenditure from the Exchequer to contributors, and switching some of the Exchequer burden from the short run to the long run. While the Treasury would have preferred outright cuts in the pensions proposals, the amount of time allowed before full pensions were

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64 Ibid.

paid was sufficiently great to allow for enough growth in the national income for the difference to be met. Keynes' final words to the Chancellor were,

"From what I have seen it looks to me that the document is a very fine one and will impress public opinion as at the same time moderate and far reaching and argued in the most convincing and striking manner."<sup>65</sup>

If Beveridge hoped that, with the financial problem relieved, the Report was in for an easy ride, he was sadly mistaken. In their written memoranda the Treasury officials showed no sign of any softening in their attitude to the scheme or to Beveridge. While some of their sting had been drawn there was a lot of venom left. On 31 August, Hopkins minuted the Chancellor, who had been following the discussions between Keynes and Beveridge,

"Sir William ... has now gone into retirement to re-model and complete his 80,000 words .... The primary difficulty in the first draft lay I think in that while Sir William was exposing himself to attack, in regard to a considerable number of contentious issues, these were ... overshadowed by the tremendous financial assumptions which it would have been the special business of the Chancellor to stand up against .... Assuming that the most recent version emerges as the final version, then it seems to me that the Exchequer problem, though still a formidable one no longer over-rides everything else .... [Other problems] include the seven shillings and sixpence [35p] contribution, compulsory insurance of excepted classes, the immense provision for second and subsequent children with no attention to need and no provision for the first child, varying old age pensions for the next 40 years ... the future of industrial assurance and of workmen's compensation, the abolition of pensions for childless widows and the future of the Poor Law including social security for strikers ... it seems to me there will be plenty to criticise without the whole burden of the contrary argument resting upon the Treasury."<sup>66</sup>

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65 Ibid.

66 Ibid. Hopkins to Wood, 31 August 1942.

The Treasury refrained from making any further comments on the substantive policy issues dealt with by the Report until after its publication. Their fight to reduce its impact continued, however. This fight now centred around presentational questions. Officials were convinced that Beveridge was trying to make his Report read as though it was a joint product with his Committee, in order that it should carry more weight. A flurry of drafting amendments and counter-amendments took place between Hale at the Treasury and Beveridge. Both sides were determined to give as little ground as possible.<sup>67</sup>

After the conclusion of this conflict, a protracted argument began over the publication of appendices to the Report, including the evidence of major witnesses. The Treasury argued that they should not be published on the grounds of cost. The underlying motive was likely to be that much of the evidence from witnesses supported Beveridge's policies. Eventually, even Kingsley-Wood began to tire of the pettiness of it all. When his officials sought his support over the question of the appendices, he noted, "I should not have thought it mattered much."<sup>68</sup> In the end, the appendices had to be published. Not to have done so would have given Beveridge a legitimate grievance.

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Beveridge had one more obstacle to overcome before he could expect his proposals to see the light of day. This was the Cabinet. Beveridge was faced not only with a civil service that was by now either largely indifferent or hostile to him, but with opposition from Ministers also. Greenwood, who had initially supported Beveridge, had been sacked and replaced as Minister responsible for reconstruction problems by the Paymaster General, Sir William Jowitt. When Beveridge was putting the

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67 Something of the flavour of these exchanges can be gleaned from the following brief example:

Beveridge version: ... and the Report now presented is signed by him alone.

Treasury amendment: and the Report now presented is his alone.

Beveridge counter-amendment: omit clause altogether.

Treasury comment: "It is difficult to object to the omission of words." T 161/1164/S48497/2.

68 Ibid. Hopkins to Wood.

finishing touches to his Report in October 1942, Jowitt warned him against "advocating schemes which would open the flood-gates of claims for all sorts of social expenditure".<sup>69</sup> When Beveridge asked to meet Kingsley-Wood in the same month, "to smooth away any further objections he might have", Jowitt warned off the Chancellor, "lest any evilly disposed person should say that you were in some way responsible for what was in the Report".<sup>70</sup> Needless to say, Wood did take Jowitt's advice. He was the last person anyone could accuse of giving succour to Sir William Beveridge.<sup>71</sup>

The most formidable obstacle in Beveridge's path was, not Sir William Jowitt nor even Sir Kingsley-Wood, but Sir Winston Churchill. On 27 October, the Minister of Information, Brendan Bracken wrote to Churchill, "I have good reason to believe that some of Beveridge's friends are playing politics and that when the Report appears there will be an immense amount of ballyhoo about the importance of implementing the recommendations without delay". Bracken wanted Beveridge to be stopped from leaking details of the Report.<sup>72</sup> However, the leaks went on. On 30 October the London Evening Standard reported that Beveridge was "mixing a strong drink in his social security Report - a Pink Gin". The Daily Telegraph quoted Beveridge as saying that his proposals would "take the country half way to Moscow".<sup>73</sup> Anything more calculated to annoy Churchill can hardly be imagined. There is no doubt that he objected violently to its publication.<sup>74</sup>

69 T 161/1164/S48497/1. Jowitt to Wood.

70 Ibid.

71 According to J Harris, Jowitt subsequently became the only member of the Government keen to proceed with converting Beveridge's plans into legislative proposals. His political record is testimony to what can only be described as political opportunism. He has been described as "one of the political world's most nimble survivors". Addison, op cit, p 106.

72 PREM 4/89/2. Bracken to Churchill, 27 October 1942.

73 Evening Standard, 30 October 1942, W. Beveridge, Power and Influence, 1953 p 315.

74 Bevin's biographer, Alan Bullock, writes, "If he could have had his way Churchill would have consigned Beveridge and his Report to oblivion". A Bullock, The Life and Times of E Bevin, vol II, p 227.



Possibly, too, the Labour leaders were embarrassed at the threat posed to the smooth functioning of the Coalition by Beveridge. By the end of October the Report was complete. Stafford Cripps reported to Beatrice Webb that its publication was being postponed, "as some of the Cabinet regard it as being too revolutionary".<sup>75</sup> Precisely what went on behind the scenes is not known but for a few days, "the atmosphere was not only obscure but unpleasant", according to one of Beveridge's assistants.<sup>76</sup> The fact of the matter is that the government was powerless to stop the Report, although most of its leading members may have wished to do so. The commitments made to the TUC, the initial blaze of publicity which Greenwood had made sure was given to the Committee, and the subsequent expectations assiduously fostered by Beveridge, all conspired to force the Government's hand. An attempt was made by the Cabinet to reduce the impact of the Report. When the War Cabinet met on 16 November, it agreed to refuse Beveridge the facilities he had requested to publicise the Report. At the last minute, however, there was a change of heart. Maximum publicity was to be given, including a broadcast and a press conference by Beveridge himself. Beveridge probably had Jowitt, who thought it would be unwise to restrain Beveridge from publicising the report once it appeared, to thank for this. Churchill agreed with Jowitt. He noted on 25 November, "Once it is out he can bark to his heart's content."<sup>77</sup> It was a decision Churchill came to regret.

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75 Harris, op cit, p 419.

76 Ibid.

77 PREM 4/89/2. Jowitt to Churchill, 23 November 1942.

## THE PHILIPS COMMITTEE

On 15 November 1942, church bells all over Britain rang out to acclaim a great victory. General Montgomery had won at El Alamein. The British, who had had their backs to the wall for three long years, suddenly felt themselves no longer needing its shelter. The dream of victory was hardening into reality. It became possible to think about peace and to make plans for the future. Sir William Beveridge could hardly have timed his report better. Within days of its publication on 1 December 1942, the report with the dull title, "Social Insurance and Allied Services" had been acclaimed as the blueprint for a better tomorrow.

The euphoric reception given to the Beveridge Report has been well documented.<sup>1</sup> "No official report has ever aroused greater enthusiasm."<sup>2</sup> The press adored it, with the exception of a carping Daily Telegraph. The BBC broadcast details of the Report in 22 foreign languages, from dawn on the day of publication. Admiration was expressed all over the world. Even the Germans were so impressed with the propaganda value of Beveridge's words that they ordered their press not to mention the Report. At home, queues formed outside HMSO as people rushed to buy a copy for themselves. The first edition rapidly sold out. Eventually well over half a million copies were sold.

"The Report aroused widespread discussion among journalists, back-benchers, social workers, public assistance officials and the public at large; and, as Beveridge himself had anticipated, it was interpreted in many quarters as a token of the government's commitment to post-war social reform. Many of its proposals were warmly endorsed by the Trade Union Movement, and in industrial areas like Clydeside meeting after meeting of workers passed resolutions in support. The principles of the Report were enthusiastically debated in universities, churches, rotary clubs, social welfare organisations and educational bodies like the WEA. Many of these discussions ended in demands for the Report's immediate implementation. It must be the Plan, the whole Plan and nothing but the Plan: wrote a local correspondent of the reconstruction survey to G D H Cole."<sup>3</sup>

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1 The most thorough coverage is to be found in J Harris, op cit, pp 420-426; and A Marwick, Britain in the Century of Total War, 1968, pp 309-311.

2 Bullock, op cit, p 225.

3 Harris, op cit, pp 420-421.

The vast majority of people in the country appear to have agreed with Cole's correspondent. A survey by the British Institute of Public Opinion found that 86 per cent of respondents favoured adoption of the Report. Only 6 per cent thought it should be dropped. Members of the higher income groups were reported to be overwhelmingly in favour. In December 1942 the TUC, the Labour Party and the Liberal Party endorsed the Report. The British Council of Churches followed suit. Some Conservatives, mainly the younger and more progressive ones, were enthusiastic. There were of course those who had doubts. The insurance companies called Beveridge a spendthrift and his plan a threat to the balance of payments. Doctors attacked his suggestion for a national health service.<sup>4</sup> A group of Tory businessmen was formed to oppose the Beveridge proposals.<sup>5</sup> Churchill himself appointed a secret committee of Conservative MPs to report the party's view. It accepted the proposal for children's allowances and universal old age pensions but rejected the rest, for providing benefits to those not in need and on grounds of cost.<sup>6</sup> George Orwell noted the reactions of some of those on the left. Like many of the intelligentsia who had expected radical social change after 1940 and had welcomed the social solidarity created by the struggle against the Nazis, Orwell was becoming less confident of change occurring:

"The great political topic of the last few weeks has been the Beveridge Report on Social Security. People seem to feel that this very moderate measure of reform is almost too good to be true. Except for the tiny interested minority, everyone is pro-Beveridge - including left-wing papers which a few years ago would have denounced such a scheme as Semi-Fascist - and at the same time no one believes that Beveridge's plan will actually be adopted. The usual opinion is that 'they' (the Government) will make a pretence of accepting the Beveridge Report and then simply let it drag."<sup>7</sup>

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4 Marwick, op cit, pp 310-311.

5 Harris, op cit, p 424.

6 Addison, op cit, p 221.

7 G Orwell, The Collected Essays, Journalism and Letters of George Orwell, vol III, 1940-1943, Penguin 1970, p 318.

Orwell's fears were shared by many from a broader political spectrum who voiced the expectation that "vested interests", ie insurance companies and big business, and to a lesser extent the Government and the "politicians", would wreck or severely mutilate the proposals.<sup>8</sup> Such views were remarkably prescient. Many members of the Government were upset at the furore caused by the Report's publication. Moreover, much of the initial burst of publicity given to it had been orchestrated by Bracken, the Information Minister, who at the last minute had seen the propaganda value of the Report. Some people, naively perhaps, must have assumed in the early days that Beveridge had the Government's backing. It was an illusion quickly dispelled. As suddenly as the rays of Government approval had shone on Beveridge were they shut out. Four days after the Report's publication all official publicity was stopped. A summary of the Report prepared for the ABCA Bulletin by Beveridge himself was withdrawn by the War Office only two days after publication, on the grounds that it was too controversial.<sup>9</sup> Poor Beveridge was given short shrift too. "Churchill is reported to have taken strong exception to the Report, to have refused to see its author, and forbidden any government department to allow him inside its doors."<sup>10</sup> Beveridge paid the price for his political lobbying, arrogance and lack of tact. He took no further part in the Government service, nor in any further official action over his Report.

Two days after the Beveridge Report was published it was discussed by the Reconstruction Problems Committee, chaired by Sir William Jowitt. This Committee decided that a committee of senior officials be appointed, "to examine the major questions arising out of the Report".<sup>11</sup> Financial

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8 Cf Addison, op cit, pp 218-219.

9 Calder, op cit, p 613.

10 Bullock, op cit, p 226.

11 CAB 87, RP (42) 14. Meeting, 3 December 1942.

questions were kept out of the Committee's brief. The Treasury, it was agreed, would supply a memorandum on the financial practicability of the proposals. Ministers were asked to remit questions for discussion by the Official Committee. Only one Minister had either the time or the interest to do this - Herbert Morrison.

There was, indeed, precious little time for the Government to form a view on Beveridge's proposals. For several months it had used the Beveridge Report, when pressed in the House of Commons, as an excuse to dodge taking decisions on several urgent questions of social reform. Now the Report had been published a quick response was a political necessity.<sup>12</sup> Reconstruction was due to be debated in the House of Commons early in December. It was agreed to defer this debate until 16 February. The Government would then be expected to make clear its position over the Report. In effect, Ministers had a little over two months in which to make up their minds over the most comprehensive set of social security proposals ever contemplated. The Official Committee was given until 14 January to report. The Civil Service had only five weeks in which to appraise Beveridge's proposals.

The Chairman of the Committee of Officials was Sir Thomas Phillips, Permanent Secretary at the Ministry of Labour. Phillips had been one of the "bright young men" brought in to run the labour exchanges in 1909 by William Beveridge. According to Beveridge's most recent biographer, Phillips was Beveridge's "opposite in almost every way - cautious, patient, unimaginative, an excellent agent of other men's ideas". "Possibly conscious of this contrast", she goes on, "Phillips throughout his career tended to be unduly squashing of proposals put forward by Beveridge".<sup>13</sup> In 1918, as the official in charge of unemployment insurance, he had opposed Beveridge's plans for a universal scheme. When both men's paths crossed again over 20 years later Beveridge found it difficult to work under Phillips, who by then had become the official in charge of the

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12 "Wait for Beveridge; for many months this has been the Government's stock answer to all the overtures for reform. Now the Beveridge Report has appeared, and the promised decisions are awaited. By its own words the Government is pledged to say YES or NO to the Beveridge Report almost at once." Economist, 12 December 1942.

13 Harris, op cit, p 375.

Ministry of Labour. He even wrote to Churchill complaining about Phillips and Bevin behind their backs.<sup>14</sup> Not surprisingly, both men were not displeased to see Beveridge removed from their Ministry. The failure of Phillips and Beveridge to get on with each other must have been well known in Whitehall, and the choice of Phillips to chair the Committee which was to judge Beveridge's latest set of proposals cannot have been seen as a promising augury by his supporters. However, other leading officials too probably felt fairly cool about Beveridge. Just before the start of World War II, Beveridge had snubbed the Civil Service by rejecting an offer to take over the Ministry of Food, partly on grounds of inadequate remuneration. "Do you know the amount he asked for?", a leading Treasury official exclaimed incredulously to Lionel Robbins shortly afterwards.<sup>15</sup>

There were 16 other members of the Committee, apart from Phillips, comprising senior officials from 11 government departments. The health departments between them had four members, the largest contingent. Their leader was Sir John Maude, Permanent Secretary at the Ministry of Health. Maude was perhaps the most progressive of the civil servants on the Committee. However, he faced powerful opposition from the Treasury group comprising Sir Alan Barlow, Second Permanent Secretary, J. Gilbert, an Under Secretary, and Edward Hale, an Assistant Secretary. Three members of Beveridge's committee attended: Miss Muriel Ritson, an Assistant Secretary from the Scottish Health Office; R R Bannatyne, an Assistant Under Secretary from the Home Office;<sup>16</sup> and Hale. The remaining chief contributors to the Committee were from the Assistance Board and the Ministry of Labour. The Assistance Board representative was its Deputy Secretary, Geoffrey Stuart-King. King had been brought into the Assistance Board from being an assistant solicitor at the Ministry of Labour. He was very much an establishment figure. His father had been a bishop, and his brothers included a distinguished admiral and general. King was friendly with Sir Horace Walpole, Head of the Treasury. They shared the same club, the Athenaeum, and used to meet each other there. Although he subsequently rose to become Permanent Secretary at the Ministry of

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14 Ibid, p 375.

15 Interview with Lionel (Lord) Robbins.

16 Its most progressive member, according to Beveridge.

National Assurance, King - certainly in 1942 - was not a supporter of universal state insurance or family allowances. Nor was his colleague, Sir Frederick Leggett, Deputy Secretary at the Ministry of Labour. Leggett was an industrial relations expert. He was good at human relations, conciliation and management. But he did not have "much understanding of things like economics, his talents were for 'fixing' rather than for analysis".<sup>17</sup> Like King, he could be relied on to support the Treasury.

Altogether the Committee had 19 questions remitted to it. Eight of these had been drawn up by Herbert Morrison. The rest were submitted by the civil servants. At the Committee's first meeting, which took place on 10 December 1942, members were allocated the questions on which written memoranda were to be based for discussion. Sir John Maude of the Ministry of Health and Sir Alan Barlow agreed to circulate their memoranda within five days. The second meeting of the Committee, at which these memoranda would be discussed, was set for 18 December. Subsequently, three more meetings were held in rapid succession in the Treasury Library, with only the bleak Christmas of 1942 intervening to provide a brief respite. The Committee's final report was then written and submitted to the Reconstruction Priorities Committee on 14 January 1943.

The Phillips Committee did not appear to discuss the questions on the Beveridge Report in any special or logical order. The order followed here differs from the one followed by the Committee.

#### Comprehensiveness and Universality

When state insurance started in Britain it was regarded in the same way as private insurance, which adjusted premiums to risks. By 1939 many remnants of this concept remained. Agriculture, insurance, banking and finance had their own special schemes of unemployment insurance outside the state scheme. Private indoor domestic servants, with no scheme of their own, were excluded from unemployment insurance. Certain occupations such as the Civil Service, local government, police, nurses and railway workers, were excluded from state insurance, as were all those in non-

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17 Letter to the author from Sir John Walley, 15 March 1978. I am grateful to Sir John for his information on several other members of the Committee.

manual occupations earning above £420 per annum.

This essentially selective approach to state insurance was opposed by the idea of a universal, integrated system of basic social insurance known as "all-in insurance", which had gained a considerable following in the early 1920s. In 1924 the *Anderson* Committee had recognised the inter-dependence of workers and industries and called for an end to contracting out of state insurance. Beveridge himself had helped to popularise the idea of a comprehensive scheme of insurance, with his "Insurance for All and Everything" published in July 1924. Hostility from the Approved Societies, the Labour movement (who objected to contributory insurance) and from within the Civil Service prevented the idea taking root in the early 1920s. Then the deteriorating economic situation and mass unemployment took it off the agenda altogether for another decade. As the economic situation improved, during the 1930s, universal state insurance began to be discussed again outside the Government. The Second World War, with its stress on collective effort, social unity and fair shares for all, provided the perfect political environment for the acceptance of the idea. Against such a backcloth it seemed perfectly fitting to state that a major extension of compulsory state insurance was required:

"To prevent interruption or destruction of earning power from leading to want, it is necessary to improve the present schemes of social insurance in three directions: by extension of scope to cover persons now excluded, by extension of purposes to cover risks now excluded, and by raising the rates of benefit ... social insurance should be comprehensive in respect both of the persons covered and their needs."<sup>18</sup>

It was not, however, enough to argue for comprehensive insurance cover on the grounds of sentiment and need. The present system was highly inequitable, argued Beveridge, for a great variety of reasons. For example, it was unfair for certain privileged industries to remain out of unemployment insurance on the grounds of the security of the employment they offered, when some industries within the state scheme had relatively low rates of unemployment. It was unfair that a bachelor earning £410 per annum should obtain free medical treatment, while a married man earning only £20 per annum more should have to bear the whole cost of his family's medical

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18 Beveridge, Cmnd 6404, *op cit*, p 7 and 122.



care. The schemes were also riddled with administrative complexities and anomalies. The most common problems were created by people passing either from one occupation to another, or above and below the income limit. All this, stated Beveridge, would be swept away with the introduction of a unified, comprehensive scheme.

"social insurance and the allied services, as they exist today, are conducted by a complex of disconnected administrative organs, proceeding on different principles, doing invaluable service but at a cost in money and trouble and anomalous treatment of identical problems for which there is no justification."<sup>19</sup>

The question discussed by the Phillips Committee was, "How far should the Government go in extending state insurance to new classes of the community?"

The memorandum on which this discussion was based was written by officials at the Department of Health. It was demonstrably in favour of the proposed extensions, and reiterated Beveridge's arguments about the administrative and social benefits to be gained from a comprehensive scheme. The memorandum contributed a new justification for the inclusion of those with high incomes:

"the case for the inclusion of persons earning over £420 pa. is probably stronger today than at any previous time, for there undoubtedly exists among persons in this class a dread that post-war conditions may jeopardise their position. It is common knowledge too that persons within this class not infrequently omit to make adequate provision for their old age."<sup>20</sup>

All this was too much for the Treasury representatives. When the memorandum was discussed at the third meeting of the Committee, on 22 December 1942, they began to attempt to demolish the arguments line by line. The Health Department's memorandum had argued that comprehensiveness was an essential concomitant of Beveridge's scheme.<sup>21</sup> B W Gilbert from the Treasury disputed this. "Judgement", he insisted, "should be suspended

19 Ibid, p 6.

20 PIN 8/116 Paper CBR 1.

21 Ibid. "Comprehensiveness", it stated, "is one of the fundamental principles of the Beveridge plan .... Any departure from the principle would involve a drastic recasting of the plan."

until the committee had considered the effects of various modifications to the Beveridge proposals."<sup>22</sup> It was a fair point, and the offending paragraph was dropped.

Having made his point, Gilbert was able to launch attacks on the inclusion of new classes in the scheme. The sort of protection desired by the £15 per week man, he argued, was not the £2 Beveridge benefit but security against a fall in his normal standard of living. The higher income classes, Gilbert went on, were brought into the scheme more for the sake of their contributions than because they needed or would materially profit by the benefits proposed. The Beveridge proposals were irrelevant to the excepted classes such as civil servants. Their employment was secure and unemployment benefit unnecessary. They had no need of sickness benefit when their employers allowed them full sick pay for six months. Old age was provided for by superannuation schemes. Finally, there were the self-employed, the largest of the proposed new classes. Beveridge had stated that the case for their inclusion was overwhelmingly strong. Gilbert argued that the Committee should not commit itself to recommending the acceptance of Classes II and IV until the practicability of their inclusion had been more clearly shown. It was an old demand, he said, but it had defeated previous governments because of the administrative problems. He himself would produce a short paper bringing out the difficulties of including classes at present excepted. E Bearn, an Under Secretary and Controller of Health Insurance and Pensions, who had written the original paper, then volunteered to produce a paper of his own showing how machinery could be devised.<sup>23</sup>

No record is provided of any other positions taken opposing the Treasury view. While argument and opposition there certainly was - the discussion took up the whole of the meeting - it is clear that the Health officials were in a minority,

"The general conclusion was that though a universal scheme might be politically necessary it would introduce many difficulties of its own, some of which might upset the provisional estimate of the additional cost of the scheme over the present arrangements."<sup>24</sup>

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22 PIN 8/117 Minutes, 22 December 1942.

23 Ibid. I was unable to find any subsequent memoranda dealing with this subject.

24 PIN 8/117 Minutes 22 December 1942.

The original paper was rewritten for the final report of the Committee to reflect this general conclusion. At the first meeting of the Committee, its chairman, Sir Thomas Phillips, had said that the papers of the Committee should set out the arguments for and against Beveridge's recommendations. Where one argument preponderated, a definite recommendation should be made. On this occasion, the Committee's final report failed to follow the chairman's instructions. While no definite advice to Ministers to reject a comprehensive scheme is given in the Report, virtually no arguments in favour of such a scheme are given. Instead, the Treasury's residualist view of welfare is allowed to dominate. The following extract is the Committee's view of whether those with incomes greater than £420 per annum should be included,

"It may be doubted how far persons with relatively substantial incomes really require social security in the sense of a guaranteed income against want. Their need is rather for some maintenance, even if only temporary, of the higher standard of life to which they are accustomed. So far as it is desired to exact a contribution to the plan from people of substantial incomes, it can be argued that the right vehicle for such contributions is not taxation, towards which such people already pay on a large scale, and that an additional contribution which many of them would regard simply as a tax would be simply an irritant."<sup>25</sup>

This passage begs more questions than it answers. If the need of the higher income groups was for benefits which would maintain their standard of living, then consideration ought to have been given either to state earnings-related schemes of insurance or the adequacy of private savings or insurance to meet the need. Most other countries with insurance systems had adopted earnings-related schemes which had been recommended by the International Labour Organisation as being the most equitable. It is clear that the Treasury and others on the Committee thought that state insurance was inappropriate for the middle-class. Yet the Health Departments had argued that there was a considerable need for the extension of cover to this class to mitigate the effects of inflation and provide for those with inadequate savings. This point, along with any others in favour of a comprehensive scheme, failed to appear in the Committee's final report.

A major factor in the Committee's opposition to a comprehensive scheme had been that it "might upset the provisional estimate of the cost of the scheme".<sup>26</sup> Curiously, no one had bothered to ask the Treasury what the extra cost would be. Three days before the Report of the Committee was issued to Ministers on 14 January 1943, a Treasury paper on the financial aspects of the Beveridge plan had been circulated. The last sentence of paragraph 21 of this paper reads,

"Omission of these new (excepted) classes would involve an addition of about £15 million to the Exchequer cost during the first 10 years of the plan."<sup>27</sup>

Or, put more positively, the inclusion of the excepted classes would save the Exchequer £15 millions for 10 years. Incredibly, the Report submitted by the Phillips Committee three days after the circulation of the Treasury's memorandum failed to repeat this vital and crucial point.

Is it conceivable that the Treasury members of the Phillips Committee had failed to read or be aware of the advice contained in the memorandum produced by their own colleagues? Or is it possible that the information was withheld from the Report? Or perhaps under the exigencies of war there was simply no time to include the new information? Probably the answer will never be known. But what is clear is that subjective and biased advice was about to be presented to Ministers.

#### Rates and Duration of Benefit and the Subsistence Principle

Apart from the question of who was to benefit from the Beveridge plan, the question of "by how much?" is by far the most important to the beneficiaries. Beveridge's vision was grand: "the plan for social security ... takes abolition of want as its aim".<sup>28</sup> Beveridge noted the findings of surveys which had shown that between three quarters and five sixths of poverty was due to interruption or loss of earnings. Practically the whole of the remaining poverty was caused by "failure to relate income during earning to the size of the family". Poverty, he concluded, could

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26 PIN 8/116 Paper CBR 1.

27 CAB 87/3 RP (43) 5. "Financial Aspects of the Social Security Plan", 11 January 1943, para 21.

28 Cmnd 6404, Op Cit, p 8.

be abolished, firstly by the provision of insurance benefits at subsistence rates to cover all contingencies where loss of earnings arise; secondly, by means of children's allowances to be paid to all families whether earning or not. By this double redistribution of income, want (alleged Beveridge) could have been abolished in Britain before the war,

"by a redistribution within the wage earning classes, without touching any of the wealthier classes. This is not to suggest that redistribution of income should be confined to the wage-earning classes; still less it is said to suggest that men should be content with avoidance of want, with subsistence incomes. It is said simply as the most convincing demonstration that abolition of want just before this war was easily within the economic resources of the community; want was a needless scandal due to not taking the trouble to prevent it."<sup>29</sup>

Beveridge's view of poverty as a needless by-product of capitalism was an unfortunate over-simplification of the problem. His remedy, that it could be overcome by the provision of a "national minimum", was mistaken. Beveridge's view of poverty as a condition affecting people who lacked the means for subsistence was widely shared. As an operational basis for the removal of poverty the concept is inadequate, because ideas of what constitutes subsistence vary over time, between individuals and between societies. In other words, the idea of what constitutes subsistence is largely subjective. While many Britons from 1938 would have accepted that the Beveridge benefits amounted to a subsistence income, fewer people would have been prepared to say the same thing in 1948 when benefits based on those suggested by Beveridge were introduced. While inflation partly accounts for this, it is also because Beveridge's rates of benefit were based on patterns of consumption for 1938. By 1948 average wage rates had risen by 76 per cent.<sup>30</sup> People were consuming more, and their view of what was the minimum necessary to live on had changed also. Poverty is thus a relative concept. Any attempt to fix a single level of poverty for a whole nation in terms of pounds, shillings and pence is misleading.

Subsistence definitions are also arbitrary, as can be seen by a brief look at the method Beveridge used. His benefits included allowances for

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29 Ibid, pp 165-166.

30 Cf A H Halsey, Trends in British Society, tables 4.10 and 4.11.

food, clothing, fuel, light, household sundries and rent. In addition, a small margin was left for "inefficient spending". There was no allowance for beer, tobacco, newspapers and books or the cinema. It was a spartan budget which Beveridge claimed to be a "scientific minimum standard of subsistence". The amount for food could be said to have been worked out on the most "scientific" basis. It was based on dietaries suggested by the League of Nations and the BMA, which allowed the minimum necessary to maintain adequate health and working efficiency. It provided around 2,000 calories per day. Yet 30 years later, according to another expert source, the "adequate caloric intake comes to about 3,000 calories a day for a male aged 18-64".<sup>31</sup>

While the food allowance had a spurious claim to objectivity, the allowances for the remaining items were based on actual expenditure of industrial households as reported in Ministry of Labour Family Budgets. Thus, parts of the total subsistence allowances were worked out in ways which bore no relation whatever to each other. Moreover, no standard percentage of the actual expenditure on the various items was chosen as a subsistence expenditure. Instead, differing amounts were chosen for each item depending on what, in the last resort, Beveridge took to be reasonable. The allowance chosen for clothing for a couple was 61.5 per cent of average expenditure by a man and woman in industrial households. The equivalent percentage for expenditure on fuel, light and household sundries was 82.8 per cent. Beveridge's total benefit for a married couple with two children was 74.1 per cent of what the average industrial household spent on "necessities" in 1938.

Beveridge came particularly unstuck over the question of rent, in a way that might have made someone less committed to flat-rate subsistence benefits think again. The problem with rent is that, in the short run at least, it is a fixed item of expenditure which cannot be adjusted to changes in resources. There are also very wide variations in the amount of rent households pay. The difficulty in selecting as the allowance for rent a simple percentage of the average rent paid, is that it leaves some people with too much benefit and many others with too little. Rowntree,

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31 M Rein, "Problems in the Definition and Measurement of Poverty" in P Townsend (ed), The Concept of Poverty, 1970, p 56.

whom Beveridge had used as an adviser on this question, had strongly recommended payment of the whole rent as a way of overcoming this problem. Initially, Beveridge was attracted to the idea, for short-term beneficiaries at least. Several of his "advisers and assessors" were strongly opposed, however. Sir George Reid from the Assistance Board rejected the suggestion on the grounds that a variable rent allowance would jar on a scheme supposedly free from means tests. Payment of excess rents should be left to public assistance, he argued. Edward Hale from the Treasury supported Reid. If high rents were a problem, then, according to Hale, that was a matter for housing policies, not social security policy.<sup>32</sup> Various modifications of the proposal to vary rents were put forward. One suggestion was that a standard rent allowance should be included in the benefit, but that anyone paying more rent than this could apply to have his allowance increased. Another was that actual rent might be paid to short-term cases, but not to long-term beneficiaries who theoretically had the time to adjust their rent payments by moving to cheaper accommodation. In the end, Beveridge was forced to reject these modifications. The adoption of any of them would have meant payment of unequal benefits for equal contributions. It would have offended the basic principle that "a flat rate of insurance contribution should lead to a flat rate of benefit". Beveridge was forced to choose another arbitrary allowance for rent. His figure of 10 shillings (50p) for a couple was a little below the average for all industrial households. While it gave agricultural workers on average 50 per cent more than they needed for rent, it left Londoners 50 per cent short. Thousands of beneficiaries would have to apply for means-tested assistance to raise their benefit to a "subsistence" level. Wedded to the flat-rate principle, Beveridge blamed his failure to find a solution on housing policy:

"The extreme variation of rents between regions and in the same region for similar accommodation is evidence of a failure to distribute industry and population and of failure to provide housing according to needs. No scale of social insurance benefits free from objection can be framed while the failure continues. In this as in other respects the framing of a completely satisfactory plan of Social Security depends on a solution of other social problems."<sup>33</sup>

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32 PIN 8/87. Reid and Hale to Chester, 24 and 27 July 1942.

33 Cmnd 6404, op cit, p 84.

It was a lame conclusion. There was an alternative system of insurance benefits which would have provided a better solution to the rent problem. There is a reasonably close correlation between rent levels and rent payers' incomes. A system of earnings-related contributions and benefits linked to a flat-rate scheme would have met the case better but was never seriously considered by Beveridge.

A final major failure of Beveridge was to relate his rates of benefit to those of the Assistance Board. The Board's rates were supposed to be adequate for subsistence. Yet Beveridge ignored them almost completely in his report. His avowed aim was to reduce means-tested assistance to a minor role in social security provision. To do this, as Sir John Walley has pointed out, he needed to tie his benefit rates firmly to current levels of assistance. In fact, while the rates he suggested for unemployment benefit were a little above unemployment assistance paid at the time, his pension rates were lower than the average rate of means-tested supplementary pension paid by the Assistance Board. Beveridge made the fatal error of trying to compete with the Assistance Board on equal terms. In aiming to provide subsistence benefits for the relief of poverty and want, he was replicating exactly what the Assistance Board was trying to do. Moreover, the Assistance Board had the advantage of being able to do it a great deal more cheaply. The only advantage of the Beveridge system was that it was free of means-testing. Once the Poor Law was abolished and its functions taken over by an extended Assistance Board, even this advantage became tenuous, in the eyes of policy-makers at least. If Beveridge had been able to deliver benefits substantially above subsistence level, he might have been able to compete successfully with the system of Assistance. If he had chosen as one of the goals of social security that of the protection of standards, established by the worker in his or her employment (or, in other words, included an element of earnings-relation), he might have had a chance to reduce the Assistance Board to a residual role. Beveridge's view of welfare was actually rather old-fashioned. Despite his newly won support for central planning and government controls, he remained a classical liberal at heart. To such a man the role of compulsory state insurance could only be to provide minimum basic standards. Further provision was up to the individual and private insurance. In effect, Beveridge was stuck somewhere along the selectivist -universalist continuum. Despite his somewhat dishonest insistence on comprehensiveness, his system was really designed for the



working class. The middle classes should be able to do rather better for themselves:

"the plan leaves room and encouragement to all individuals to win for themselves something above the national minimum to find and to satisfy and to produce the means of satisfying new and higher needs than mere physical needs".<sup>34</sup>

Beveridge, however, cannot be criticised too much for backing a system which had great popular appeal in the country from right and left and which would have provided a basic level of support for the working class, free of the taint of the means-test. The Labour movement had always supported flat-rate benefits. It had for many years been hostile to contributory insurance but had now swung round in favour of flat-rate contributions. The Liberals had introduced the system to this country and so could be counted upon to support it. The attitude of the Tories was more equivocal. A group of backbench Tory MPs pledged themselves to support the Beveridge plan, though there was opposition from another conservative business clique.

The Phillips Committee, however, would not let itself be swept along by the tide of popular support for the national minimum. On the contrary, it was quick to spot some of the lacunae in Beveridge's arguments. Three questions on rates of benefit were submitted to the Committee.<sup>35</sup> They were dealt with in two memoranda by G Stuart King of the Assistance Board. Whether this task was best entrusted to a senior, and presumably loyal, official of the institution Beveridge had dedicated himself to efface is open to question. In the event, the memoranda presented by King were sufficiently dispassionate to provide a reasonable basis for discussion.

The tenor of King's first memorandum on the rent question was that, if anything, Beveridge's subsistence rates were too low. He noted that supplementary pensioners already received, on average, assistance payments in excess of Beveridge's rates. Where high supplementary pensions were

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34 Ibid, p 170.

35 These were: (1) to what extent can the rates of benefit suggested be regarded as an adequate social minimum, having regard to (a) the number of persons now receiving weekly payments in excess of the proposed minimum through the Assistance Board machinery, and (b) wide variations in rent? (2) should the proposed treatment of rent be accepted? (3) should there be a flat rate of subsistence benefit in respect of all causes of interruptions of earnings?

in payment, it was due to high rents. The key to whether the Beveridge rates could be regarded as an adequate social minimum lay in the treatment of rent.

"Unless provision was made for individual adjustment, a large number of cases and in London the majority of cases would have to have recourse to assistance."<sup>36</sup>

King added, with acute political foresight, that "the rates suggested by Beveridge had the authority of Rowntree and other well-known experts and were unlikely to be challenged".<sup>37</sup>

When the question of rent was discussed by the full committee at its second meeting, on 18 December, it was agreed that a single amount for rent was right. Rent adjustment would mean the abandonment of the principle of equal benefits for equal contributions, turn the insurance scheme into something approaching an assistance scheme and encourage rents to rise. But following Beveridge in this way meant that "any claim to give subsistence to all normal cases would have to be abandoned".<sup>38</sup> No attempt was made by the committee to suggest how such a claim might be realised.

The second memorandum submitted by the Assistance Board dealt with the question of which categories of people should receive benefits at subsistence levels. It concluded that unemployment and sickness benefits should be at the same subsistence rates. A vitally important statement is made before this conclusion is reached:

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36 PIN 8/116 CBR. Subsequently, figures were produced which suggested that if the full rate of Beveridge pension (24 shillings, single; and £2, married) had been introduced in January 1942, the supplementary pensions caseload would have been reduced by around two thirds.

37 Ibid.

38 PIN 8/117. Minutes, 18 December 1942.

"Benefit rates which are not adjustable for rent cannot be regarded as anything but amounts empirically determined. Within the limits fixed by the financial possibilities of the scheme they should be as high as possible. In particular they should be such that the majority of beneficiaries will be able to manage on them without having recourse to assistance. This is particularly important in regard to unemployment against which private provision on any considerable scale is impossible. If benefit rates do not, in the great majority of cases, at least approximate to the corresponding assistance rates (which in the nature of things must be true subsistence payments), there is a risk of supplementation of benefit by way of assistance occurring on a scale which may undermine public confidence in the insurance scheme."<sup>39</sup>

Here was recognition of the basic problems of Beveridge's subsistence proposals. It was a warning of the consequences that would ensue if the Beveridge rates were not adjusted to take account of assistance rates. It was a warning that was ignored.

The memorandum went on to say that, if the cost of retirement pensions at subsistence rates was too great, then, because "provision for old age is habitually made by way of savings ... it is possible to fix retirement pensions well below the subsistence level without either causing hardship or giving rise to an inordinate degree of supplementation".<sup>40</sup>

The official committee met again over the question of rates, on 29 December 1942. Gilbert from the Treasury reiterated his support for a fixed rent allowance, on the grounds of "equal contributions for equal benefits". So far as the unemployed and sick were concerned, the majority should be able to claim "minimum subsistence" insurance benefits, leaving a minority to the Assistance scheme. The rates Beveridge had suggested were "about right". Pensioners were a different matter. Old age could be foreseen, and individual provision made for it. Only a third of old age pensioners received the means-tested supplementary pension. Obviously, most pensioners did not need it. The case for subsistence pensions, Gilbert claimed, "had not been made out".<sup>41</sup> Only one voice of dissent to this is recorded in the Minutes. Sir John Maude said that, on the question of

39 PIN 8/116 CBR 3.

40 Ibid.

41 PIN 8/117 Minutes, 29 December 1942.

rent, he would like to see a standard allowance paid, although anyone with a higher rent should be able to apply to have it increased. So far as the pensioners were concerned, he wondered whether, "there was any evidence that the drawing of supplementary pension was objected to by the beneficiaries". King replied that, "there is nothing to indicate that the beneficiaries objected to the system".<sup>42</sup> It would have been more perspicacious of Maude to have asked his question about those who failed to apply. Despite a succession of measures partly designed to reduce the harshness of the Poor Law, including the creation of Supplementary Pensions in 1940 and the abolition of the hated household basis of the means test in 1941, the stigma of the means test maintained its grip. It was suspected at that time, even by the Treasury, that many old people had not claimed supplementary pension through pride and dislike of the means test.<sup>43</sup> While Sir John Maude may have had doubts about the rejection of universal subsistence pensions, the rest of the Committee seemingly had none, or were prepared to toe the Treasury line. Once it was clear that there was no further opposition to the Treasury view, Sir Thomas Phillips, who was chairing the meeting, suggested 30 shillings (£1.50) as a suitable pension rate for a married couple, although no final agreement seems to have been reached on the amount.

The final report produced by the Committee attempted to demolish the subsistence principle. It argued that pension rates should be determined according to political and economic expediency rather than principle. The report states that it is "open to question" whether Beveridge's scheme is substantially contributory. The implication is that as benefits had not really been paid for by contributors, then no right to non-means-tested benefits had been earned. With some justification Beveridge might have regarded this as a stab in the back. He had, after all, gone to great lengths to shift on to contributions all the additional initial expenditure of the insurance scheme. The Treasury could not resist indulging in its hostility to comprehensive insurance benefits as opposed to selective means-tested payments:

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42 Ibid.

43 In a note to Bernard Gilbert of 19 November 1942, Edward Hale wrote, "Pride and the general impression that there is something humiliating in the means-test have been, I think, big factors in keeping those with capital away (from the supplementary pensions scheme). ... The general conclusion to be drawn is that the unpleasantness (real or imagined) of the means test is much more important protection to the public purse than the figures ... would suggest." T161/1135, S 51016.

"It should be appreciated that the fixing of benefits at subsistence level involves paying large sums in benefit in cases where such payments are not necessary for the avoidance of want, and necessarily adds considerably to the total cost of the scheme. Because of the transitional pensions proposals and the fixed element for rent the plan would involve a wide measure of supplementation on the basis of a means test. If the scheme came very near to fulfilling its objects of avoiding a means test and at the same time of being financed in the main by contributions which workers and their employers could afford, it would no doubt be a very desirable development. Actually, however, it achieves neither of these objects and the questions of the rate of benefit and the extent of supplementation remain matters more of judgement than of fundamental principle."<sup>44</sup>

Having argued that subsistence is a matter of judgement, the report proceeds as the Committee had done, to apply subsistence standards to unemployment and sickness benefits but not to old age pensions. However, it departed from the Committee's recommendation on rents by suggesting that the Beveridge allowance was too high, and reduced the amount by 20 per cent.<sup>45</sup> But, because Beveridge had got his cost of living increase five to 10 per cent lower than the Treasury's estimate, the paper concluded that the overall rate suggested by Beveridge was "about right", for unemployment and sickness benefit.<sup>46</sup> Because old age could be foreseen and private provision made, pension rates would be based "on the measure of the help which the community felt able to afford".<sup>47</sup>

Dependency allowances for the children of unemployment and sickness beneficiaries were not discussed by the Committee at any of its formal meetings. However, the report of the Committee dismisses the Beveridge

44 CAB 87/3 RP (43) 6, 14 January 1943, para 13.

45 The paper argued that the average households on which the rent figures disclosed by the Household Budget Enquiry were based contained 1.75 wage earners in the case of industrial households, and 1.59 wage earners in the case of agricultural households. "As benefit is essentially a payment to the individual wage earner it is unnecessary to provide for the rent of more than one wage earner." The average rents and the rent allowance were reduced accordingly.

46 Beveridge had allowed 25 per cent for war-time inflation. The Treasury estimate was in excess of 30-35 per cent.

47 CAB 87/3 RP (43) 6, 14 January 1943, para 18.

allowance of 8 shillings (40p) on the grounds that five shillings (25p) was the amount generally recommended by the advocates of children's allowances.

The net effect of the paper was to reject all of Beveridge's proposals on rates of benefit save that the sick should receive the same treatment as the unemployed. The effect of the higher estimate for inflation was that unemployment benefit would be lower in real terms than the Beveridge rate and would represent no improvement on the current rate. Any improvement in pensions would depend, as previously, on political and economic expediency. Children's allowances would remain virtually the same in real terms as those provided already for the first and second child in the unemployment insurance scheme.

The rejection by the Committee of retirement pensions at subsistence rates had potentially far-reaching implications both for the cost of the scheme and for pensioners themselves. The decision was reached on the grounds that old age could be foreseen and provision made for it. In arriving at this view, the Committee appears to have failed to take into account the best available evidence of actual behaviour. The most extensive and reputable social survey of the 1930s was that conducted by Seebohm Rowntree in 1935-1936.<sup>48</sup> Rowntree's team of investigators collected extensive income and expenditure data on over 16,000 low income families, comprising nearly 60 per cent of the population of York and representative of around 65 per cent of it. On the basis of an assumed poverty level that he had devised, Rowntree reported that 31.1 per cent of his sample were in poverty. Of all those in his sample aged 65 and over, nearly half (47.5 per cent) had an income lower than the minimum amount prescribed. On this basis he estimated that around one third of old people in York were "living below the minimum". Nearly 10 per cent of the aged population of York lived entirely on their state pension of 10 shillings (50p). This was sixpence (2.5p) less than the average council rent paid in York at the time. (Although pensioners may have been paying lower than average rents.) Rowntree divided his sample into five income groups, two of which (A and B) had incomes below his poverty line. The sources of income for those heads of families described as "too old to work", are shown in Table 1, below.

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48 S Rowntree, Poverty and Progress, 1941.

Table 1: Sources of income of families with heads "too old to work", York sample, 1935/36.<sup>49</sup>

	A	B	C	D	E
	%	%	%	%	%
<u>Sources of Total Average Net Income</u>					
State pension	63.3	50.0	35.7	23.1	13.7
Public assistance	6.2	8.8	1.3	0.3	-
Board and lettings	16.3	20.0	37.8	51.9	52.1
Withdrawals from savings	3.4	4.7	3.0	2.9	3.8
Employer's pensions	6.2	11.1	14.7	13.9	19.0
Other	4.6	5.4	7.5	7.9	11.4
TOTAL	100	100	100	100	100

These figures reveal that income from savings made virtually no impact on the total incomes of any of the groups. There is a remarkable similarity in the use made of savings by all the groups. And it is the second poorest group which drew most on their savings. While employers' pensions provided a modest amount of help, what made the difference between poverty and sufficiency for many of these families was the income derived from lodgers and tenants. For those in the top two income brackets it comprised over half net income, although the number in these two groups made up only about 20 per cent of the total. Even in the remaining groups, payments from lodgers and tenants formed between 16.3 and 37.8 per cent of total income; by far the largest alternative source to the state pension. However, the evidence suggests that income from this source was available only to a minority of the population. Only around seven per cent of those in poverty reported income from lodgings and lettings. Moreover, around 82 per cent of Rowntree's total sample rented the accommodation in which they lived. The opportunity for lawful boarding or letting was limited to a small minority. Finally, Rowntree estimated that "there is little doubt that the savings of the working classes in York amount to not less than £4,500,000 or £275 per family".<sup>50</sup> This is equivalent to £81 per head of savings of the working class of York which, according to Rowntree, comprised around 70 per cent of the total. Even if income could be

49 Ibid, p 199.

50 Ibid, p 202.

derived from all the capital the amount it would provide was small. Moreover, it was unevenly distributed. At least half of Rowntree's total sample had little or no margin for savings.

Since Rowntree's survey, means-tested supplementary pensions had been introduced instead of higher contributory pensions. Within a year of its inception, 1.3 million old people - 37 per cent of all old age pensioners - had been attracted to the supplementary pensions scheme. Over 80 per cent of this group had no capital at all and only five per cent of the remainder had more than £100. Of the remaining old age pensioners, 27 per cent were in employment or were the wives of pensioners in employment. Thus, nearly two thirds of all old age pensioners - over 40 per cent of all men aged 65 and over, and women aged 60 and over - appeared to rely principally on means-tested assistance or earnings to supplement their old age pensions. These facts were known to Treasury officials before the Phillips Committee met.<sup>51</sup> Assuming York to be reasonably typical, it could be speculated from Rowntree's findings that the remaining old age pensioners derived their income principally from one or more of the state pension, employer's pensions or lodgers. This left 35 per cent of the elderly population whose incomes were, no doubt, derived substantially from private savings.

The evidence, then, was such as to cast strong doubts on the validity of the Committee's assertion that the task of providing social security in old age could be left to private savings. The evidence, however, appears not to have been discussed. Lamentably, opinion and prejudice seem to have dominated the judgement of the Committee. Moreover, because of its desire to reject the subsistence principle, the Committee's Report omitted to mention the point which had been hammered home in the original memoranda supplied by the Assistance Board. This was that, for the insurance scheme to succeed in drastically reducing the role of means-tested benefits, the rates of insurance benefit would have to be at least equal to rates of assistance payments. Whether Ministers, who may have wanted to introduce a satisfactory insurance scheme, would pick up this point remained to be seen.

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51 T 161/1135, S 51016. Papers leading up to the Pensions and Determination of Needs Act 1943. Hale to Gilbert, 19 November 1942.



As well as proposing that insurance benefits should be at subsistence levels, Beveridge had suggested that unemployment and sickness (disability) benefits should not be withdrawn after a period of time but should be paid indefinitely. He argued that reduction of the income of an unemployed or disabled person, because their unemployment or sickness had lasted a certain length of time, was wrong in principle. This was because the income needs of unemployed or chronically sick people increase rather than decrease over time. He expressed concern also that the present system did nothing "to prevent deterioration [of an unemployed person] and encourage recovery [of a sick person]".<sup>52</sup> He recommended, therefore, that people who had been unemployed for a certain period of time should be required, as a condition of continued benefit, to attend a work or training centre, as a means both of preventing habituation to idleness and improving capacity for earning. It was intended that compulsory attendance at work centres would also flush out "malingerers", who continued to draw benefit while receiving an income from employment. For the sick, "special attention should be paid to the prevention of chronic disability, by intensified treatment, advice and supervision of cases in which it is threatened and by research into its causes".<sup>53</sup>

Little of this found favour with the Phillips Committee, however.<sup>54</sup> The officials on the Committee were most concerned at the reduction which would occur in work incentives if Beveridge's proposals for subsistence level benefits were implemented. In their view, there was a large group of workers who could relatively easily be seduced into the arms of idleness by a high rate of unemployment benefit.<sup>55</sup> They argued also that an

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52 Beveridge, "Social Insurance and Allied Services", Cmnd 6404, para 129.

53 Ibid, para 131.

54 Or, rather, the member of members of the Committee who wrote this section of the Report presented to Ministers - almost certainly Sir Thomas Phillips and Ministry of Labour officials. The duration of benefit does not appear to have been discussed at any of the Committee's meetings.

55 "It seems a fair assumption that, in this sphere as in others, there will be men at the one end who can be trusted to grasp any opportunity of going back to work, there will be men of the directly opposite kind, and there will be a large intermediate class who can be swayed in one direction or the other." CAB 87/3 RP (43) 6, 14 January 1943, para 119.

increased rate of employment benefit and its receipt over an extended period would tend to reduce the mobility of labour. This would be of critical importance in the immediate post-war period, as industry and commerce changed gear to meet peacetime needs.<sup>56</sup> Beveridge too had recognised the importance of keeping the gap between income from employment and benefits as wide as possible. It was one of the reasons why he favoured family allowances, and the main reason why the Treasury reluctantly accepted them. However, in suggesting a five shillings (25p) rate instead of the eight shillings (40p) proposed by Beveridge, the officials were also proposing to reduce the impact of family allowances in maintaining work incentives. Consequently, they were somewhat at a loss to know what to suggest about the problem of incentives, as there was little they could say to justify a reduction in Beveridge's proposed rates of benefit, other than those for dependent children. They therefore turned to his proposal for unlimited duration of unemployment benefit and rejected it:

"there is much to be said for leaving a man in the position of knowing that at a given time he must either return to work of some kind (there being training facilities at hand) or must come on assistance, which, it should be observed, is still an unwelcome position for many men. We should not agree that the requirement of attendance at a training centre will be a practicable safeguard in times of anything but good employment; and in any condition of employment it becomes of less and less value with the rise in age of the person concerned."<sup>57</sup>

However, they did agree with Beveridge that the present system of reducing sickness benefit by half after 26 weeks was illogical, and that there should be a single rate paid continuously. They differed from Beveridge by asserting that it should be withdrawn once the responsible medical practitioner certified the recipient fit to return to work.

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56 Ibid, para 120.

57 Ibid, para 122.

### Contributions

There are two basic ways in which the cost of schemes of social security can be met. Firstly, they can be paid for out of general taxation. Such demogrants or citizenship benefits have the great advantage that they are truly comprehensive, as distinct from Beveridge's misleading use of the term. Any member of the community who can prove a need within a specified category is entitled to benefit. To control the finances of such schemes, a test of means is sometimes made a condition of entitlement, in addition to a test of needs. The degree of equity built into the scheme depends on the degree of equity in the tax system. The second method of payment is by a contributory scheme. In this case a special tax is levied on earned incomes. The tax may be flat-rate or earnings-related. It is generally a condition of receipt of benefit from contributory schemes that a minimum number or amount of contributions have been paid. A major problem of contributory insurance providing subsistence benefits is that it is beyond the means of the poor. Contributions are levied accordingly not only from the worker but from his employer and the Exchequer as well.

There was certainly never any doubt in Beveridge's mind that his scheme would be anything other than contributory. Insurance was popular already, and an extension to the size and scope of benefits would involve merely building upon well established habits. The fact that contributions had been paid meant that benefits were earned as of right without any test of means. Finally, an insurance document for each citizen was an administratively convenient way of recording entitlement to benefits.

While the Treasury favoured means-tested benefits, it did regard contributory insurance as a great deal superior to the non-contributory alternative without a test of means. Edward Hale summed up the Treasury view succinctly:

"It was important to maintain the 'contributory fiction'", he argued, "because that contains the implication that if the benefit is to be increased the contributions required to pay for it will have to be increased also ... if we once get into the position in which everyone is to get what he thinks would be nice without paying for it by contributions and without a means test, we shall be at the mercy of the most irresponsible clamour."<sup>58</sup>

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58 T 161/1116/S43697/2. Note by Hale, 21 July 1942.

One reason the Treasury lacked enthusiasm for a contributory as opposed to a means-tested scheme was the employers' contribution, which it regarded as a penal tax which raised costs and provided a disincentive to growth. Against this was the moral argument that employers ought to bear some of the costs of seasonal employment, accident and sickness benefits. More important was the argument that firms, with the possible exception of some of those exporting abroad, almost certainly passed on these higher costs to consumers by raising prices. Perhaps for this reason the Treasury did not press this point too hard.

What is certain, however, is that once a contributory system has started it is very difficult to stop. It would be a foolhardy politician who cut off a well established source of revenue such as social security contributions only to increase taxation on the same income groups, arguably a more unpopular alternative.

The most widely used contributory system in Europe by the Second World War was the earnings-related type, which usually involved payment of earnings-related benefits as well. Such schemes secure maintenance payments in times of unemployment, sickness or old age which may allow the beneficiary to enjoy a standard of living related to the level he or she enjoyed while at work. Strictly, earnings-related schemes are thus not much help to the working poor. This was the type of pension favoured by the occupational and private sectors in Britain. Although the Lloyd George Old Age Pensions of 1908 were non-contributory, subsequent excursions by the State into the field of insurance benefits were based on contributory principles. While this allowed the working class to be taxed, its impact was regressive because flat-rate contributions bear most heavily on the low-paid. Because the size of the contribution is limited to what the lowest paid worker can afford, the benefits of such schemes must also be low. This suited Beveridge, who thought that it was the role of the State to secure the "national minimum" for its people. Those who wished to protect their standard of living through periods of non-earning could do so by means of saving through private insurance, which was a "duty and a pleasure". In fact, Beveridge's ideas about social insurance were formed during the period of the liberal reforms before the First World War and had remained fundamentally unchanged. He dismissed earnings-related schemes, which most other countries had tended to adopt, as inappropriate to the British experience, where there was already a

powerful set of private institutions to meet individual needs.

The Phillips Committee had had two questions on contributions remitted to it. The first of these was, "Should there be a single flat-rate of contribution, irrespective of savings and relating to all forms of benefit?" Discussion of this question was based on a paper submitted by the Ministry of Labour. The paper's analysis of this complex subject was wholly superficial. No mention was made of any alternative to a contributory system. It was admitted that flat-rate contributions were inequitable. Under Beveridge a man earning £2 per week would be asked to pay around one eighth of his income for benefits. A man earning £20 per week would pay only one eightieth. While this single argument was deployed against a flat-rate system, several points were made in its favour. There is an air of romantic simplicity about some of them:

"the fortunate classes should come to the aid of the less fortunate and all should share in the common schemes".<sup>59</sup>

Earnings-relation should not be considered because it "might well raise difficulties of adjustment and accountancy so complex as to be insurmountable".<sup>60</sup> There is some truth in this in relation to the higher paid and the key issue of the relationship with private sector provision. Nonetheless, the fact that in little more than 15 years' time a scheme of partial earnings-relation could be introduced - the Boyd-Carpenter scheme - suggests that such a negative response was somewhat misleading.

The question of contributions was the last item discussed by the Committee during the day-long meeting of 23 December 1942. The suggestion was made that there should be a discussion of alternatives to the British system of flat-rate contributions, such as the varying contributions favoured abroad. Presumably no such discussion took place, for none is recorded in the Minutes. Instead, conversation switched to the details of the difficulties of a single stamp system and the inclusion of agricultural workers.

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59 PIN 8/116 Paper CBR 3.

60 Ibid.

The Committee's final Report omitted the worst excesses but drew the same conclusions as the initial memorandum. The possibility of a non-contributory scheme is mentioned but dismissed on the same grounds that Beveridge had used, namely that it would involve a means-test. Earnings-relation was rejected summarily on the grounds of administrative difficulty and its disincentive to voluntary saving, although neither of these objections had been subject to any serious examination. The Committee's attitude is most tellingly revealed in its concluding statement that:

"On the whole we think that a system varying contributions according to earnings would be so foreign to our principles and practice in all spheres of social insurance that it does not require serious consideration in the present connection."<sup>61</sup>

While earnings-relation was rejected on the flimsiest of evidence, not a single disadvantage of a flat-rate system was mentioned in the Committee's final Report.

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#### Family Allowances

When Sir William Beveridge wrote at the beginning of paragraph 414 of his Social Security Report,

"The general principle of children's allowances can by now be taken as accepted",<sup>62</sup>

he was, to all intents and purposes, right. After 24 years of struggle, Eleanor Rathbone and her small band of campaigners had built up an irresistible head of steam whose pressure was about to force a reluctant government to give way to their demands. Beveridge's statement in support of family allowances was the final stage of a campaign which had started in earnest in 1918. This was the year when the Family Endowment Society was founded. The Society was comprised initially entirely of women who had come together to campaign for family allowances in order to improve the status of women and to redistribute income in favour

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61 CAB 87/3 RP (43) 6, 14 January 1943, p 15, para 80.

62 Cmnd 6404, op cit, p 115.

primarily of poor families. The idea of paying allowances for children in order to adjust family income to family size was a very old one. During the 1920s and 1930s support was gained from a wide cross-section of society for a variety of very different reasons.<sup>63</sup>

Briefly summarised,<sup>64</sup> the main reasons were as follows. Firstly, wages failed to take account of family needs. The result was widespread poverty among families with children, and particularly those with several children. Secondly, it was unfair that tax-payers should receive rebates according to the size of their families, while those whose incomes were too low for them to pay tax received no allowances at all. Thirdly, children's allowances could be used as a bargaining counter to increasing wage levels and to reduce the effect of inflation. Fourthly, family allowances were needed to increase the gap between the income of the low wage earner and the recipient of unemployment insurance or assistance benefits in order to increase work incentives. Finally, it was argued that child allowances would help to raise the birth-rate and reverse the predicted long-run decline in the population. However, even all of these arguments had not proven powerful enough to attract the support of the Government, either major political party or the trade union movement, to family allowances by 1939. The catalyst which within three and a half years transformed hostility into an acceptance of the principle of family allowances by the Government was the war.<sup>65</sup>

Within the Government family allowances were first seriously introduced on to the policy agenda by Lord Stamp, who served as the Government Chief Economic Adviser until he was ousted in 1941. Stamp headed a committee of officials responsible for coordinating economic policy. Strongly influenced by J M Keynes, he produced a paper for the Ministerial Committee

63 Family allowances "could be handled as a problem of vital statistics, housing administration, minimum wage legislation, child nutrition, national insurance, teachers' salary scales, coal mining economics, feminism, social philosophy, or pure finance". M Stocks, "Eleanor Rathbone" 1949, quoted in Hall et al, Change, Choice and Conflict in Social Policy, p 165.

64 See pp 13-15 for a fuller discussion.

65 For a full explanation of the influence of the war period on family allowance policy, see Hall et al, op cit, pp 179-196; and J Macnicol, op cit, pp 169-213.

on Economic Policy, on 5 December 1939, which argued for family allowances as part of a package of wage stabilisation measures, in order to buy off inflationary pressure for wage increases. But most members of the Government and most senior officials continued to oppose family allowances. Sir Frederick Leggett, an industrial relations expert at the Ministry of Labour, pooh-poohed the idea. He stated early in 1940 that the unions would continue to press wage claims despite the introduction of family allowances. The unions, he went on, opposed them in any case, preferring provision in kind to cash. Nor would they be willing to pay contributions. Family allowances would be "a new and universal dole" which would not necessarily be spent on the children for whom they were intended. "I see no reason", wrote Leggett, "to believe that such money would not be spent on cinemas, greyhounds, etc, like any other money coming into the home".<sup>66</sup> Leggett's views were widely held and partly explain why family allowances were not considered seriously in the early stages of the war. Nor did the influx of Labour leaders into the Government assist the cause of the Family Endowment Society. Two of the three key Labour figures, Attlee and Bevin, were opposed to family allowances. In the early stages of the Coalition, the need for national unity was paramount, and any measures which might threaten this were disclaimed by Tory and Labour leaders alike. The failure of the TUC to support family allowances meant that they fell into this "controversial" category.

Two weeks after Churchill began to form his coalition government, in April 1940, and the Germans invaded the Low Countries, Edward Hale at the Treasury put the seal on the desultory discussion which had been taking place over family allowances. This was partly because the subject was controversial but chiefly because "with the war at its present stage it would be unthinkable to throw a burden of this kind on the already hard pressed Government machine".<sup>67</sup> Thus early opposition to family allowances within the Civil Service was grounded on five beliefs. Firstly, that their introduction would make no difference to trade union wage demands. Secondly, because the TUC did not support them. Thirdly, because services in kind were preferable. Fourthly, because as a universal benefit it went to many families who did not "need" it. Lastly, because more pressing matters demanded the attention of the Government.

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66 T 161/1116/S43697.1, Leggett to Tribe, 7 February 1940.

67 Ibid, Hale to Gilbert, 24 May 1940.



A year went by before family allowances were again considered seriously in Whitehall. During the interval a great deal happened to swell the chorus of demands for social reform. Britain had survived the worst that Germany could throw at her, and the threat of invasion was averted. The shared and ultimately victorious struggle of the war led to demands for a greater sharing of the fruits of success. These demands were too widely held to be resisted and led to the formation of the Reconstruction Problems Committee, which had its first meeting in March 1941. While reconstruction and social reform had a low priority, it had nonetheless found a place on the political agenda. But one item in particular was successfully moved higher up it. At the beginning of 1941, Rowntree's 1935-36 survey of York was published under the title Poverty and Progress. Rowntree reported that among his sample 52.5 per cent of children were born to wage earning families, "where the wage was inadequate to provide the food required for the physical efficiency of those dependent on them".<sup>68</sup> He estimated that an allowance of five shillings (25p) given to every child aged 14 and under would reduce by nearly three-quarters the number of persons under-nourished because of inadequate wages. An allowance of the same amount given only to second and subsequent children of families would reduce the number by nearly half.

Moverover, the war had led to the inclusion of wider sections of the population in entitlement to family benefits. Allowances were now payable to servicemen 's children and unaccompanied evacuated children, as well as to those paying tax or receiving social security benefits. Family allowance supporters could argue that practically the only people not enjoying such allowances were those below the tax threshold in civilian employment.<sup>69</sup>

Following assiduous lobbying by the Family Endowment Society, early in 1941 the Conservative 1922 Committee announced its support for family allowances. The Labour party, accepting the need for wage restraint in war-time, and seeing family allowances as one way of mitigating the effects of this on the low paid, followed suit. The spring budget in 1941 further strengthened the case for the introduction of family allowances, by making the tax structure more regressive in its impact on the lower

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68 S Rowntree, in The Times, 4 January 1941.

69 Cf Macnicol, op cit, p 177.

income levels. Allowances were reduced, the tax threshold effectively lowered, and the income tax rate raised from 8s.6d to 10 shillings. Wage earners with below average earnings were for the first time caught in the tax net.

In April 1941 a motion was put down in the House of Commons in support of a "state-paid scheme of allowances for dependent children". There were 152 signatories: 85 of them Tory, and 55 Labour. On 2 May, Eleanor Rathbone and Wing Commander Wright<sup>70</sup> wrote to the Chancellor, Kingsley-Wood, to seek support for the motion. A Private Member's Bill to introduce family allowances had been opposed successfully by the Government only eight months previously. Rathbone also asked Wood to receive a deputation. Wood acquiesced reluctantly and noted to his private secretary on 3 May 1941, "I suppose I shall have to do this."<sup>71</sup> From this date family allowances began to be considered seriously in the Treasury. However, the issue was given a low priority. The Treasury view was that a scheme introduced during the war would be inflationary and damaging to the war economy. Ideally, it should be post-war, limited in both scope and cost.<sup>72</sup>

When Wood met the deputation in June, he bowed to the inevitable and agreed to conduct an internal investigation into a system of family allowances. He made it clear, however, that this implied no commitment on the part of the Government. The TUC still had to approve such a system. It might be the case that the £60 millions or £100 millions, which allowances would cost, might be better spent on something else - that is, provided such an amount could be afforded.<sup>73</sup>

By August 1941, Edward Hale had prepared a memorandum covering various technical aspects of a scheme of family allowances such as the problems associated with a contributory or non-contributory scheme and with means-tested and universal schemes. He studiously avoided giving the impression

70 A Conservative backbench MP.

71 T 161/1116/S43697/2. Rathbone to Wood, 2 May 1941.

72 Ibid, Note by Gilbert, 14 May; and Wood, 7 June 1942.

73 PIN 8/163. Note of deputation, 16 June 1941.

that any particular scheme was favoured, presumably so that there would be no hint of any government commitment. Nor was there any attempt to discuss the pros and cons of family allowances. When the memorandum was circulated as a draft White Paper to Ministers, Attlee (Lord Privy Seal), Brown (Minister of Health), Bevin (Minister of Labour) and Butler (President of the Board of Education) all advised against publication. Attlee said that the paper would be seen as biased and should be referred to Beveridge's committee. Bevin, who was still hostile to family allowances, thought that it should be announced in Parliament that the arguments for and against allowances were indecisive. Butler argued that, before decisions were taken about family allowances, there should be discussion on general priorities and how any money available to social services should be spent.<sup>74</sup> In the event, it was decided to go ahead and publish, but to add paragraphs explaining briefly the arguments for and against family allowances. These paragraphs, written by Bernard Gilbert, Under Secretary at the Treasury, were no more than a list of headings of some of the arguments. The extreme brevity was justified in the paper, according to Gilbert, "lest it should seem to individual advocates of the system of family allowances that less than justice had been done to their particular approach".<sup>75</sup>

In fact, the attitude towards family allowances within the Treasury continued to be one of opposition. A full six months were allowed to go by before publication of the White Paper. On 6 May 1942, a week before publication, Wood met his officials to discuss the subject of family allowances, which had been put down for debate in the House of Lords and, subsequently, in the Commons. The general view was that it was doubtful whether large numbers of children were not properly fed or clothed, owing to their parents' poverty; that large expenditures on family allowances would fuel inflation; that there were formidable administrative obstacles to implementation of a scheme; that other claims on resources, such as increases in old age pensions and alternatives to cash provision for children (such as the Board of Education's proposals for free school meals), had to be considered. Moreover, the TUC Congress might yet over-

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74 T 161/1116/S43697/2. H Wilson to Kingsley-Wood and Assheton, 24 October 1941.

75 Ibid, Family Allowances Draft White Paper (revised 3 November 1941).

ride the view of the TUC General Council, which had at last pronounced in favour of children's allowances. The political campaign in favour of allowances was gaining ground, however, and it would create a huge rumpus for the Government to continue to reject them out of hand. Delay was the only alternative now to acceptance, and a peg on which to hang this line was provided by Sir William Beveridge whose report "into the whole of our social insurance schemes" was not due for several months.<sup>76</sup> The arguments to be used in favour of delay were summed up by Wood in a memorandum to the Lord President's Committee.

"Later in the year we should know what the final view of the TUC is; we should have before us the Report of Sir W Beveridge ... we shall have a clearer view of what other claims are being pressed; and we shall be in a better position to consider the question of family allowances, whether in cash or kind in relation to these other claims and to our total budgetary situation."<sup>77</sup>

Wood's paper was put to the Lord President's Committee on 2 June 1942. A dissenting voice was that of Leo Amery, the Minister for India. Amery was the only frontbench advocate of family allowances. Ever since Wood had become Chancellor in 1940, Amery had pestered him with a stream of letters urging implementation of a scheme of family allowances. Three days before the committee met, he had written to Anderson, the Lord President, to deplore Wood's procrastination:

"This is one of the few reforms", he wrote, "on which conservative and labour opinion are united and which is also essentially justifiable on broad grounds of national health and strength."<sup>78</sup>

Both Anderson and Wood turned a deaf ear to Amery's plea, as did the Lord President's Committee who backed Wood's approach.

Much of this continued opposition from within the Government to family allowances stemmed not so much from their high cost but from the feeling that universal child allowances were not really necessary and that, if they were, the provision of services in kind was a more appropriate remedy.

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76 T 161/1116/S43697/2. Hale to Sir R Hopkins, 7 May 1942.

77 T 161/1116/S43697/2. Draft final version of paper for the Lord President's Committee, 29 May 1942.

78 Ibid, Amery to Anderson, 30 May 1942.

Like Leggett, from the Ministry of Labour, Edward Hale at the Treasury was convinced that any cash allowances for children would be absorbed into household budgets and not used specifically to improve the circumstances of the children within the household. He went to considerable lengths to try to prove his case.<sup>79</sup> Although the assertion remained unproven, Hale's senior colleagues and Ministers were convinced that services consumed directly by children were superior to children's allowances given in cash to the parents.

Four days after the publication of the Family Allowances White Paper, in May 1942, Lord Woolton the Minister of Food, wrote to Kingsley-Wood, proposing that part of any family allowance should comprise stamps which could be exchanged only for food.<sup>80</sup> Later in the year R A Butler, President of the Board of Education, went a good deal further. He wrote to Wood that he was "prejudiced against 'dishing out' money and destroying individual initiative".<sup>81</sup> Instead, he proposed a scheme devised by his officials which included not only free school meals, free milk and medical and dental treatment for school children, but a scheme of free clothing for all children as well. This last idea was viewed with some distaste by officials at the Treasury. It was surely taking State control too far; and the "charity suits", as they would inevitably become known, would be unpopular as well. Moreover, the proposals, which were costed at £100 millions, would not satisfy the supporters of family allowances because they were not fully comprehensive. School meals, for example, even after a massive expansion programme, would cover only around half of school children. The free clothing proposals were quietly dropped.

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79 Hale used figures based on the Household Budgets produced by the Ministry of Labour Enquiry for 1937/8 to attempt to prove his case. The Enquiry revealed how 8,905 industrial households disposed of their incomes compared with the lower expenditures of 1,491 agricultural households. On this basis, Hale drew the prima facie inference that, if the income of a working class family was increased by around £1 per week exclusive of rent, more than 50 per cent of the income would be spent on items other than food, clothing, footwear, fuel and light, and that "the greater part of family allowances, if paid in cash, would go to raise the standard of living of the adult members of the family". T 161/1164/S43697/3, Minute by E Hale, 22 May 1942.

80 Ibid, Woolton to Wood, 17 May 1941.

81 Ibid, Butler to Wood, 5 October 1941.

While the principle of family allowances won little favour with the Government, the number of backbench supporters in Parliament continued to grow rapidly. Nobody in the House of Commons debate in June 1942 spoke out against them. The resolution put down in favour of family allowances in the Commons had been signed by 220 MPs. Practically every Labour member had signed it, as well as over 100 Tories. Concluding the debate, Wood counselled delay until the autumn, for the reasons he had given to the Lord President's Committee at the beginning of the month. However, the motion, which urged immediate consideration of a national scheme of family allowances, was carried by a large majority. The introduction of some kind of scheme of family allowances was now almost inevitable. In September, the TUC Annual Conference voted in favour of state-paid family allowances. On 1 December 1942 the Beveridge Report was published, and the last escape route for the Government had been closed.

And so, early in December, Bernard Gilbert, in his capacity as member of the Phillips Committee, was to be found seeking the advice of his superiors at the Treasury on the line he should adopt over family allowances for the Phillips Committee.

"The preliminary question on the Treasury memorandum is whether it is to attempt to set out the arguments against family allowances and what conclusion it is to reach. That conclusion could not I think be negative. It could not be more than 'non-proven' with the suggestion that the change they [sic] involve is sufficiently revolutionary to justify examination by some balanced body, excluding advocates, before we are committed to them."<sup>82</sup>

The resultant memorandum was thus a curiously muted affair, revealing just how far the Treasury had moved in the previous two years, from total opposition to unwilling acceptance of the principle of family allowances. A few token hostile gestures were included against the idea of allowances,<sup>83</sup> but on the whole the memorandum contented itself with discussing various technical aspects of a scheme, including the idea that a low income limit

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82 Ibid, B Gilbert to Hopkins, Barlow, Amery and Hale.

83 Eg the memorandum argued that, as Rowntree had found only 27 per cent of two-child families to be in poverty, "it is open to question whether want in 27 per cent of cases justifies a remedy applicable to the full 100 per cent unless other solutions of the problem have been tried and failed". PIN 8/116 CBR 8. Memorandum by the Treasury, para 6.

was feasible. This had been inserted at the insistence of Sir Richard Hopkins, the Treasury's Permanent Secretary. Both Gilbert and Hale had earlier rejected the idea of a means-test because of the difficulty administering one to the self-employed and because of its unpopularity. Hopkins' idea was for a low income limit which would reduce the administrative and other costs of a scheme.

Two further memoranda were provided by the Board of Education and the Ministry of Labour, both known opponents of family allowances. Since August, however, the Board of Education had become more realistic in its attitude towards the potential of services in kind provided through school as an alternative to family allowances. The £50 millions scheme for free clothing had been dropped. If a free National Health Service was created, free medical treatment at school could hardly be treated as a special child benefit. School meals, even in the long run, could be expanded only to cover around half of all school children, and then only for five days a week and in term time. Only milk could be provided potentially to all school children, and then only in school time. The memorandum concluded that,

"Although, therefore, the services ancillary to education are undoubtedly a source of saving to parents while their children are in attendance at schools within the state system ... it would be difficult on that account to make out an actuarial case for the reduction of so much a week in the proposed cash allowances for children during school life."<sup>84</sup>

The memorandum went so far as to give tentative support to family allowances on the grounds that they would relieve the Board of the need to devise a system of educational maintenance allowances for 14-15 year olds.

Only Sir Frederick Leggett, writing for the Ministry of Labour, wrote completely unreservedly against family allowances. He asserted that trade union opposition would develop; that family allowances would not weaken pressure for wage claims; that minimum wage agreements would be undermined; that the Treasury would end up supporting uneconomic wage levels.<sup>85</sup> Little

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84 PIN 8/116 Phillips Committee, Memoranda, "Children's Allowances - Cash or Kind", CBR 8.

85 Ibid, paper by the Ministry of Labour, CBR 8.

evidence was provided in support of these claims.

The Phillips Committee convened for its fifth and final meeting on 29 December 1942. A majority of the Committee did not support the introduction of family allowances. However, realising that there was little advantage to be gained in pressing a case against them, the Committee agreed not to pronounce on the question of principle involved which must, it felt, be decided by ministers. This did not prevent some of the Committee members from discussing among themselves whether family allowances were necessary, and agreeing with Parker and Leggett that, "on present wages pure want was largely met", and that "there was no strong case for family allowances until the War was over".<sup>86</sup>

Much of the subsequent discussion focussed on the rate of the allowance. It was agreed with little opposition that the Beveridge rate of eight shillings (40p) for second or subsequent children was too high.<sup>87</sup> A rate of five shillings (25p) was felt to be about right. This was on three grounds. Firstly, there was provision in kind. Sir Thomas Phillips argued that free school meals alone were worth £6 to £7 a year to a parent. (Beveridge had argued that provision in kind was worth around one shilling per week (5p) to a child, and therefore deducted that amount from his original subsistence rate of family allowance.) Only Sir John Maude rejected this argument, on the grounds that not all children could receive assistance in kind. It was argued further that five shillings (25p) was the rate suggested by most of the proponents of a scheme of family allowances. Finally, it was "advisable to start low" because if a subsistence allowance such as Beveridge had suggested was adopted there would be pressure to increase it if the cost of living rose.<sup>88</sup>

Reluctantly it was agreed that the scheme would probably have to be non-contributory. This was both because, as the Treasury had suggested in its own memorandum, of the difficulties of securing contributions from men working on their own account and of the difficulties in expecting the childless, such as spinsters and the aged, to contribute.

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86 PIN 8/115. Phillips Committee Minutes, meeting 29 December 1942.

87 In effect, four shillings (20p) per child where there were two; five shillings and fourpence (26.7p) per child where there were three and over.

88 PIN 8/115. Phillips Committee Minutes, meeting 29 December 1942.



The Committee did not make up its mind whether to exclude only the first child or the first two children, and the question was left open in its final report. No consideration was given to whether all children should have been included. Stuart-King of the Assistance Board favoured starting at the third child because "the average family was (to the next whole number) two children and the average family should not call for special treatment".<sup>89</sup> Phillips was worried about the consequent reduction in the gap between the income earners and non-earners. Holmes, of the Board of Education, thought it would be politically impossible both to reduce the rate and start at the third child.

This left the question of whether there should be an income limit. Beveridge had rejected an income limit, on the grounds that little money would be saved and that the net effect on taxpayers could be mitigated by adjustments to child tax allowances. A majority of the Committee favoured the idea of an income limit, as the Treasury had proposed in its memorandum. They were, however, "greatly divided" as to what the limit should be. Some, including presumably the Treasury, wanted a limit as low as £3 per week. Others, such as Miss Ritson, argued for a much higher limit, on the grounds of the poverty trap which a low limit would create.<sup>90</sup> There was no discussion recorded of the possible use of a taper to mitigate the worst effects of an income limit. A minority, including the Chairman, favoured a universal scheme with an adjustment of child tax allowances. This indecision was reflected in the Committee's report, which mentioned the various alternatives while perhaps inclining to favour a scheme with a low income limit.<sup>91</sup>

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89 Ibid.

90 In other words, a family in work whose income was comprised substantially of state allowances would have little incentive to raise the level of its earned income.

91 "From the standpoint of abolishing want, a scheme with a low income limit does all that it is necessary." PIN 8/115, Official Committee on the Beveridge Report, report, p.7.

Before completing this description of the major issues dealt with by the Philips Committee, two of the subsidiary, but nonetheless vital, issues dealt with also by the Committee should be mentioned. The first of these is the problem of the Approved Societies.

#### Approved Societies

In order to accommodate commercial interests and the large indirect political power of the Friendly Societies, the Act of 1911, which established national health insurance, arranged for the administration of its cash benefits by "Approved Societies". The Approved Societies comprised chiefly Industrial Life Offices, Friendly Societies and Trades Unions. There were two main problems with this system. Firstly, it meant that unequal benefits were distributed. This came about because Societies had to redistribute, in the form of additional benefits, any surpluses they built up from the compulsory contributions made to them. Badly-run societies had no surplus and no additional benefits. Generally speaking, the most profitable societies had the healthiest members who therefore received the greatest benefits. The other big problem was administrative. There was a great deal of unnecessary duplication. Each society had its own procedure for the determination of claims and appeals. There was wastage. Societies competed against each other for business. None of this fitted into Beveridge's plans, "that in compulsory insurance all men stand in together on equal terms, that no individual should be entitled to claim better terms because he is healthier or in more regular employment".<sup>92</sup> The abolition of the Approved Societies was an obvious and inevitable step towards unified social insurance. But it was a step that Beveridge hesitated to take completely. Instead, he proposed that the Societies should act as "responsible agents" for the administration of sickness benefit, while making it clear that, if they were unable to do this, they should be abolished completely.

There was little place for the Approved Societies in a unified centralised system of Social Security. This was recognised in the memorandum submitted to the Phillips Committee in answer to the question, "Should the Approved Societies be superceded?" No copy of the original paper appears to have survived, but it must have argued strongly for the abolition of the Societies. When the Committee discussed it, on 18 December, it was

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92 Cmnd 6404, op cit, paragraph 66.

remarked that some arguments in favour of preserving the Societies ought to be included in the memorandum. But then only one item in favour of the Societies could be found. This was that they had a "personal touch" which a state system would lack, although even this was disputed. The revised paper, written by R R Bannantyne of the Home Office, pointed out that the growing inequality between rich and poor Societies made it difficult to argue a case for their retention within a unified system of insurance. The final report of the Committee stated that abolition was the best solution, but that Ministers might have to accept Beveridge's proposal to use them as "responsible agents", if they wished to avoid political controversy.<sup>93</sup>

#### Industrial Insurance and Death Benefits

Industrial assurance began as insurance for funeral expenses among people who would otherwise have been unable to meet the cost. The alternative was the indignity of a pauper's grave. By 1939 it had developed into very big business indeed. There were more than two and a quarter policies for every man, woman and child in Britain.<sup>94</sup> "The premium income of £74 millions in 1939 is built up of pennies, sixpences and shillings collected for the most part week by week ... from a large proportion of all the households in Britain."<sup>95</sup> Following the Health Insurance Act of 1911, most of the major life assurance companies formed Approved Societies. They administered sickness benefit through their main business and with the same staff of collectors. Undoubtedly, this access to customers through national health insurance had given the other business of the companies an enormous boost, for it coincided with their period of most rapid growth.

There were two major complaints about the system of industrial assurance. Firstly, too much was spent on administration. Well over one third of the money paid in as premiums was used for this purpose. This was twice the total amount spent in England on medical benefit under the National Health Insurance Act.<sup>96</sup> Other insurance collection agencies, who did not use collectors, such as the centralised friendly societies, had an adminis-

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93 PIN 8/115. Official Committee on the Beveridge Report, report, p 10.

94 Cmnd 6404, op cit, paragraph 4.

95 Ibid, p 250, paragraph 5.

96 The Times, 13 June 1942.

trative cost of 10 per cent of contributions.<sup>97</sup> Despite repeated criticisms, the cost ratio of the industrial assurance companies had fallen by only eight per cent in 50 years.<sup>98</sup> The other big criticism was the vast over-sale of policies. This was caused by the cut-throat competition between the companies and the method of remuneration of collectors who sold policies indiscriminately, taking little account of customers' ability to pay. This was a particular hardship to the poor, the majority of whom took out premiums.<sup>99</sup> Rowntree's study of 267 poor families in York in 1936 had discovered that 30 of them subscribed one-fifth or more of their income to death and burial insurance.

Around two-thirds of all policies lapsed prematurely. About half of the lapsed policies were forfeited entirely, although premiums had been paid on them. Over the years, various public enquiries had pointed out the inequities of this system. While some improvement had been made, the small overall improvement convinced Beveridge that Industrial Insurance would serve the public interest better if it were nationalised. Beveridge's proposals for the supercession of the Approved Societies and for a statutory death benefit also drew him to this conclusion. He was convinced that these two innovations would strike the death knell of the Life Assurance Companies because "the whole of their work probably depends for its economical and effective administration so much upon association with health insurance or the provision of funerals, that it is doubtful if any satisfactory or just scheme dividing the work of the offices could be devised."<sup>100</sup> Beveridge thought that, if the Life Offices were taken over lock, stock and barrel, this would prevent their demise and allow the transfer of the skilled staff they employed into the new public service. It was, however, one of Beveridge's "bracketed" proposals. Failure to implement it would not affect the structure of the rest of the scheme.

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97 Cmnd 6404, op cit, paragraph 185

98 Ibid, Appendix D, paragraph 74.

99 The UAB in 1938 found that life, burial and endowment insurance were being paid by more than three-quarters of their applicants. Beveridge Report, Ibid, paragraph 80.

100 Ibid, paragraph 184.

When Sir Thomas Philips and his colleagues met on 23 December 1942, they had before them a paper on Death Benefits and Industrial Assurance prepared by the Industrial Assurance Board, with a covering memorandum written by Bernard Gilbert at the Treasury. The Industrial Assurance Board's paper did not raise any major objections to Beveridge's proposals. It pointed out that a death grant of £20, which had been proposed by Beveridge, would raise the cost of burial which at that time stood at between £8 and £15. Some people would not be covered by the grant because of its contributory character. While there were a host of practical difficulties involved in the nationalisation of industrial assurance,

"None of the difficulties seem to be insuperable and indeed the Prudential has stated for many years that it wished it to be known that it was prepared to absorb other companies. There is no doubt that two or more companies could carry through amalgamation without difficulty and it seems therefore to follow that there should be but little difficulty in amalgamating all the business of the offices now conducting it."<sup>101</sup>

The Treasury's covering note was more cautious. It pointed out that a funeral grant was not as clearly part of a policy of freedom from want as were other parts of the Beveridge Report. It agreed that the principal objection to the provision of a state funeral grant was that it might raise the cost of funerals. In addition to the practical difficulties involved in taking industrial assurance into the public sector, there would be strong political opposition.<sup>102</sup> It was this last threat, real or imagined, that was to be the major stumbling block to the full implementation of Beveridge's proposals in this field.

The relative cheapness of publicly provided death benefits compared with those provided privately, and the lack of any telling arguments against such state provision, secured the proposal a trouble-free passage through the Phillips Committee. Surprisingly, the Committee found no major objections to the more controversial proposal to take the industrial assurance business into public ownership; a sign both of how low that business had sunk in public esteem and of the growing support for systems of central-

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101 PIN 8/116 CBR 4, Notes on the Beveridge Report, Industrial Assurance Board, p 3, 16 December 1942.

102 Ibid.

ised state control within the civil service. The Committee's report stated boldly, "the case for radical reform of industrial assurance is undoubtedly a strong one ... and in principle the Beveridge proposals appear to be the right method of attack".<sup>103</sup> However, second thoughts had occurred after the discussion in committee had taken place. After pointing out all the practical and technical difficulties involved, the Committee's report suggested that a final decision be deferred until the practical difficulties and "repercussions on the structure of British insurance both at home and abroad had been examined further".<sup>104</sup>

### Finance

The brief given to Sir Henry Phillips and his committee of senior officials had excluded consideration of financial aspects of Beveridge's plan. These were to be dealt with by the Treasury. The Treasury was also left to deal with a further question which, in the first place, had been remitted to the official committee. This was, "In what proportion should the necessary funds be provided by beneficiaries, employers and taxpayers respectively?" Little attention was given to this latter question. Instead, the Treasury devoted its energies to answering the most crucial question of all: could the Beveridge plan be afforded?

With the assistance of Keynes, Robbins and Epps, Beveridge had gone to great lengths to make the financial structure of his plan acceptable to the Treasury. The final proposals involved increased expenditure on social insurance of around a third compared with existing commitments. All of this increase, in the first years at least, would be borne by the insured themselves, many of whom would not receive any benefits for 10 years or more. Their contributions were trebled. The Exchequer contribution to social insurance actually declined by a third. State and rate borne expenditure on assistance payments was cut by over half. The new Exchequer expenditure was on family allowances and health care. Altogether, the initial combined cost to the Exchequer was £86 millions. If health expenditure is excluded from the calculation, and the social security scheme including family allowances alone taken into account, the increased Exchequer burden was only £16 millions in the first year. The main changes are shown in Table 2.

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103 PIN 8/115 Official Committee on the Beveridge Report; Report, p 12.

104 Ibid, p 13.

Table 2: Relative costs of social security and health services.<sup>105</sup>

	Before Beveridge £m	Under Beveridge £m	Change due to Beveridge £m
<u>(a) Insurance</u>			
Insured persons	50	154	+ 104
Employers	83	137	+ 54
State	99	63	- 36
Interest on existing funds	15	15	nil
	—	—	—
	247	369	+ 122
	—	—	—
<u>(b) Assistance and Non-Contributory Pension</u>			
State and local rates	106	45	- 61
<u>(c) Family Allowances</u>			
State	nil	113	+ 113
<u>(d) Health Service</u>			
State	60	130	+ 70
Insured persons	19	40	+ 21
	—	—	—
	79	170	+ 91
	—	—	—
<u>(e) TOTAL</u>	432	697	+ 265
	—	—	—

In effect, the increased burden on employees' contributions, whose share of the total was raised from 20 per cent to 41 per cent, and savings on Assistance, saved the State £97 millions, and enabled it to start a £113 millions family allowance scheme for a net cost of £16 millions. A national health service would add another £70 millions to the bill.

But this rosy picture applied only to the first year of the scheme. By 1965, the Exchequer contribution would have increased by £168 millions. This was due, partly, to Beveridge's "Golden Staircase", the 20-year transitional period during which pensions for those who qualified under the existing scheme were gradually increased to the full subsistence level. It was also partly due to the inclusion of the "excepted classes", particularly the self-employed, who had to wait 10 years before they could

105 T161/1164/S48497/3 Based on table prepared by Government Actuary's Department, Epps to Eady, 9 December, 1942.

receive a pension.<sup>106</sup> But at least 40 per cent of the new expenditure was caused by the huge estimated increase in the number of old people: from about five and a half millions in 1941 to an estimated nine and a half millions or more in 1971.<sup>107</sup> The bill for the increased cost of pensions over the years was to be given entirely to the Treasury. Revenue from contributions was to remain virtually unchanged. Thus while the basic Treasury contribution to the insurance scheme was a quarter - the same proportion as it had always been - the percentage would rise to 41 per cent, mainly because the whole population, and not just 16-year-olds (on whom the actuarial calculations were based), were admitted to membership.

The Treasury view of the finances of the scheme was put in a memorandum of 11 January 1943 for the Reconstruction Priorities Committee. It is clear that the argument between the Economic Section and the Treasury officials over the level of post-war income had caused the Treasury forecast of the prospects to brighten.<sup>108</sup> Nonetheless, the message contained in the document was that, in the short run at least, Beveridge could not be afforded. It was estimated that, at current war-time rates of taxation, post-war revenue might be £2,050 millions. This would be disbursed as follows:

	£ millions
Commitments under existing policy	1,125
Cost of armed forces	500
Sinking Fund	100
New services and new commitments of all kinds excluding Beveridge	100
Remission of taxation and Any correction required by the failure of the national income to reach the estimated amount	225
T O T A L	2,050

106 People who had not paid contributions under the old scheme were not to be allowed to claim the "Golden Staircase". The pension received after 10 years contributions was to remain fixed and not to be increased gradually to the full rate. This was known as "the tin can round the neck".

107 Beveridge, *op cit*, Table k1, p 91. As it has turned out, the size of the increase was overestimated by over 1 million.

108 Its estimate of post-war national income had risen to the level of those suggested by the Economic Section.



The amounts by which the high levels of war-time taxation would have to be reduced were not estimated. The Chancellor, however, made it clear that policy would have to be directed to secure the "fullest" employment possible, which would involve a massive effort to restore the balance of payments:

"in particular, we must increase the volume of our export trade at the least by 50% over pre-war. The state no doubt will have to help actively. In this connection the incidence of taxation plays an important part.

Taxation must on this account, if no other, be mitigated as soon as it is possible if we are to have a fair chance of restoring trade and greatly increasing exports. All sections of the community will also certainly expect reliefs and the claims of new social schemes and services, however beneficial and desirable, must be balanced against these facts."<sup>109</sup>

As no more than £225 millions was available to mitigate taxation, according to the Treasury estimate, it was clear that there would be little left for the Beveridge plan. Even if all of this money was used to reduce the basic rate of income taxation at the end of the war, the post-war rate would remain nearly 45 per cent higher than the pre-war rate.<sup>110</sup> The Chancellor's was an iron logic. Nonetheless, it must have appeared eminently reasonable to those who saw the necessity to increase incentives to create a successful free-enterprise economy after the war.

Not only was it unlikely that Beveridge's plan could be adopted on the basis of the expenditure priorities outlined by the Treasury, but there were so many uncertainties about the future, according to the Chancellor, that it would "be prudent to avoid at this time large continuing commitments unless there is an overwhelming case for them".<sup>111</sup> These uncertainties included the possibility that a desirable rate of growth may not take place and unemployment rise above the 8½ per cent forecast; that the new classes of contributors may withhold their contributions; that employers may try to shift their contribution onto the general

- 109 CAB 87/3 RP (32) 5, 11 January 1943: "Financial Aspects of the Social Security Plan", memorandum by the Chancellor of the Exchequer, p 1.
- 110 The basic rate of income tax was five shillings and sixpence (27½p) in the £ in 1938. In 1942 it was 10 shillings (50p) in the £. A one shilling (5p) increase in income tax was estimated to yield £90 millions in 1942.
- 111 CAB 87/3 RP (32) 5, 11 January 1943, op cit.

taxpayer; that national security may be further endangered and expenditure on it rise; that the extra burden of contributions on the lower income groups may make it more difficult to levy taxation on them. Nor could any post-war boom be expected:

"Conditions for some time after the War will be those of continuing deprivations, and there will be a need of public readiness for the time being to accept them rather than to expect immediate improvements in the whole standard of life."<sup>112</sup>

Thus, even if the principles of the plan were to be accepted, "unnecessarily costly parts of it should be scrapped and sections of it deferred or introduced gradually".<sup>113</sup>

Perhaps because they opposed the introduction of the Beveridge proposals in the short run, Treasury officials failed to provide a serious answer to the question of the division of responsibility for meeting the cost of the scheme. On the one hand, the memorandum asserted that "the contributory character of the scheme is limited". This was an unjustifiable assertion because in apportioning responsibility for meeting the costs of the scheme Beveridge had stuck scrupulously to accepted principles. On the other hand, the paper complained that employers, the previously excepted classes and the low paid might either refuse to pay contributions or pay less tax because the contributions were so high. Under normal circumstances this latter argument might have carried some weight. After all, employers were being asked to pay around two-thirds more. But it was the employees who were having to pay most of the increase. Their contributions were to rise threefold. And everywhere the employees had acclaimed the Beveridge Report. Once the Report had been translated into legislation, it would be a brave employer who would risk the wrath of his employees and their trade unions by refusing to pay his share of the new contribution.

There could be little doubt that the great majority of people were prepared to pay for the scheme. The real question was, in the drive to restore the country's economic infrastructure after the war, could this degree of expenditure and redistribution of social benefits be afforded? The Treasury's answer was No, not in the short term. Whether this view would be accepted by the Government remained to be seen.

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112 Ibid, para 29.

113 Ibid, para 32.

## CHAPTER 4

## THE RECONSTRUCTION PRIORITIES COMMITTEE

When the War Cabinet met on 14 January 1943, the Beveridge Report was on the agenda. The Report of the Philips Committee was circulated on the same day. The Treasury's Paper, arguing that resources should not be committed to enable the implementation of the plan immediately after the war, had been on the table for three days. Churchill had written a memorandum for the Cabinet which echoed and reinforced the line argued by the Treasury. There would, stated Churchill, be many unavoidable commitments after the war: help in the reconstruction of Europe, more aid to the colonies, large military forces to occupy enemy territories. On top of this, there was a growing list of demands for expensive social reforms; the abolition of unemployment and low wages, the abolition of want, great schemes for housing and health, better and longer education. And yet one of Britain's major sources of income - her foreign assets - had been spent on the war effort. In future, British shipping would have to face stiff competition from the United States. It would be extremely difficult to export profitably. Quite clearly in Churchill's mind the two sides of the equation - income and expenditure - did not balance. If a more realistic attitude was not adopted, a dangerous optimism would be created in peoples' minds:

"It is because I do not wish to deceive the people by false hopes and airy visions of Utopia and Eldorado that I have refrained so far from making promises about the future. We shall do much better if we are not hampered by a cloud of pledges and promises which arise out of the hopeful and genial side of man's nature and are not brought into relation with the hard facts of life."<sup>1</sup>

However, Churchill was not present at the War Cabinet on 14 January to support his memorandum. He had gone to the Casablanca Conference, where he was to remain for another three weeks. Without him, the War Cabinet had a strangely unbalanced look. It comprised three Labour men: Attlee, Bevin and Morrison; and only two Conservatives, Eden and Lyttleton. Attlee took the chair at Cabinet meetings while Churchill was away.

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1 W S Churchill, The Hinge of Fate, 1951, pp 861-862. Note by Churchill for the Cabinet, 12 January 1943.

The Labour Party, which had been promised a debate on the Beveridge Report in early January, had agreed to its deferment until the third week of February. By this time a response to the Report from the Government would be expected. In Cabinet on 14 January, it was agreed that there was no time to consider it in detail but that, "the Government should ... be able to make a satisfactory statement in general terms on the occasion of the debate provided that consideration of the Report by Ministers was taken in hand forthwith".<sup>2</sup> The importance attached nationally to the Beveridge Report and reconstruction questions generally meant that a Committee, more powerful than the old Reconstruction Problems Committee, would have to be created. This new Committee was agreed there and then. It was to comprise Sir John Anderson as chairman, with Bevin, Jowitt and Morrison from the Labour side, and Cranborne, Lyttleton and Wood representing the Tories. The old Reconstruction Committee was made up largely of Conservative Ministers. The new Committee was comprised equally of Labour and Tories, with an Independent chairman. Whether this would have happened, had Churchill been present, is a matter for speculation. The very fact that it did happen reflects the power acquired by the Labour Ministers, and also indicates the importance attached to a consensus between the parties at the highest level. The creation of a Reconstruction Priorities Committee without party bias indicated a determination to promote policies which would have the support of as wide a cross-section of society as possible; which would unify rather than divide the nation.

The chairman of the new Committee was the Lord President of the Council, Sir John Anderson. Anderson, who has been described as "the greatest public administrator of the age",<sup>3</sup> was a widely respected Independent with a non-party label. He was, therefore, the ideal person to preside over the Committee whose fortunes were closely tied to those of the Coalition Government as a whole. Anderson also had considerable experience of social insurance questions, having worked as a member of Lloyd George's team on health insurance as well as heading an important committee of civil servants - the Anderson Committee - set up (late in 1923) with terms of reference more wide embracing, if anything, than those

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2 CAB 65/33 WM (43) 14 January; minutes.

3 L Robbins, The Autobiography of an Economist, 1971, p 173. See also pp 26-28 of this thesis for biographical information on Anderson, Bevin, Morrison and Kingsley-Wood.

of Beveridge's Committee.<sup>4</sup> The work of this Committee had led directly to the Widows', Orphans' and Old Age Contributory Pensions Act of July 1925.<sup>5</sup> Before entering Parliament in 1938, Anderson had held a Directorship for the Employers' Liability Assurance Confederation. While he was likely to identify strongly with the notion of the "national interest", and therefore prefer economic rather than social arguments in support of large scale extensions of cash benefits, he was nonetheless reasonably sympathetic to some modest improvements. Moreover, much of Beveridge was an attempt to streamline the administration of the benefits system, and Anderson had the civil servant's love of administrative neatness.

The three Labour leaders on the Committee were Sir William Jowitt, Ernest Bevin and Herbert Morrison. Jowitt, a "handsome uppercrust defector", was Minister Without Portfolio who had been placed in charge of reconstruction matters. He therefore had an interest in securing progress of some kind on that front. However, he was also very keen not to stir up any controversy within the Coalition and had accepted the Conservative view of the primacy of the need for economic rather than social progress after the war. The publication of Beveridge's Report embarrassed the Labour leaders as much as it annoyed the Tories:

"At a time when they had imposed a self denying ordinance on themselves in the interest of national unity, he [Beveridge] had stolen the Party's thunder and allowed himself to be built up into a popular hero who was prepared to give the common man what the politicians denied him."<sup>6</sup>

Jowitt was certainly one of those who was not prepared to weaken the Coalition by pursuing controversial proposals.

4 The terms of reference called for "a general survey of possible rearrangements of the existing system of national health insurance, unemployment relief, and old age pensions ... in the light of suggestions which have been made for the better coordination and extension of such social services", quoted in Hecllo, Modern Social Politics in Britain and Sweden, 1974.

5 This Act introduced contributory pensions for those aged between 65 and 70 who were employed in insurable occupations earning below £160 per annum.

6 Bullock, op cit, p 227.

Another such was Ernest Bevin. Bevin, however, was in a different league to Jowitt, and must be ranked almost on a par with Churchill as one of the great war-time leaders. Bevin was an admirer of Churchill and had consistently argued in support of armed resistance to the Nazis. Churchill elevated him to ministerial office when he became Prime Minister. Bevin wielded enormous power as Minister of Labour, and pushed his authority to the limit of his department's expanded sphere of activity. While he made his presence felt on matters outside his department's interest in Cabinet and Cabinet committees, he was not prepared to risk disrupting the unity of the Coalition by relentlessly pursuing controversial or party policies. He was not, in any case, enamoured of Beveridge, having removed him from the Ministry of Labour and put him in charge of the Social Insurance Committee in the first place. Nor, for that matter, did he have much faith in the solutions to want proposed by Beveridge. He remained convinced, along with his official advisers at the Ministry of Labour, that family allowances would depress wages, despite the TUC support for them. He was disdainful about insurance proposals, which he regarded as Liberal palliatives. In 1944, he declared:

"I take the view having gone into this insurance that it was after all not a Socialist measure. It was a Liberal measure, a Liberal device ... to avoid the actual steps that ought to have been taken to deal with unemployment. I have never departed from that principle".<sup>7</sup>

There remained Herbert Morrison, the Home Secretary. Like Bevin, Morrison was a success as a Minister. On 22 November 1942, Churchill had promoted him to the War Cabinet. Unlike Bevin, Churchill had little in common with Morrison, and while he recognised Morrison's qualities his style grated on him. This, however, was nothing compared with the animosity between Bevin and Morrison:

"Around the oval War Cabinet table Bevin usually sat on Eden's left and embarrassed him and other colleagues by the stream of sneers and jibes he muttered when Morrison spoke. These offensive taunts must have been deeply hurtful to Morrison, but he ignored them and never stooped to retaliation."<sup>8</sup>

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7 House of Commons Debates, volume 403, column 2139, 13 October 1944.

8 B Donaghue and G W Jones, op cit 1973, p 314.

By the time Morrison joined the Cabinet, in November 1942, he had mastered his job at the Home Office and was convinced that Britain was going to win the war. He began to pay a lot more attention to broader questions, including post-war problems.<sup>9</sup> He launched into a series of major speeches about the nature of the post-war world. The first of these, at Swindon on 20 December 1942, poured cold water over the recently published Beveridge proposals. Social Security was "at best nothing more than ambulance and salvage work, rescuing and patching up our social casualties. We cannot rouse ourselves and others with the slogan 'minimum subsistence for all' ... I believe that education is a better task master than unemployment, leadership than want, faith than fear".<sup>10</sup>

Morrison's public indifference to Beveridge's proposals was, however, only a front to try to grab back some of the thunder which Beveridge had stolen from the Labour Party. Behind the scenes he was about to emerge as a champion of Beveridge; indeed, initially, his only champion, either within the War Cabinet or the Reconstruction Priorities Committee.

The Tories were represented by Oliver Lyttleton, Viscount Cranborne, and Kingsley-Wood. Lyttleton was the Minister of Production, and Cranborne the Secretary of State for Dominion Affairs. Both men had been put in the Committee as political make-weights. Neither had any particular interest in social security, and neither was to play a major role in the proceedings of the Committee. They could be relied upon, however, to support the Tory line. It fell to Kingsley-Wood, the ex-champion of the commercial insurance interests, and Chancellor of the Exchequer, to lead the fight against the massive extension of public insurance proposed by Beveridge.

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9 As Ellen Wilkinson told Dalton, in October 1942, "Morrison, having been deeply absorbed in his job until recently, is now feeling that he has got into running order, and is taking much more interest in wider questions including post-war problems and the future of the Labour Party". Dalton Diaries, 28 October 1942, vol 27; quoted in B. Donaghue and G.W. Jones, op cit, p 325.

10 Ibid, p 325.

Financial Considerations (1)

Closely advised by his public relations expert and speech writer, Clem Leslie, Morrison gave battle to the Treasury on its own terms. His memorandum on the social security plan was circulated to the Committee on Reconstruction Priorities only four days after the War Cabinet had formed it. Morrison did not challenge directly the figures used by the Treasury in their gloomy memorandum. Instead, he enlarged on the post-war economic scenario, by making two further assumptions of his own. Firstly, he suggested that it would not be unreasonable to assume that defence spending over 10 years could be reduced from the fantastically heavy war-time rate of £500 millions, to a sum of around half that amount. This was a reasonable assumption, provided that it was not intended to occupy enemy territories for an unlimited period and that further major conflicts were avoided. Morrison's second assumption was that the rate of post-war economic growth would be the same as it had been between 1924 and 1938, ie 24 per cent or less than 2 per cent per annum. Again, this was a reasonable position to adopt. The inter-war years had been characterised by a downturn in the trade cycle, low growth and high unemployment. It could hardly be expected that the country's post-war performance would be a great deal worse than that. Using these two assumptions, Morrison was able to show that, within a year of the war, an additional £100 millions of uncommitted expenditure would be available - more than enough to cover the introduction of the complete Beveridge plan. Morrison argued that the assumptions he had used were not optimistic; rather, that they were cautious. He went on to sum up the hopes of millions of people. Greater pessimism, he urged, would be,

"assuming a bankruptcy of world statemanship and a prospect of misery and reaction for the whole world leading inevitably to another war even more bitter and deadly than this. It is only if we and our fellows in the League of Nations turn our backs upon every major lesson of the past generation and fall again into the paths of mutual suspicion and cut-throat economic competition that we can look forward to so bleak a picture."<sup>11</sup>

Even if the Treasury's "prospect of disaster" was accepted fatalistically, the adoption of a social minimum could still be maintained as a first charge upon the national income on practical and humanitarian grounds,

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11 CAB87/13,PR (43) 2, "The Social Security Plan", memorandum by the Home Secretary, 20 January 1943.



the Home Secretary suggested. He concluded majestically:

"this boon of social security which has good claims to be an absolute priority among all the aims of home policy, represents a financial burden which we should be able to bear, except on a number of very gloomy assumptions. I can see no need to make or act upon such assumptions. I should certainly not like to have to expound and defend them to a Nation bearing the full burden of total war."<sup>12</sup>

These were principled and courageous words. Whether they would carry any weight with those who described the Beveridge plan as an "Eldorado" or "treasure trove" remained to be seen.

Morrison, however, was receiving advice and support from an unlikely quarter. D N Chester and Lionel Robbins of the Economic Section were providing briefing for John Anderson, the Lord President and Chairman of the Reconstruction Priorities Committee. Both men were supporters of the Beveridge proposals. Chester was particularly well informed. He had served as Secretary to Beveridge's Committee throughout its existence. Chester was in the habit of routinely copying the Economic Section's briefs to S C Leslie, Morrison's personal adviser.<sup>13</sup>

In notes dated 13 and 20 January 1943, Robbins and Chester seriously questioned the basis of many of the Treasury's estimates of the sizes of the various components of post-war national income and expenditure. They noted, for example, that the Treasury had assumed that there would be no government borrowing, and even £100 millions repayment of the National Debt in the first year after the war. A considerable part of defence expenditure before the war had been met out of loans. Yet the Treasury memorandum assumed that all post-war defence spending would be met out of revenue.

Even in the pre-Keynesian era, it had been possible to contemplate large-scale borrowing with equanimity. Again, the Treasury had included as committed expenditure £100 millions of claims for increased spending on housing, education, agriculture, roads, water supplies, civil aviation and colonial developments. Yet none of these items had been agreed in

12 Ibid.

13 Leslie was a personal friend of Chester. Copies of the briefing notes were sent also to officials at the Treasury. Interview with Sir Norman Chester.

Cabinet, nor had a system of priorities. Was there any reason, asked D N Chester, why increased social security spending could not be included on such a list, if necessary at the expense of some other item?<sup>14</sup>

Whether Sir John Anderson and his colleagues would be prepared to see other items of expenditure deferred in favour of the Beveridge Proposal was revealed at the first meeting of the Reconstruction Priorities Committee on 22 January 1943. The Committee agreed that it should first hear the views of the Chancellor on the post-war financial situation. In the light of this, it would consider, "whether, and, if so, to what extent, we could afford to give effect to the Beveridge Plan".<sup>15</sup>

The Chancellor proceeded to explain again that the implementation of the Beveridge Report came well down his list of priorities. Expenditure on international security came first, followed by measures to ensure employment by securing the full restoration of trade and business, and in particular by increasing exports. Thirdly, he put housing. Four million houses needed to be built in the 10 years following the war. Educational improvements were also high on the list. Wood went on to explain in detail the cost of the new demands likely to be made on the Treasury, apart from defence, social insurance and debt charges. They could be broken down as follows:

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14 CAB 123/45; note by D N Chester to Anderson on the Financial Aspects of the Social Security Plan, RP (43) 5, dated 13 January 1943.

15 The minutes in which this comment is recorded, and on which much of the rest of this chapter are based, are not the official Cabinet Committee minutes, which are to be found in CAB 87/12 at the Public Record Office, but the confidential record kept by the Cabinet Secretariat (to be found in T 161/1164/548497/2). The official minutes are briefer even than usual, and record details neither of the discussion nor of the conclusions reached by the Committee. The confidential record maintained by the Cabinet Secretariat provided a very full account of the discussions that took place at the meetings of the Reconstruction Priorities Committee. It seems likely that these confidential records were seen only by officials at the Treasury, to whom they were sent by Sir Edward Bridges, the Committee's Secretary. On the day after the Committee's first meeting on 22 January, Bernard Gilbert at the Treasury received a copy of the Confidential Record with a note from Bridges, stating "I explained to you why I am not giving it any circulation." This extraordinary level of secrecy (which, however, did not extend to the Treasury) provides some indication of the very real potential threat which the Beveridge Report was seen to represent to the stability of the Coalition Government. The decision not to provide

	£ millions
Education	15
Agriculture	23-35
Housing	10 [by the third year]
Roads	10
Rural water supply	5
Civil aviation	10
Colonial development	10
	<hr/>
T O T A L	100
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This total (which had been given in his memorandum on the financial aspects of the plan) had now been exceeded, the Chancellor added. He had had further proposals from the Education Minister (R A Butler) which would add up to £65.2 millions to the total, and from the Ministry of Agriculture for an extra £47 millions which included £17 millions for subsidised milk. Colonial development, roads and forestry were likely to involve more expenditure.

Once Wood had finished his statement, it became clear that he was not going to have things all his own way. "The view was generally expressed that there would be considerable offsets to the items of expenditure listed by the Chancellor." Bevin said that, "proper handling of adolescents would save great sums in unemployment benefit", and lead to greater industrial efficiency, as would the pensioning off of older employees. Moreover, national income could be expected to grow, as Morrison had pointed out in his memorandum.

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15 (continued) or circulate the minutes of this committee in the usual way probably stems from a discussion of the War Cabinet on 18 January 1943. At this meeting, Kingsley-Wood stated that "Reynolds News" had printed a story to the effect that the Treasury had reported adversely on the financial implications of the Beveridge Report and that the matter was to be considered shortly by the Lord President's Committee. "It was particularly important", the Cabinet minutes record Wood as stating, "to prevent any premature disclosure of the discussions now proceeding on the proposals put forward by Sir William Beveridge". CAB 65/33 WM (43) 10, meeting of 18 January 1943.

This view drew fire from Wood, who said that according to Professor Bowley 10 per cent of the 24 per cent increase in national income that had occurred between 1924 and 1938 could be attributed to the growth in population. After the war the number of persons of working age was not going to increase. This led to the riposte that the full employment policies which the Government was going to pursue would increase the numbers at work and so have the same effect as population growth. Some allowance ought to be made also for increases in efficiency.<sup>16</sup>

Oliver Lyttleton, the Conservative Production Minister, then spoke out in support of Wood. It was impossible to expect our great industrial firms to continue to undertake new enterprises if income tax remained at 10 shillings in the pound, he said. In his view, it was essential that income tax should return to its pre-war level of, say, five shillings in the pound. Lyttleton was no dyed-in-the-wool reactionary, however; he had become a convinced Keynesian, confident that full employment was a possibility; that deflationary monetary policy was a thing of the past; and that "useful" public expenditure - on houses, power and transport - was a good thing. He went on to speak in support of a capital levy as a means of raising the finance to support public expenditure on largescale capital projects.

This view won some support from the remainder of the Committee, and it was agreed that a study of a capital levy should be set in hand.

Discussion then turned to the first of Wood's priorities, the maintenance of international security. It was generally agreed that the cost of maintaining adequate armed forces must be the first charge on the country's resources. Wood admitted that his estimate of one million men in the armed forces was "on the safe side". It was, however, he stated, "similar to that used as a basis for discussions on other aspects of post-war military security". Morrison argued that Britain should be relieved of part of the responsibility for policing occupied territories by the United Nations. Some ministers suggested also that the burden might become lighter - perhaps from £500 to £300 millions - after two or three years.

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16 T 161/1164/S48497/2; first meeting of the Committee on Reconstruction Priorities, 22 January 1943, Confidential Record.

In his memorandum Morrison had suggested that part of the cost of maintaining the armed forces might be charged to the loan account. Wood, who had been briefed by Hopkins on this point, said that such a proposal for a budget deficit would represent a drain on the National Savings out of which capital expenditure would have to be financed.

Although there was general agreement with Wood's overall priorities for post-war spending, he failed to convince his colleagues that Beveridge's proposals could not have a place among them. He failed to carry the day against a group of ministers of whom some had grasped the significance of the opportunities offered by Keynes' theories. The Chancellor was asked to supply a further memorandum describing, among other things, the basis of the Treasury's estimate of post-war national income and public expenditure, and the extent to which capital expenditure would be revenue producing. He was also requested, presumably at Anderson's behest, "to consider associating the Economic Section with this work".<sup>17</sup>

Morrison and the Economic Section had done their homework well. It seems probable that Sir John Anderson also had some influence on the outcome of the day's work. He appears to have retained an open mind about Beveridge throughout the Committee's proceedings and, with a good understanding of financial and insurance issues, was not impervious to the promptings of his advisers in the Economic Section.

At least a breathing space was won, and the question (of whether or not Beveridge could be afforded) left open. Discussion on the substantive policy items in the Beveridge Report went ahead during the next few days, while the Treasury and its opponents regrouped to review their positions.

#### Universality and comprehensiveness

While it did not condemn the principle of "state insurance for all" outright, the Report of the Phillips Committee threw a lot of cold water on the idea. It was left to the health ministers, Ernest Brown and Tom Johnstone, to redress the balance. In a memorandum for the Reconstruc-

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17 Ibid.

tion Priorities Committee, circulated on 5 February 1943, the two ministers complained that the Phillips Committee had failed to state fully the arguments in favour of a universal scheme of insurance. They proceeded to give five reasons for acceptance of the universal principle. It should be accepted on grounds of need (the self-employed required insurance as much as did wage-earners); on grounds of equity (people excluded from the scheme, and not paying contributions, would benefit from free health services); on grounds of administrative efficiency; on the grounds that the exclusion of certain groups created problems of definition (eg, non-manual work under contract of service) and adjustment (eg, for those with fluctuating incomes); and, finally, on grounds of popularity.

The health ministers reminded their readers of the major arguments against the universal principle: that some people did not need insurance cover by the state; that it would be difficult to enforce the payment of contributions from the self-employed; and that readjustments to private occupational schemes would have to be made, if overpayments were not to be made. Having stated the arguments both for and against, Brown and Johnstone concluded that the former arguments outweighed the latter.<sup>18</sup> The health ministers failed to refer to the key question of the cost of a universal scheme. It seems likely that they were unaware that continuing with a non-universal scheme would actually cost the Exchequer £70 millions in the first 10 years of the scheme, owing to the lost contributions of those exempt. This point had been made in the Treasury's memorandum of 14 January on the Financial Aspects of the Plan, but was ignored by the Report of the Phillips Committee published three days later.

Nor was it a point apparently made by the Chancellor of the Exchequer, Sir Kingsley-Wood, in his remarks to the Reconstruction Priorities Committee, when the question of universality was discussed on Friday 5 February 1943. Instead, Wood reiterated all the old arguments against a universal scheme. It was unnecessary to make provision for people who could pay for themselves. In the past, the self-employed had been excluded because of the impossibility of collecting contributions from them. The excepted classes either had good schemes of their own or were

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18 CAB 87/13, PR (43) 7; Universality, memorandum by the Health Ministers, 5 February 1943.

unsuitable for insurance.<sup>19</sup>

Opposing this view, Ernest Brown remarked that he did not think it worth abandoning the concept of universality for such a small group of people. He won support from Bevin, who spoke of the difficulties experienced by people who passed from one group to another. Finally, Sir John Anderson remarked thoughtfully that, if a comprehensive scheme were not adopted, the state scheme would in any case have to be supplemented by voluntary schemes. It would be much harder to secure enforcement in the voluntary sector than in the public sector. So far as he could see, the only defensible grounds for rejecting a universal scheme should be those of cost. At Anderson's suggestion, Wood was invited to produce a memorandum describing the effect on the cost of Beveridge's scheme of excluding all those with incomes above £420 per annum.<sup>20</sup>

The memorandum of the Government Actuary's Department was circulated four days later, on 9 February 1943. The GAD estimated that exclusion of the higher income groups from Beveridge's scheme would cost the Exchequer around £70 millions during the first 10 years of the scheme. Only in 1955, when benefits began to be paid to this group, would the situation be reversed and their inclusion start to cost the Exchequer money.<sup>21</sup> The cat was finally out of the bag. Wood conceded the argument immediately, and the Committee recommended to the War Cabinet acceptance of Beveridge's proposals for a comprehensive scheme of social insurance to include those with incomes greater than £420 per annum.

#### Rates of benefit and the subsistence principle

The Report of the Phillips Committee had rejected nearly all of Beveridge's proposals on rates of benefit. The cornerstone of his proposals, the subsistence principle, was rejected on the grounds that it would provide large sums of money to those who did not need it, while failing to avoid widespread means-testing. Pensions, the Report argued, should be based not on some abstract principle but on what the country could afford.

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19 T 161/1164/S48497/2; Confidential Record, third meeting of Reconstruction Priorities Committee, 5 February 1943.

20 Ibid.

21 PR (43) 11; Note by GAD, 9 February 1943.

Dependency allowances should be five shillings per child (25p), not eight shillings (40p) - the subsistence rate advocated by Beveridge - because this was the amount generally recommended by the advocates of children's allowances.

Only the sickness and unemployment rates survived but even these were badly mauled. The rationale for accepting the Beveridge short-term rates was that, unlike old age, it was difficult to foresee or provide voluntarily for the contingency of unemployment. The Committee had disagreed with the figures used by Beveridge to arrive at his short-term rates. They thought, on the basis of Treasury calculations, that the amount for rent was too high and the increase for cost of living too low. They allowed the Beveridge figure to stand because the two differences more or less cancelled each other out. Only Beveridge's proposal to tie the sickness and unemployment benefit rates together emerged completely unscathed.<sup>22</sup>

If implemented, the overall effect of the Committee's proposals would be to lead to some improvement in pensions (the amount to be determined), and to allow the sickness benefit rates to catch up with unemployment benefit rates. These would have been substantial improvements but they fell well short of the new era which Beveridge had promised.

The Committee on Reconstruction Priorities met to discuss the subsistence principle and rates of benefit, on 28 January 1943. The Official Conclusions record only that,

"the Committee had a preliminary discussion but deferred any final decision until later in their deliberations".<sup>23</sup>

The Confidential Record reveals that the reason for the failure to take a decision was disagreement between Wood and Morrison.

Wood began the discussion by repeating the main arguments used by officials against Beveridge's proposals. Beveridge had never established the subsistence principle and had "burked" the issue of a means test, which was an

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22 PIN 8/115; Official Committee on the Beveridge Report, pp 6-11.

23 CAB 87/12 PR (43) 2; 28 January 1943.



alternative method of achieving freedom from want. His problems with rent showed that there could not possibly be a flat rate of benefit which fitted in with the subsistence principle. Apart from this, "surely men should be expected and are able to make some provision for themselves?" If the subsistence principle were to be adhered to, large sums would be paid to cases where they were not needed. There was a strong case for a generous rate of unemployment benefit for a limited period, Wood went on, partly because it was a difficult risk for the ordinary man to insure against, and partly because of the problems that demobilisation would bring at the end of the war. As for pensions, at this stage it was not practicable to do more than establish the case against making the pension rate as high as the subsistence level. What lower level should be fixed, should depend on broad financial considerations.<sup>24</sup>

After Wood had finished speaking, Ernest Brown (the Health Minister, who was not an official member of the Committee but had been coopted to attend its meetings) indicated his support for the line taken by Wood and the Official Committee. The Ministry of Health was responsible for the administration of the leading state insurance benefits. Brown's support for Wood showed that officials at the Ministry, who had been among the minority of the Phillips Committee in favour of subsistence pensions, had failed to carry their Minister with them.

However, Wood did not have things all his own way. Morrison weighed in, by pointing out that a failure to agree to the desirability of the creation of a national minimum income could endanger the current essential harmony between the political parties.<sup>25</sup>

It was left to Anderson to remind the Committee that factors other than political expediency ought to be taken into account. He defended Beveridge's decision to adopt the subsistence principle, on the grounds that it was the only way in which Beveridge could claim to abolish want and reduce to a minimum the number treated on a "needs" basis (ie means-tested). This remark is revealing, not so much for what it tells us about Anderson's own attitudes towards Beveridge's proposals, but because

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24 T 161/1164/S48497/2; Confidential Record, second meeting of Reconstruction Priorities Committee, 28 January 1943.

25 Ibid.

it shows that even the few Ministers with a good grasp of social security problems failed to consider any alternatives to Beveridge, other than the means tests favoured by the Treasury.

The Committee's proceedings were adjourned without agreement being reached over the subsistence principle. It had not been able to meet until 5.30pm, and already had spent a long time discussing family allowances. Rates of benefit were not discussed again until the fourth meeting of the Committee, a week later. The fifth item on the agenda was old age pensions.

The Phillips Committee had fudged the question of old age pensions. While they had rejected the idea of subsistence rate pensions, they had failed to discuss the "Golden Staircase" (the 20-year transition period) or to deal satisfactorily with the position of existing pensioners. All these questions were closely interrelated. If the idea of subsistence pensions went, then logically so did the Golden Staircase. For what was the point of having a staircase which led nowhere? Or, in other words, could the nation be asked to wait 20 years for pensions that were not even going to be at subsistence level?

Bevin, like the good trade union leader he was, opened the Committee's discussion on 5 February with the demand for payment of full rate subsistence old age pensions, immediately. He suggested that they could be paid for by increasing contributions still further. He had "never accepted the doctrine that you could not charge contributors more than the actuarial value of the benefits which they themselves were going to receive".<sup>26</sup>

Ernest Brown, while not in favour of paying full subsistence, said that "the feeling in the House [of Commons] and in the Country was such that it would be impossible to keep people waiting 20 years".<sup>27</sup> The transitional period should be abandoned, he stated, and a higher rate paid immediately the scheme came into operation. Wood, who appears to have come prepared for Bevin's demand, said that at first glance the cost of paying Beveridge's final subsistence pension at the start of the scheme would be an extra £75 millions, or an additional contribution of one shilling and

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26 T 161/1164/S48497/2; Confidential Record, fourth meeting of Reconstruction Priorities Committee, 5 February 1943.

27 Ibid.

fourpence (7p) per week. Subsequently, the amount was found to have been overestimated by around 50 per cent.<sup>28</sup> However, Wood's off-the-cuff estimate of the size of the additional cost was sufficient to dampen the spirits of even the most ardent supporter of subsistence pensions.

Much depended on what Herbert Morrison would say; for, if Morrison sided with Bevin, the Treasury and Wood would have a major battle on their hands. But when Morrison spoke it was not in support of Bevin, but of Brown, and it was to sound the death knell of subsistence pensions. According to the confidential record, Morrison and the Minister of Production, "agreed that public and political opinion would be in favour of sentimental and generous treatment of the aged, but this pressure need not be decisive if as appeared to be the case the Committee agreed that it was economically unwise to concentrate a heavy burden ... on production to support non-producers and that the money would be better spent on young people and more positive measures designed to benefit production".<sup>29</sup>

Bevin was now isolated. Anderson, who was sympathetic to the subsistence principle, but probably accepted the Treasury view of the impossibly high cost of immediate implementation, had little choice but to sum up the view of the Committee that, firstly, a transitional period would be unacceptable to public opinion and, secondly, that the Chancellor should draw up alternative schemes with rates of benefit at less than subsistence level but higher than Beveridge's starting rates.<sup>30</sup>

Morrison seemed to have come a long way in only the fortnight or so since, with his memorandum denouncing Treasury pessimism, he had emerged as the defender of the Beveridge faith. Only a week earlier, he had reiterated his support for the concept of the national minimum when the Committee had first discussed the subsistence principle. Yet here he was, proposing that this should be sacrificed in favour of benefits for the young and of greater production. What was the explanation for this extraordinary volte-face? Morrison's new reasoning can be traced directly to the work

28 The actual cost would have been £53 millions in 1945, falling to £15 millions by 1965. Epps to Gilbert, 12 February 1943.

29 T 161/1164/S48497/2; Confidential Record of fourth meeting of the Reconstruction Priorities Committee, 5 February 1943.

30 Ibid.

of the Economic Section, which was responsible for supplying briefing material to the Lord President on policy issues raised by the Beveridge Report. These briefs, which were routinely copied to S C Leslie (Morrison's personal adviser) by D N Chester, appeared to have a major influence on Morrison's thinking. While both Lionel Robbins (Head of the Economic Section) and D N Chester supported Beveridge's recommendations, they shared the Treasury's view of the primacy of the need to boost production after the war. Once it became clear that the Treasury would never accept an unadulterated version of the Beveridge plan, Robbins had no hesitation in advising the sacrifice of subsistence pensions for family allowances, at the levels proposed by Beveridge. In a note to Anderson dated 27 January 1943, Robbins explained his reasoning:

"By increasing the income of the family man at work, and thereby increasing the margin between work income and relief, they [family allowances] increase the incentive not to remain idle. By increasing the provision for child welfare they raise the standard of health and hence the productivity of the working population of the future. By making provision for larger families they may do something to arrest the tendency to a decline in the birth-rate ... a subsistence rate retirement pension on the other hand will do nothing to increase productivity and it will do nothing to assure the future of the race."<sup>31</sup>

Copies of this memorandum were sent to Leslie, and less than a week later Morrison is to be found voicing identical sentiments. It is ironic, therefore, that Robbins had never intended the principle of subsistence to be rejected altogether. Realising that some gesture to the Treasury was essential, he reckoned that his proposals would merely slow down the introduction of subsistence pensions and accelerate acceptance of family allowances.

In fact, they played right into the Treasury's hands, and allowed the baby to be thrown out with the bathwater. In an undated note, probably written at around the same time, Robbins takes pains both to lend support to the subsistence principle (on the grounds that it was as low a figure as it was possible to defend and yet, once established, would provide a "sheet anchor" against higher claims) and to voice his disquiet at the failure of the Treasury to produce an alternative pensions plan to reduce

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31 CAB 123/45; Robbins to Anderson, 27 January 1943.

expenditure on the scheme in 1945. "A truly depressing prospect" would then be revealed, he argued, because other opportunities for productive expenditure in maternal and child welfare, research and technical education, would be blocked by the commitment to increase pensions expenditure. Robbins suggested reducing the burden of this commitment by setting lower initial pension rates than Beveridge had suggested, or by allowing the transitional period to be lengthened by the introduction of "discretionary stops" at five-year intervals.<sup>32</sup> Neither of these proposals were politically realistic, and once it became accepted that a transitional period was not acceptable they became non-starters.

Time was now beginning to press heavily on the Committee. When the War Cabinet had met on 1 February, Anderson had agreed that there was a reasonable chance of the Reconstruction Priorities Committee having some general recommendations for the War Cabinet in a few days' time. The debate at which the Beveridge Report was to be discussed in the House of Commons was fixed provisionally for 16 February. The Committee's conclusions were to be discussed by the War Cabinet on 12 February. At the end of the Committee's meeting on 5 February, it was agreed that for its next meeting a draft embodying its provisional conclusions would be prepared. Unfortunately, while most of the main items had been discussed during the four meetings that it had already held, final decisions had been taken on only subsidiary questions. The only major item on which agreement had been reached was the maintenance of employment. But over this subject there was, in any case, a complete consensus of opinion. When it was discussed at the fourth meeting of the Committee, only three of its members spoke, according to the minutes. They were all Conservative and they all spoke in favour. No Labour representative needed to open his mouth. Yet when the Committee met on 9 February to discuss its report to the War Cabinet it still had to take major decisions not only on the subsistence principle and pension rates but on family allowances, workmen's compensation, contributions, the treatment of widows and the finances of the scheme. No wonder a note of panic crept in to the minute briefing Anderson for that day's meeting:

"I am bound to say that I cannot see how this job can be done with any attempt at thoroughness in time for consideration by the War Cabinet on Friday."<sup>33</sup>

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32. Ibid, Robbins to Anderson, undated.

33. Ibid, unsigned memorandum to Anderson, 9 February 1943.

Unfortunately, no Confidential Record has survived of the meeting of 9 February 1943.

On the question of the subsistence principle, the Official Conclusions merely report that a provisional discussion took place which was to be resumed later.<sup>34</sup> Clearly, Bevin at least was refusing to shift his support from subsistence. The minutes are sufficiently forthcoming on the question of old age pensions, however, to note that the Committee agreed on a section for their report.<sup>35</sup> In agreeing this section, the Committee were guided by a memorandum supplied by the Treasury which suggested alternative starting rates of benefit to Beveridge's:

Table 3: Comparison of Beveridge rates of old age pension with possible alternative rates.<sup>36</sup>

		1945		1965		Cost to Exchequer compared with Beveridge rates	
		single/joint		single/joint		1945	1965
		shillings		shillings		fm	fm
Actual Beveridge rates		14/25	24/40	-	-		
Alternatives to Beveridge	(a)	15/30	15/30	+ 45	- 26		
	(b)	20/35	20/35	+ 49	- 3		
	(c)	24/40	24/40	+ 53	+ 15		
	(d)	15/30	25/40	+ 5	+ 19		
	(e)	20/35	25/40	+ 29	+ 19		

Key:

- (a) small improvement on Beveridge starting rates - no transition;
- (b) medium improvement on Beveridge starting rates - no transition;
- (c) subsistence rates now - no transition;
- (d) small improvement on Beveridge starting rates - 20-year transition to improved subsistence benefits;
- (e) medium improvement on Beveridge's starting rates - 20-year transition to improved subsistence benefits.

34 CAB 87/12 PR (43); fifth meeting, 9 February 1943.

35 Ibid.

36 CAB 87/13, PR (43) 10, Alternative Schemes of Old Age Pensions, memorandum by the Chancellor of the Exchequer, 8 February 1943.

The striking feature of these figures (Table 2) is the heavy cost of scrapping Beveridge's transitional period to subsistence level pensions. This is because of the revenue lost from the 20 years of advance contributions. The cost to the Exchequer in the first year of a scheme without a "golden staircase" was some £50 millions. This applied, moreover, whether the scheme provided benefits at around Beveridge's initial pre-subsistence rates or paid full subsistence benefits.

Despite the heavy cost the Committee were able to agree to reject the 20-year transition, a decision they had more or less reached at their previous meeting. The reasons given in the Committee's report for rejecting a transitional period were that it was not acceptable to public opinion, and that future governments should not be committed to the substantial additional expenditure involved in the later stages of the scheme.<sup>37</sup>

The discussion of subsistence and rates of benefit was resumed the following day, the Committee's final meeting before Cabinet. Once more, "opinion continued to be divided".<sup>38</sup> It was agreed, however, probably at Wood's insistence, that nothing would be said to imply acceptance of the Beveridge rates in the debate. And, indeed, what was agreed could give comfort only to those who felt that the Government should reject subsistence benefits. It was accepted that sickness and unemployment benefit rates should be the same. To disguise its failure to agree on the question of the subsistence principle, the Committee recommended the Government speakers to say that it would be inappropriate at this stage to decide on the rates of benefit, which should be decided when legislation was introduced. It was, however, agreed to point out the difficulties involved in reconciling a single flat-rate benefit with the wide variations in rent in different areas. Moreover, on the subject of pensions, the Committee decided that in recommending the rejection of Beveridge's proposal for progressively increasing rates of old age pensions the Government also rejected the principle that pension rates should be identical with rates of sickness and unemployment benefit.

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37 CAB 87/13 PR(43)13 Beveridge Plan Interim Report, 11 February, 1943.

38 T 161/1164/S48497/2; Reconstruction Priorities Committee, Confidential Record, 10 February 1943.

Not content with this, it was agreed also that nothing should be said in the debate to imply a corresponding reduction in contributions if pensions were fixed at less than Beveridge rates. Evidently, Wood had no intention of allowing the Exchequer to bear the burden of the loss of the transitional period.<sup>39</sup>

Thus the Committee had failed to reach a decision on whether the leading rates of benefit should be at subsistence level or not. However, it agreed a series of other proposals which, taken together, made the ultimate rejection of the subsistence principle a virtual certainty. It followed the Phillips Committee in agreeing that the difficulties of adopting the principle should be pointed out, and in rejecting Beveridge's proposal that pension rates should be the same as the short-term rates. It went further than Phillips in recommending the rejection of the transitional period, Beveridge's device for easing the burden on the Exchequer of adoption of subsistence pensions. While the Committee stopped short of outright rejection of subsistence as the basis for determining the amount of benefit, it had taken every other possible step to ensure that it would not be accepted.

How can this curious situation be explained? The evidence suggests that Ernest Bevin's enthusiasm for subsistence pensions was responsible for stopping the Committee from rejecting the idea outright. Following the rejection of the subsistence principle by the Phillips Committee, no Conservative Minister spoke in favour of it. Anderson, the Independent, had a sympathetic appreciation of Beveridge's ideas. However, he was fully aware of their likely cost and probably concluded that the adoption of the principle should be deferred. The Labour members were split. Morrison recognised the popular appeal of Beveridge's ideas but was prepared to compromise with the Treasury. He followed the advice which had emanated from the Economic Section and been passed to him via his own adviser, S C Leslie, and pressed his support for family allowances and against "generous" treatment of the elderly. Jowitt is not recorded as saying anything in the Committee. However, like Anderson and Morrison, Jowitt felt the need to restrict the cost of Beveridge's proposals, and it seems likely that he would have given his support to Morrison. This leaves Ernest Bevin.

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39 Ibid.



Bevin had little time for Beveridge and less for family allowances. However, he had been a campaigner for higher levels of pensions for much of his working life. The goal of a non-means-tested pension sufficient to live on was dear to his heart, and it is unlikely that he was prepared to compromise on such an issue. There was, moreover, a substantial body of opinion in the House of Commons and the country as a whole which supported Bevin. This placed the Committee in an extremely difficult position. Openly to over-rule Bevin on such a question would certainly have threatened the working of the Government, may have forced Bevin's resignation and even broken up the Coalition. This was unthinkable. Instead, what seems to have happened is that the rest of the Committee left Bevin's support for subsistence pensions as an obstacle, and simply worked round it. Thus all sorts of decisions implying the rejection of subsistence pensions were taken without that ultimate logical step.

Bevin, although he lacked a detailed understanding of all Beveridge's proposals, must have realised what was going on. No doubt recognising the implication of pressing his case further, he was content to remain silent for the time being.

#### Duration of benefit

The Phillips Committee had disliked intensely Beveridge's proposal for the indefinite payment of unemployment and sickness benefits. They had argued that unemployment benefit should be of limited duration, in order to maintain work incentives. They were more sympathetic to the notion of unlimited sickness benefit, and had agreed that this benefit could be paid as long as the period of sickness lasted.

Not for the first time, Ernest Bevin was in complete agreement with his officials at the Ministry of Labour. So appalled was he by Beveridge's proposal for unlimited duration of unemployment benefit, that he circulated an early memorandum on the topic to his colleagues on the Reconstruction Priorities Committee.<sup>40</sup> The memorandum argued forcibly that, by itself, a training condition was a completely inadequate safeguard. Facilities could not be provided on anything like the scale required; it was

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40 CAB 87/13 PR (43) 4; Practical Problems involved in training after a certain period of unemployment. Memorandum by the Minister of Labour, 2 February 1943. It was only the fourth memorandum sent to Members of the Committee.

inappropriate to use training as a sanction; some applicants would be unsuitable for training; people could not be forced to do training; and many would simply return to benefit when the training was over. The memorandum concluded that, without some time limit for payment of benefit, there was no practicable way of preventing serious abuse.<sup>41</sup>

Bevin's note was discussed by the Committee on 5 February. While introducing it, Bevin mentioned that he was considering a compromise solution whereby, rather than benefit being terminated automatically after a certain period of time, the possibility of extended periods of payments could be decided by a review tribunal.<sup>42</sup> However, this seemed an unlikely possibility as it would conflict with the essential non-discretionary notion of insurance benefits earned "as of right". For once, Bevin and Morrison were in agreement. Drawing on his municipal experience, Morrison spoke of men who had become accustomed to eking out an existence on public assistance and had lost the will to work. He referred to three different schemes for dealing with such cases, from non-residential training centres to removal to the workhouse. If these measures were appropriate when unemployment benefit and public assistance rates were so much below wage levels, even greater difficulties could be expected when the rates of benefit more nearly approached the wages of those in employment. The Home Secretary concluded by saying that,

"the House of Commons should be told quite definitely that the Government were not prepared to tolerate abuse of unemployment and sickness benefit and firm measures would be taken to prevent it".<sup>43</sup>

The general agreement of the rest of the Committee with Morrison's view was recorded. Both Morrison and Bevin ended the discussion by agreeing that they hoped National Service would be continued after the war, in order to secure an appropriate level of control and instil discipline into young people.

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41 Ibid.

42 CAB 123/45; Reconstruction Priorities Committee, Confidential Record, 5 February 1943.

43 Ibid.

Thus, in their report to the War Cabinet, the Committee concluded that some limitation should be placed on the period over which unemployment benefit should be paid, without specifying what that should be, and (with an eye to the possibility of widespread unemployment) suggested that some flexibility might be desirable. Because of the substitutability between unemployment and sickness benefit, it was recommended also that the latter should be terminated after a certain period, possibly by transfer to an invalidity benefit, at the same rate as retirement pension, when a person was adjudged to be unlikely to be able to return to work.<sup>44</sup>

#### Family allowances

The views of the Phillips Committee about family allowances were equivocal.

It had seen no case for the introduction of family allowances during the war but, recognising the strength of political support for them, had made no recommendation to Ministers. Neither had it made any recommendation as to which children in a family would be eligible should a scheme be introduced. It was convinced, however, that the rate Beveridge had recommended was too high and advised Ministers that five shillings (25p) per week would be acceptable. It recognised that the scheme would probably have to be non-contributory and inclined towards an income <sup>45</sup> limit.

Had family allowances been a fresh item on the political agenda in 1943, they would have been given short shrift. By the time the question of child benefits reached the agenda of the Reconstruction Priorities Committee on 28 January, however, support was so widespread that to reject them was no longer a realistic possibility. This was signalled by Wood, the Chancellor of the Exchequer, when he announced at the beginning of the Committee's discussion that he was prepared to accept family allowances of five shillings (25p) payable to third and subsequent children of families with an income of below 55-75 shillings (£2.75-£3.75) per week. The Treasury had already been seriously considering family allowance proposals for nearly two years and had, only the previous summer, published a White Paper on the subject. Wood had long since bowed to the inevitable and hoped to minimise the financial consequences to the Exchequer by endorsing

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44 CAB 123/45 PR (43) 13; The Beveridge Plan, Interim Report, 11 February 1943.

45 See pp 102-103 for discussion of their reasons.

a means-tested scheme applicable only to the poorest and largest families.<sup>46</sup>

However, Wood's thinking was relatively advanced in comparison with that of some of the other Committee members. After Wood had finished, Herbert Morrison announced that he would prefer to see allowances in kind, such as food purchased wholesale and distributed to the families concerned:

"In this way the state would make certain that the effect of the allowances reached the children and that the state received benefit thereafter in the improved health of the rising generation." <sup>47</sup>

Other voices spoke in favour of services in kind, and as usual it was left to the astute Anderson to remind the Committee that the idea of cash payments to children was not simply to secure the good health of the child population but to maintain an adequate margin between the insurance benefit rates and wages. Nonetheless, while it was accepted that some cash payment would have to be made, members of the Committee hankered after payments in kind, and the Chancellor was asked to provide a paper on services in kind, such as school meals - ground which had been tilled fairly thoroughly in the previous year by the Treasury and others.

As R A Butler, the President of the Board of Education, who was at the meeting, pointed out, only around three-quarters of a million children received meals at school. Even if this service was massively extended, it could only ever cover half of the child population. He was against completely free meals, anyway. Switching to the question of who should benefit from cash allowances, Butler said that he thought the benefit should be paid to families with two or more children. A benefit with a fairly wide spread such as this, "might help ... to hold back pressure for educational maintenance allowances".<sup>48</sup> Morrison favoured paying the benefit for second and subsequent children in families also. But he thought it should stop after the sixth or seventh child. "We do not want to afford undue encouragement to the classes of people who had enormous families such as the Irish in Liverpool or Glasgow", he said.<sup>49</sup>

Tom Johnstone, the Secretary of State for Scotland, who was also at the

46 T 161/1164/S48497/2; Reconstruction Priorities Committee, Confidential Record, 28 January 1943.

47 Ibid.

48 Ibid.

49 Ibid.

meeting, claimed that 85 per cent of the flats built in Glasgow for large families were occupied by the immigrant Irish.

Eventually, the discussion turned from the reproductive habits of the Irish to the question of whether the family allowance should be a universal or means-tested benefit. Bevin remarked that family allowances would depress wage rates anyway, a view he had held unchanged for some time, despite the TUC's acceptance of the idea in the previous year. This would be the case particularly if the sort of income limit proposed by the Chancellor was adopted, he argued. Employers would have an incentive to keep their wages below the limit, leaving their employees to make them up with state payments. There was some justification for Bevin's point of view. An allowance only for poor families bore a strong resemblance to Speenhamland, and other subsidies to low wages.<sup>50</sup> Wood defended a low income limit on the grounds that payment of an allowance to income tax payers would cause "great administrative difficulties".<sup>51</sup>

It seems clear from the discussion that none of those present had any great enthusiasm for family allowances. Services in kind were generally preferred. Nonetheless, Wood did not have things all his own way with Morrison, Bevin and Butler arguing for an allowance which was less restricted in scope than the Chancellor wanted. The discussion ended inconclusively.

The Committee had hoped to agree a final decision on family allowances at its fifth meeting, on 9 February. Unfortunately, the details of this meeting have not survived. However, details of the meeting on the following day have survived. At this meeting on 10 February, the rate of benefit and the number of children included were decided. This suggests that agreement was reached the previous day only to have a universal scheme not subject to an income limit. This may have pacified Bevin, with his hatred of means tests and dislike of family allowances in principle, but

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50 Such as Family Income Supplement, which was introduced in 1972.

51 T 161/1164/S48497/2; Reconstruction Priorities Committee, Confidential Record, 28 January 1943.

it seems not to have satisfied Morrison who wanted a higher rate than the five shillings (25p) per week the Chancellor had offered, and two-child families to benefit. Moreover, Morrison at the previous meeting had thrown his hat in the ring in favour of benefits to children and against subsistence pensions, and could not be expected to accept the Chancellor's restricted view of family allowances without some concession being made to him. However, it seems that Butler made an impression on Morrison and others in the Committee, when he announced at the meeting on 9 February that in some areas services in kind such as school meals and milk were worth up to two shillings and sixpence (12.5p) per week per child. This was one shilling and sixpence more than the estimate made by Beveridge in reaching his figure of an eight-shillings family allowance.

Following the unsatisfactory meeting on 9 February, an emissary was sent to Morrison to say that Wood was prepared to agree to an allowance for each child in a family after the first, if Morrison would accept an allowance of five shillings. Morrison agreed.<sup>52</sup>

The following day Wood announced to the Committee that he was prepared to accept a family allowance of five shillings for every child except the first in a family. Herbert Morrison said that,

"in view of what the President of the Board of Education had said at the last meeting that the value of services in kind was around two and sixpence per child he was prepared to agree to an allowance of five shillings in cash. He hoped, however that this might be accompanied by a statement to the effect that all practicable measures would be taken to the maximum practical extent to extend our child welfare services."<sup>53</sup>

Butler hastily pointed out that the areas in which services in kind valued at two shillings and sixpence per week per child were being provided were distinctly patchy. "He hoped there was no misunderstanding on that point."<sup>54</sup> Tom Johnstone backed Butler up. But it was too late, Morrison had made terms already with Wood outside the Committee. And so five shillings it was.

52 The emissary was William Gorrell-Barnes (later Sir William Gorrell-Barnes), a member of the War Cabinet Secretariat who attended the Reconstruction Priorities Committee meetings. Interview with Sir William Gorrell-Barnes.

53 T 161/1164/S48497/2; sixth meeting, Committee on Reconstruction Problems, Confidential Record, 10 February 1943.

54 Ibid.

Both sides - the Treasury on the one hand, Morrison on the other - must have felt they had gained something from the compromise. Morrison had secured agreement to a universal benefit for the second, and not just the third, child of a family: 7,000,000 children altogether. Wood had managed to get the relatively low rate of five shillings (25p) agreed, while at the same time scuttling plans for very costly subsistence pensions.

The Approved Societies, death benefits and industrial assurance

These three questions were discussed at the third meeting of the Reconstruction Priorities Committee, on 4 February 1943. Ernest Brown, the Minister of Health, and Tom Johnstone, the Scottish Secretary, contributed a memorandum on the position of the Approved Societies. This echoed much of what had been written in earlier memoranda about their position.<sup>55</sup>

While it accepted that they could no longer function under a new system of social insurance, it cast strong doubts about their continued use as "responsible agents", as Beveridge had suggested. Total abolition was the preferred solution but, if this was impossible, they might be used simply as "paying agents" rather like trades unions had been used to distribute unemployment benefit.<sup>56</sup>

The case against the Approved Societies was unassailable, as the Committee quickly recognised. The growing inequality in benefits from one society to another doomed them in the new equitable system, like the dinosaurs of a previous era. Wood, who had earned his reputation as the champion of the Approved Societies over 30 years previously, must have felt some pangs of regret. But there was nothing he could do to save them. Jowitt, who had been put in charge of reconstruction affairs, reported that the Approved Societies had stated already that they would not consider a role merely as paying agents. Nevertheless, the Committee agreed that the Approved Societies should be stripped of their present functions, and reserved for future consideration the question of their use as paying agents.<sup>57</sup>

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55 See pages 104-105.

56 CAB 87/13 PR (43) 5, 2 February 1943.

57 T 161/1164/S48497/2; Committee on Reconstruction Priorities, Confidential Record, 4 February 1943.

The next item on the agenda was the question of a death benefit and the nationalisation of industrial assurance. The Phillips Committee had recognised the practical advantages of death benefits and industrial assurance provided as a state service, and had believed that such a system could provide a better service than the existing one. The Treasury, however, had been careful enough to point out the strong political animosity such a policy would arouse. Moreover, Beveridge, who feared that his proposals to nationalise industrial assurance might jeopardise acceptance of his other proposals, had stated in his report that taking the industrial assurance companies into public ownership was not necessary for the success of the rest of his plan. Wood opened the discussion, on 4 February, by announcing his willingness to support a new death benefit provided by the state. But he was opposed to the "tentative" proposals to nationalise industrial assurance because "it would be unwise to arouse unnecessary opposition by accepting a proposal which ... did not ... form an integral part of his [Beveridge's] plan".<sup>58</sup>

Tom Johnstone, the Scottish Secretary, defended the proposal. If a state death benefit was provided, he said, some of the collecting societies would probably prefer industrial assurance as a whole to be converted into a public service run by a special board. His was a lone voice, however. Without any further discussion being recorded, it was decided to accept the death benefit proposals and reject those concerned with the industrial assurance industry as a whole.<sup>59</sup>

#### Contributions and administration

On the question of payment for the new scheme of social security, the Phillips Committee had discussed the possibility of non-contributory or earnings-related schemes and concluded that,

"the principle proposed in the Report is the right one and that it is neither practicable nor desirable to vary the contributions according to the risk ... or according to earnings".<sup>60</sup>

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58. Ibid.

59. Ibid.

60. CAB 87/3 RP (43) 6; 14 January 1943, p 14, paragraph 76.



This conclusion seems to have won unanimous support from members of the Reconstruction Priorities Committee, for no discussion of alternative methods or meeting the cost of the Beveridge benefits took place. At the last meeting of the Committee before its interim report was submitted to the War Cabinet, there was merely an endorsement of a draft section which agreed that, while it would be premature to fix the actual rates, there should be a contributory basis to the scheme. It was agreed also, no doubt at the Treasury's instigation, "that there should be a defined relationship between the rates of benefit and the rates of contribution".<sup>61</sup>

The question of the administration of the new insurance scheme likewise aroused no controversy between members of the Committee. It was agreed, at its fourth meeting on 5 February 1943, that the administration of insurance should be consolidated into one organisation rather like the Assistance Board, after the necessary legislation had been passed. It was proposed that the details of the scheme would be worked out by Sir Thomas Philips and his Committee of officials. He would be supervised by Sir William Jowitt, the Minister Without Portfolio.<sup>62</sup>

#### Financial considerations (2)

It will be recalled that, at the Committee's first meeting, a serious split had developed over the country's post-war economic prospects. On the one hand was the gloomy view of Wood and the Treasury; on the other, the more optimistic scenario adopted by Morrison. To some extent the Treasury's clumsy broadside against the plan had misfired, in that there was no outright rejection of the Beveridge plan, as they might have hoped. There had been sufficient doubt about some of the assumptions, on which the Treasury's memorandum was based, for Wood to be asked to supply another one to provide further evidence to justify the conclusions of the first.<sup>63</sup>

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61 T 161/1164/S48497/2; Committee on Reconstruction Priorities, Confidential Record, 10 February 1943. CAB 87/13 PR (43) 9; Draft Interim Report on the Beveridge Plan, 7 February 1943.

62 T 161/1164/S48497/2; Committee on Reconstruction Priorities, Confidential Record, 5 February 1943.

63 T 161/1164/S48497/2; Committee on Reconstruction Priorities, Confidential Record, 22 January 1943.

Nevertheless, the first memorandum had helped to get across the message that the post-war economic prosperity of the country was in danger of being mortgaged to pay for expensive social programmes. It had also made the point that there were higher priorities than the implementation of the Beveridge plan - defence, exports and employment, for example. From neither of these broad conclusions did any members of the Committee dissent.

The Treasury's defensive memorandum in support of its earlier paper on the future national income was issued two and a half weeks later. By then the Committee had completed all but two of its meetings. The new memorandum gave details of the basis of the Treasury's estimate of the post-war national income and expenditure, an analysis of the latter to show how far the capital expenditure would be revenue-producing, and the extent to which public expenditure might be expected to increase national income.<sup>64</sup>

However, this was all water under the bridge. Pressure of events was forcing the Committee to take decisions over various aspects of the Beveridge Report, regardless of any discussion of post-war national income and expenditure. The Treasury's tactics had switched to attempting to reduce or water down the financial implications of the individual items. Sir Richard Hopkins explained the activity behind the scenes at the Treasury, in a note of 11 February:

"During the progress of the discussions in the Reconstruction Priorities Committee concerning the Beveridge plan there were many meetings and discussions between the Chancellor and his officials in the course of which stress was laid on the extremely serious financial implications and various alternatives for limiting the cost were discussed, particularly in regard to old age pensions."<sup>65</sup>

The extreme nervousness of the top Treasury officials about the long-term cost of pensions was exacerbated by an extraordinary dispute between the Government Actuary and the Registrar General over their forecasts of the growth in size of the elderly population. The Registrar General had

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64 CAB 87/13 RP (43) 9; Supplementary notes on the Financial Aspects of the Social Security Plan.

65 T 161/1164/S48497/2; Note by Sir Richard Hopkins, 11 February 1943.

supplied Beveridge with the population forecasts necessary for his report. While he was reading through estimates of the costs of the Beveridge proposals supplied by the Government Actuary for the Treasury, Sir Richard Hopkins spotted that the predicted cost of subsistence pensions did not tally with the Registrar General's estimate of the number of pensioners in 1965. The Government Actuary, it turned out, based his estimates on mortality rates for 1938-1940. The Registrar General's estimates were derived in quite a different way, as Epps (the Government Actuary) explained to Hopkins:

"The RG's estimates are based on an interesting assumption that, as there has been a marked fall over the last few years at the younger ages, this will be followed, as each generation moves up, by a corresponding improvement in vitality at the older ages. Personally I think it is far too speculative to incorporate such a theory into official estimates. I told Vivian [the Registrar General] at the time but he was not prepared to depart from his theory".<sup>66</sup>

The difference in the figures was quite enormous. The Registrar General estimated a full million and a half more pensioners alive in 1965 than the Government Actuary predicted.<sup>67</sup> Hopkins noted tartly to his second Permanent Secretary, Sir William Eady, on 28 January 1943, "The Government Actuary's professional caution seems to involve financial incaution." He explained:

"It is startling to find that the 1965 cost of Retirement Pensions can only be kept as low as £300 millions by assuming that the RG has underestimated, by fully 17½ per cent, a factor laying within his special field of study ... I suggest that the fact that unless the RG is wrong the cost in 1965 will be £63 millions higher than the Government Actuary computes is highly pertinent to the general financial question."<sup>68</sup>

It is therefore not surprising that, when the Committee's draft report for the War Cabinet was circulated on 9 February 1943, its line of argument over the general financial situation had changed little from that

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66 T 161/1164/S48497/2; Epps to Gilbert, 26 January 1943.

67 The Registrar General's estimate was 8.6 million. The Government Actuary's estimate was 7.1 million. The actual numbers of pensionable age in 1965 were 7.3 million.

68 T 161/1164/S 48497/2; Hopkins to Eady, 28 January 1943.

presented by Wood at the Committee's first meeting. Even three years after the cessation of hostilities, the Report stated that there was,

"no prospect that the excess of revenue (on broadly the present level of taxation) over expenditure will suffice to meet all the many claims envisaged for new developments on the one hand and for remission of taxation on the other. Some order of priorities must therefore be established before new commitments are entered into."

A full list of priorities could not, however, be agreed yet because "in some spheres post-war plans have not been fully formulated whilst in others the position will remain uncertain until after the War". All that could be agreed now was that expenditure to ensure international security must have first place. Second came expenditure on trade and industry, in order to put it on a,

"healthy footing to maintain employment at the highest attainable level and to foster our export trade ... As regards the other claims on the Exchequer for additional expenditure ... it is impossible at this stage to establish any order or priority or to enter into definite commitments. It follows that while it is the duty of the Government to reach provisional decisions as to post-war plans in all these spheres these plans must all be brought under review and related to the financial situation when the time is reached for them to be put into legislative effect."<sup>69</sup>

After discussing the general financial issues and priorities at its first meeting, the Committee did not discuss the general financial background to the Beveridge Report again until 10 February. This was its final meeting before its Report was due to be discussed by the War Cabinet two days later.

Before the meeting took place, Gilbert and Hopkins carefully briefed Wood on the line the Government should take in the debate on the Beveridge Report, due to take place in six days' time.<sup>70</sup> They left him with a

69 CAB 87/13 PR (43) 9; Draft Interim Report on the Beveridge Plan, 7 February 1943.

70 "On 10 February Mr Gilbert and I saw the Chancellor before the final meeting of the Ministerial Committee and made suggestions to him as to the limits within which any Government statement in the forthcoming debate might be confined." T 161/1164/S48497/2; Note by Sir Richard Hopkins, 10 February 1943.

pencilled aide-memoire of the points they had made. When Wood addressed the Committee shortly after 5.00pm that afternoon, he stuck carefully to the brief he had been given. "There had been indications in the last few days", he said, "that opinion in Conservative and National Liberal circles would demand that decisions should not be made on the Beveridge Report until more was known as to what the financial position was likely to be at the end of the war." In the debate he might be asked what various amounts were assumed for various purposes after the war, for example defence. Clearly, they could deal with this in general terms, and he suggested ensuring international security should have first place and, second, expenditure necessary to reestablish trade and industry and foster exports. As far as other measures were concerned, "no commitments could be made at this stage". Turning to the Beveridge Report specifically, Wood said he was prepared to announce agreement in principle to "family allowances, a comprehensive insurance scheme, a universal health service and to the principle of steps being taken to maintain employment at a high level". The Confidential Record states that, after he had finished speaking, "the Chancellor's general line was agreed".<sup>71</sup>

Thus the Committee arrived at the rather curious solution, of accepting many of Beveridge's recommendations except those with the heaviest cost implications, such as subsistence pensions, while agreeing that there could be no overall commitment to implement any of them.

This was partly because Morrison and Bevin would not act in concert with each other. But, even if they had acted together to demand a definite promise of legislation, they would have required more support against the determined hostility to the plan of Wood and the Treasury. In the forthcoming discussion in Cabinet, the position adopted by the Prime Minister, Winston Churchill, would be crucial.

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71 Ibid. Reconstruction Priorities Committee, sixth meeting, 10 February 1943, Confidential Record.

## CHAPTER 5

## THE WAR CABINET DECIDES

The Interim Report of the Reconstruction Priorities Committee on the Beveridge Report was circulated on 11 February 1943. At 12.15pm the following day, the War Cabinet met in Churchill's room to discuss it. There were four days to go before the Beveridge Report was to be the subject of a three-day debate in the House of Commons.

The supporters of the Beveridge scheme who attended this Cabinet must have been heartened by a memorandum circulated with the conclusions of the Reconstruction Priorities Committee. This memorandum was from Lord Halifax the Ambassador at Washington, enclosing a report by Professor A Nicol of the Embassy staff. Halifax's covering note proclaimed the Beveridge plan as, "one of the most effective pieces of British propaganda for US consumption for some time". Nicol's report described in detail the highly favourable reactions it had evoked. "Not the least wonder, typically remarked a southern journal, will be at the everlasting stamina of the British People, probably the only nation in the World which would even form such a plan while engaged in a war of survival."<sup>1</sup> According to Nicol, the Americans had reassessed the British as being less reactionary than they had previously believed. The Nazis' anger and concern about the Report was widely reported too. Nicol concluded that, "the rejection of the report ... or anything which could reasonably be construed as that, would have an extremely adverse effect".<sup>2</sup>

There was another possibly favourable omen for Beveridge supporters. This was that Churchill, whose attitude to Beveridge had so far been distinctly chilly, was unable to attend Cabinet through illness. Eden was absent also. The War Cabinet on 12 February comprised three Labour ministers: Attlee, who took the chair, Morrison and Bevin. Anderson, the Independent and chairman of the Reconstruction Priorities Committee, was present, with only one Tory: Lyttleton, the Production Minister. It would be foolish, however, to think that that the Labour ministers could have taken advantage of their numerical superiority to agree decisions which would otherwise

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1 CAB 123/45; Memorandum by Lord Halifax to the War Cabinet, enclosing a note from Professor Nicol of the Washington Embassy staff, 10 February 1943.

2 Ibid.

not have been taken. Moreover, with the exception of Attlee, all the members of the War Cabinet who were present were also members of the Reconstruction Priorities Committee. Attlee, as deputy Prime Minister, was prepared to battle with Churchill only behind the scenes. In a memorandum, probably dating from this period, he warned Churchill of the disastrous consequences which would follow if the Government failed to adopt reconstruction policies before the end of the war:

"I doubt whether in your inevitable and proper preoccupation with military problems you are fully cognisant of the extent to which decisions must be taken and implemented in the field of post war reconstruction before the end of the War. It is not that persons of particular political views are seeking to make vast historical changes. These changes have already taken place. The changes from peacetime to wartime industry, the concentration of industry, the alterations in trade relations with foreign countries and with the Empire, to mention only a few factors necessitate great readjustments and new departures in the economic and industrial life of the nation."<sup>3</sup>

But personal remonstrations apart, Attlee was not prepared to rock the boat. As he had said to the Labour Party's National Executive Committee, a few months previously, "with his colleagues in the government he held the view that the Labour Party should not try to get socialist measures implemented under the guise of winning the war".<sup>4</sup> Moreover, the Cabinet meeting was attended by several other Ministers, all of whom, with the exception of Sir William Jowitt, were Conservatives. One of them was Kingsley Wood, the Chancellor of the Exchequer, who was not a member of the War Cabinet.<sup>5</sup> They all participated freely in the discussion. And it was recognised that Churchill's approval would be necessary. In his absence, the discussion was regarded as "provisional".<sup>6</sup>

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3 Undated memorandum by Attlee; Attlee Papers, 2/2. Quoted in P Addison, op cit, p 223.

4 Labour Party NEC Minutes, 9 April 1942.

5 It was a sign of the times that, in May 1940, when Churchill formed his new government, the Treasury ceased to be represented in the new small War Cabinet. Essentially, this was because the primacy of financial considerations were supplanted by the need to survive and work for victory - at whatever cost. Cf D N Chester, Lessons of the British War Economy, pp 5-6, and Addison, op cit, p 116.

6 CAB 123/45 WM 28 (43); 12 February 1943.

Anderson set the scene by summarising the main conclusions reached by the Committee. Its report was then discussed paragraph by paragraph. Kingsley Wood took great pains to underline the main financial considerations. "No firm commitment should be entered into", he said, and any plans must be subject to the general proviso of being reviewed and "related to the financial situation when the time came to give them legislative effect ... Furthermore it would be wrong to hold out any hopes of speedy legislation."<sup>7</sup> Wood's views were accepted. However, a number of suggestions were made for changes in emphasis. Several Ministers complained of the "grudging spirit" of the Committee's report, which was "contrary to the general opinion likely to find strong expression in Parliament and in the country".<sup>8</sup> Others suggested that the extent of the competing claims on the Exchequer should be given greater emphasis, and that if Parliament wanted to accept the Beveridge Report there would be less money available for other projects. These were the sentiments expressed by Lord Cherwell, Churchill's adviser, in a memorandum sent to him the previous day.<sup>9</sup> While Cherwell had little time for Beveridge or his proposals, he was acutely aware of their popularity.<sup>10</sup> However, Wood's line of no firm commitment virtually to anything, at this stage, prevailed.

Discussion then turned to Beveridge's three underlying assumptions. The maintenance of employment at a high level and a comprehensive health service were quickly agreed. Family allowances provoked more discussion. Jowitt, the Paymaster General, suggested that a rate of five shillings (25p) was too low, and that "it would be difficult to avoid giving the impression that the Government, while accepting the principles of the report, were proposing to pare down its recommendations wherever possible".<sup>11</sup> Curiously, there is no record of Jowitt making this objection in the Reconstruction Priorities Committee. Jowitt's must have been a voice in

7 Ibid.

8 Ibid.

9 "If the Beveridge Report is adopted out of hand we must on our present information make it plain that other proposals such as higher wages, housing, agriculture, education, etc, will have to be postponed."  
PREM 4/89/2: Cherwell to Churchill, 11 February 1943.

10 Addison, op cit, p 223.

11 CAB 123/45 WM 28 (43); 12 February 1943.



the wilderness. Morrison, his only likely supporter, had already agreed a five shillings rate with Wood, the Chancellor. Jowitt was reminded that advocates of children's allowances had rarely suggested a rate higher than five shillings, while an essential part of the Committee's recommendations was that allowances in kind should be extended to the fullest extent practicable. The virtues of allowances in kind were explained. There was a greater certainty that the benefit reached the child, and there was no danger of depressing wage levels. The services provided already for school children were worth one shilling and sixpence (7.5p) per week, and this could be raised to two shillings and sixpence (12.5p) if meals were provided free of charge.

"If, therefore, these services were extended to all parts of the country and fully developed, they would go a considerable way towards bridging the gap, between the five shillings a week which under the committee's proposal would be given in cash and the figure of nine shillings a week which was assumed by Sir William Beveridge as the minimum cost of maintenance."<sup>12</sup>

No one stopped to point out that school meals and milk covered only 15 per cent of school children and, even if developed as fully as possible, would reach no more than 50 per cent. R A Butler, the Education Minister, who was present at the meeting, stayed silent. He was to attempt to rectify this omission later.

Universality of insurance was the next topic. Anderson, the Lord President, suggested, "that there might be a strong feeling in the House that the state insurance scheme should not be extended to classes which were not in need of state assistance. He thought that the War Cabinet ought to consider this point carefully."<sup>13</sup> Anderson was under some pressure at the time to stop the extension of insurance to other classes. On 15 February he had received a letter pleading with him not to take a decision in favour of a universal scheme, on the grounds that the contributions would be a heavy tax on small tradesmen, the low-paid, small farmers and maiden aunts on small incomes. It "will be bitterly resented

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12 Ibid.

13 Ibid.

by many of them when they understand what it involves".<sup>14</sup> This view was not supported by the Cabinet, who accepted a universal scheme in principle. Wood was by now fully aware of the short-term relative financial advantage of a universal scheme and had made the concession already.

By now the Cabinet had reached the most difficult section of the Committee's report. Paragraphs 24-27 dealt with rates of benefit and the subsistence principle. The Committee's Conclusions were that:

"In view of the general attitude which we recommend should be taken as regards the financial aspects of the Beveridge Plan, we regard it as inappropriate to take decisions as to any of the rates of benefit or rates of contribution proposed ...

In the circumstances we have not thought it necessary to reach a decision on the principle set out in the Beveridge Report that the rates of benefit should be sufficient to provide without further resources, the minimum income required for subsistence in all normal cases. In the case of pensioners our views as set out in paragraph 33-36 do, however, imply the rejection of this principle in that part of the field".<sup>15</sup>

While sickness and unemployment benefit should be paid at the same rates, when payment was prolonged, "special provisions in view of the obvious risk of abuse" may be necessary.<sup>16</sup> The Report went on:

"It should be pointed out that it is difficult to maintain that any flat rate of benefit relates to a subsistence level when regard is paid to the wide variation of rents between different areas of the country, and even in the same area."<sup>17</sup>

In Cabinet, Morrison suggested that the Government spokesmen could state that, broadly speaking, the Government did not think it would be necessary to depart at all widely from the rates of unemployment and sickness benefit

14 CAB 123/45; note from "RA" to the Lord President, 15 February 1943.

15 CAB 123/45 PR (43) 13; 11 February 1943. Committee on Reconstruction Priorities. "The Beveridge Plan - Interim Report", paragraphs 24-25.

16 Ibid, paragraph 25.

17 Ibid, paragraph 26.

laid down in the Report.<sup>18</sup> This pragmatic approach, "met with general approval".<sup>19</sup> The subsistence principle, however, did not. "The view generally taken was that the subsistence principle involved review of the rates in line with changes in the cost of living, and that the embodiment of the principle in the scheme was therefore inconsistent with the fact that the scheme was contributory, the rates of contribution being closely related to the amount of benefit."<sup>20</sup>

Beveridge's plan for retirement pensions also provoked some discussion. The Committee had recommended its rejection on two grounds:

- (i) that it would not be acceptable to public opinion in view of the large disparity between the rates of pensions payable at the beginning and at the end of the transition period; and
- (ii) that it would be unjustifiable to commit future governments to the very large expenditure involved in the later stages of the scheme.<sup>21</sup>

18 CAB 123/45 WM 28 (43), 12 February 1943. Later that day, Herbert Morrison wrote to John Anderson to reinforce his pragmatic compromise on rates. He wrote, "During the discussion this morning on possible scales of benefit, I suggested a formula. Here it is for your consideration. 'There can be no question of any commitment on rates of benefit which determine the cost to the Exchequer of a social security plan until a decision can be made in the light of actual financial circumstances when the plan is launched ...' once this entire absence of commitment is clearly understood, it is possible to say that the Government's general approach to the question of rates of benefit has not been out of sympathy with the general approach made in the Report, and that if it were financially possible the rates of benefit the Government would seek to fix would not be of an entirely different order of magnitude from those which the Report envisages." CAB 123/45; Morrison to Anderson, 13 February 1943.

19 CAB 123/45 28 (43); 12 February 1943.

20 Ibid.

21 CAB 123/45 PR (43) 13; Committee on Reconstruction Priorities. The Beveridge Plan - Interim Report, paragraph 35.

The Cabinet approved the Committee's alternative proposal for a once-and-for-all increase in the current pension at a rate higher than Beveridge's starting rate but lower than his final one. Although, "it was suggested that, in any new scheme care should be taken to avoid providing pensions from public funds at increased rates for people so circumstanced that they did not require further assistance".<sup>22</sup> This anti-universalist sentiment was only partly rebutted by another speaker, who pointed out that Parliament would have little enthusiasm for provisions requiring a test of need. The Cabinet concluded that, "the Government Spokesman should call attention to the problem of avoiding a situation in which increased pensions would become payable to persons who had neither contributed for such pensions nor were in need of additional assistance".<sup>23</sup>

Next, the Cabinet considered the Reconstruction Committee's conclusions on the future of Approved Societies. The Committee had recommended that it should be stated in the Debate that the continued existence of Approved Societies as independent financial units was incompatible with the basic concept of a comprehensive social security plan, but that the Government was ready to consider the possibility of using the services of the Approved Societies within the framework of a comprehensive scheme.<sup>24</sup>

In Cabinet the argument was put against adopting a defined position as recommended by the Committee. It was stated that the Approved Societies were preparing to resist the paring down of their functions and were seeking to mobilise Parliamentary support for their interests. It was probable that "there would be some parliamentary controversy on this point".<sup>25</sup> Despite this argument, the War Cabinet approved the line taken by the Reconstruction Priorities Committee. Among other reasons for adopting this course was the fact that, "until such a statement has been made the Approved Societies would be unwilling to discuss seriously the possibility of their services being used on an agency basis".<sup>26</sup>

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22 CAB 123/45 WM 28 (43); 12 February 1943.

23 Ibid.

24 CAB 123/45 PR (43) 13; Committee on Reconstruction Priorities, The Beveridge Plan - Interim Report, paragraph 49.

25 CAB 123/45 WM 28 (43); 12 February 1943.

26 Ibid.

The only other item to attract discussion in Cabinet was the question of death benefits and the "nationalisation" of industrial assurance. The Cabinet agreed with the Committee's recommendation that death benefit should be included under the unified scheme of social insurance. It was more cautious, however, when it came to the Committee's proposal to reject the "tentative" suggestion to take industrial assurance into the public sector. It concluded that it was not necessary for the Government to take a final decision at this stage.<sup>27</sup>

The rest of the Committee's report was accepted as it stood. Finally, it was agreed that Anderson should open the debate on 16 February for the Government, and that Wood and Morrison should hold themselves ready to speak on the second and third days.

On the same day as the Cabinet was discussing the recommendations of the Reconstruction Priorities Committee, a meeting of the Parliamentary Labour Party took place to discuss the Beveridge Report. It was to provide a foretaste of the controversy to follow. Hugh Dalton, the Minister of Trade, noted in his diary that day:

"A deplorable Party meeting, not very well attended to discuss the Beveridge Report. It was to run for 3 hours from 10 to 1 but the first two were rather taken up with yowling because AG [Anthony Greenwood] had put his name to an all-party resolution on which the debate was to be hitched, he opening it, whereas a number of other resolutions had been put upon the paper, including one by some Librals, in stronger terms, demanding early legislation. In fact I guess that none of these others will be called but I don't think the Administration Committee have handled the business very well".<sup>28</sup>

Events now began to move rapidly to a climax. On 13 February, a memorandum by the British Employers Federation was circulated to most members of the Cabinet. Its contents bore a remarkable resemblance to the Treasury note on the financial aspects of the plan issued in January.<sup>29</sup> The estimates of the various components of national income and expenditure in relation

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27 Ibid.

28 Dalton Diaries, 12 February 1943.

29 CAB 87/13 PR (43) 12; 13 February 1943.

to the Beveridge plan were virtually identical to those of the Treasury.<sup>30</sup> The sentiments it expressed about the Beveridge Plan reflect the Treasury view. While it agreed that the abolition of want was a major priority,

"by far the large part of the additional expenditure involved in the Beveridge plan is attributable not to the abolishing of want, but to the making of payments to sections of the community not in want".<sup>31</sup>

Clearly, this was not a very desirable state of affairs, for it was a "drain on the country's resources" which would, by raising labour costs, actually create unemployment. The BEP, however, failed to spell out how it would discriminate between those in want and those not in want. Presumably, it shared the Treasury view that a means test was the most appropriate method.

On the same day, 13 February, R.A. Butler belatedly made amends for his sins of omission at the previous day's Cabinet. He sent word, via Norman Brooke of the Cabinet Office, to Anderson, the Lord President of the Council,

"that in view of yesterday's discussion in the War Cabinet he [Anderson] should be aware of the practical limitations on the development of school meals which at present provide for around 15-20 per cent of children in elementary schools. Even with maximum development of this service the Board of Education doubts whether it will be possible to cover more than 50 per cent of elementary school children in the foreseeable future ... in his [Butler's] view it limits the extent to which it is permissible to use in public some of the arguments advanced at yesterday's meeting."<sup>32</sup>

But the damage had already been done, and no change in the rate proposed for family allowances was contemplated.

On 15 February, the War Cabinet resumed its discussion of the line to be taken by the Government spokesmen in the forthcoming debate on the Beveridge Report. This time, Churchill was present.

30 For example, the Treasury suggested that exports should be increased by at least £235 millions after the war. The BEP suggested, "as much as £200 millions".

31 CAB 87/13 PR (43) 12; 13 February 1943.

32 CAB 123/45; Norman Brooke to Sir John Anderson, 13 February 1943.

The main personal influences on Churchill and the Beveridge plan were Kingsley Wood, Chancellor of the Exchequer, and Lord Cherwell, Paymaster General and Churchill's scientific and economic adviser. Both men agreed that it would be premature to take decisions on Beveridge at this stage of the war. As Cherwell noted to Churchill,

"as soon as we know more about our post-war circumstances which will depend so largely upon our relations with America and the conditions under which the war ends, it will be possible to see what amount of our national income can be set aside for social improvement and to determine which of the various schemes should have priority".<sup>33</sup>

Although the Beveridge proposals were popular with liberals in the United States, Cherwell argued to Churchill that isolationist Americans could oppose the badly needed post-war lease/lend assistance to Britain on the grounds that it was being used to fund improvement in social services far in advance of US standards.<sup>34</sup>

However, Churchill was less concerned about whether the Beveridge Plan could be afforded than that an over-hasty commitment could hinder the war effort. He accepted the necessity for the eventual introduction of the Beveridge proposals, or something like them, but was determined that they should not be implemented during the war. He advised his Cabinet colleagues accordingly in a note circulated on 15 February:

"This approach to social security bringing the magic of averages nearer to the rescue of the millions constitutes an essential part of any post-war scheme of national betterment ...

We cannot, however, initiate the legislation now or commit ourselves to the expenditure involved. That can only be done by a responsible Government and a House of Commons refreshed by contact with the people".<sup>35</sup>

In Cabinet, once Churchill had endorsed the decisions taken on the meeting of 12 February, discussion focused on the question of timing. The outcome of this discussion was to have a key influence on the course of the debate which was due to begin the following day. Those in favour of early legis-

33 PREM 4/89/2, 11 February 1943; Cherwell to Churchill.

34 Ibid.

35 CAB 66/34 WP (43) 65; 15 February 1943. Beveridge Report. Note by the Prime Minister.

lation (including, presumably, Morrison and Attlee) argued that, if the country were to be ready to deal effectively with post-war problems, much preparation had to take place during the war. This included taking major policy decisions, some of which would involve legislation.

In its Report, the Reconstruction Priorities Committee had not suggested that any undertaking be given that early legislation would be introduced. Those who supported this line reiterated their arguments in Cabinet:

"Many of the new claims likely to be made on the Exchequer after the war were still uncertain. At this stage the Government could only state that priority would be given to expenditure necessary to enable international security and ... to maintain employment at the highest attainable level. As regards other claims ... it was impossible at this stage to establish any order of priority or to enter into definite commitments .... It followed that, while it was the duty of the Government to reach provisional decisions as to post-war plans in all spheres, these plans must all be brought under review and related to the financial situation when the time was reached for them to be put into legislative effect .... When specific legislative proposals were ready for consideration, the Government would be in a better position to determine priorities and to decide in the light of the circumstances then obtaining whether to proceed with legislation."<sup>36</sup>

To Morrison's disappointment, Churchill and the great majority of the War Cabinet supported this reasoning. Thus it was agreed that, while there should be no negative commitment debarring the Government from introducing legislation during the lifetime of the present parliament, there should be no positive commitment either.<sup>37</sup> It was this Treasury inspired policy of "no commitment", supported by Churchill, which backbenchers on both sides of the House were to find so frustrating in the forthcoming debate, and which was to bring the Coalition close to a major crisis.

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36 CAB 123/45 WM 28 (43); 15 February 1943.

37 "HM says that the PM was very obstinate in the Cabinet yesterday on the question of timing. He said that we could not introduce the Beveridge scheme until after an election." Dalton Diaries, 16 February 1943.



## CHAPTER 6

## THE GREAT DEBATE

The debate began on 16 February in an atmosphere of confusion and acrimony. There was widespread anxiety among Labour MPs and moderate Tories, that the Government intended not to implement the Report's findings. It was not alleviated by the anodyne motion which had been agreed by the Government. This was that, "this House welcomes the Report of Sir William Beveridge on Social Insurance and Allied Services as a comprehensive review of the present provisions in this sphere and as a valuable aid in determining the lines on which developments and legislation should be pursued as part of the Government's policy of postwar reconstruction."<sup>1</sup>

A motion more guaranteed to produce a spate of amendments could hardly be imagined.<sup>2</sup> Nor had press reports, of government and front-bench opposition attempts to stifle the Report, helped to calm the situation.<sup>3</sup>

Before Greenwood, now out of the Government and serving as leader of the nominal opposition, could open the debate, the Speaker fended off several heated requests for amendments from back-benchers of both parties. When the hubbub died down, Greenwood (in whose name the motion had been put) began an impassioned but rambling speech in support of early implementation of the Beveridge plan by "instalments". This was seconded by Sir Arthur Gridley, a right-wing industrialist who, while announcing his

1 House of Commons Debates, 16 February 1943, cols 1614-1615.

2 Not all of these amendments requested early implementation of Beveridge's proposals. Some, put forward by Tory back-benchers, urged postponement until after the war. However, the newly formed Tory Reform Committee comprising 45 Conservative back-benchers had put down an amendment which called for immediate setting up of a Ministry of Social Security.

3 Cf Sunday Pictorial, 14 February 1943.

support for the main principles of the Beveridge proposals, proceeded to ridicule Beveridge,<sup>4</sup> and show himself completely out of sympathy with his plan:

"He says much about the abolition of want, but his proposals in fact go far beyond meeting that need .... In 1938 the aggregate of payments made on proof of need totalled £135,000,000. But in 1938 another £207,000,000 was paid out as insurance benefit of legal right, irrespective of need. The relative figure in the Beveridge proposal would be £650,000,000 in 1945 and £826,000,000 in 1965. I do not want to be controversial here at all, but clearly there is an immense sum here over and above that which is required for meeting real want ....

The question we must face and ask ourselves is whether it is right to draw upon the personal income of all classes, including the workers, to enable vast sums to be paid in the aggregate to those who are not in real want."<sup>5</sup>

This was followed by a plea that the "inarticulate" middle-classes, for whom "life ... is an ever increasing burden, should not be forgotten".<sup>6</sup>

The hackles of the large number of supporters of the Beveridge proposals in the Chamber must have risen during this speech. A great deal, therefore, rested on the broad shoulders of Sir John Anderson when he rose to speak on behalf of the Government. Unfortunately, Anderson could not claim to be a good orator. His skills lay elsewhere, and it was a sign of just how complacent the Government was being over its handling of the Beveridge affair that he was chosen to represent its views at this crucial stage of the debate. Even worse, Anderson was speaking to a written brief prepared for him by Treasury officials.

The note on which he began was downbeat:

4 For example, "Then in the middle of the last war he (Beveridge) brought forth a production which was entitled, 'Swish, a submarine War Game'. In 1931 he wrote on the causes and cures of unemployment. Today that strikes me as being a little curious, as, with great candour, I think it was in December, at Oxford, Sir William Beveridge said that he did not know how to cure unemployment and doubted very much whether anyone else did."  
House of Commons Debates, 16 February 1943, col 1628.

5 Ibid, cols 1629-1630.

6 Ibid, col 1630.

"It [the Beveridge Report] is, indeed, a bold and imaginative conception, and any minister who could come down to the House and announce that the Government accepted the plan in its entirety and would immediately take steps to bring it into operation might justly feel proud and happy. That is not exactly my position today. But I am not going to strike a pessimistic note and my Right Honourable friend will see before I sit down that I shall have been in a position to give quite a number of fairly definite assurances ....

... the Government's study of the matter is yet by no means complete, but we are ready today not to make final pronouncements, not to announce the acceptance of definite commitments, but to announce our general attitudes towards the main principles of the scheme ...."<sup>7</sup>

It was not a promising start. Aneurin Bevan, the left-wing member from Tredegar and one of the cleverest orators in the House, was the first to interrupt:

"He has already told us that what he proposes to say is provisional and therefore cannot be relied upon as a definite statement of Government policy. In that event it is not much use listening to him ...."<sup>8</sup>

Unperturbed, Anderson stayed his course and began to outline the financial constraints on Government action, as had been agreed by the War Cabinet. The substantial increases in contributions by taxpayers, employers and employees, the uncertainty of the eventual cost of other major items of expenditure such as international security and the restoration of trade, the level of taxation required to maintain employment and other high priority programmes such as education, housing, agriculture, roads, forestry, colonial development and civil aviation all meant that, "there can be no commitment". When the scheme had been fully worked out as rapidly as possible to the stage of draft legislation, "The Government and Parliament will have to take their decision in the light of the fullest information as to the financial situation that can be made available."<sup>9</sup>

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7 Ibid, col 1655.

8 Ibid, col 1656.

9 Ibid, col 1657.

It was too much for Beveridge's supporters, on both sides of the House:

"Earl Winterton: Does that mean this session?  
 Sir John Anderson: Do let me develop my arguments.  
 Mr Shinwell: That is the whole argument."<sup>10</sup>

Anderson, however, refused to be drawn on the timing of any proposals. He soldiered on, announcing in turn the Government's acceptance of Beveridge's three assumptions. There were, however, so many caveats surrounding each one in the speech, that they tended to obscure any sense of commitment there might otherwise have been. The speech became increasingly subject to interruption. Bevan continued to dispute the right of Anderson to read a prepared text because Anderson's statements were only "provisional".<sup>11</sup>

Eventually, Anderson passed on to the details of the main scheme. Like a good civil servant, he detailed the points for and against a universal scheme. On balance, a universal scheme was accepted, he announced. The question of the subsistence principle did not receive the same depth of treatment. Its adoption was described as "very difficult" if not "impracticable" on the grounds that "the acceptance of the principle would apparently imply the variation of benefits up and down with changes in the cost of living and a corresponding variation, I suppose, in rates of contribution".<sup>12</sup>

10 Ibid, col 1657.

11 "There is, Mr Speaker, in this House a well established convention that Ministers are permitted to read statements when those statements are Governmental policy, involving the careful weighing of words; but the Right Honourable gentleman started off his speech by saying that whatever he proposed to say was purely provisional. I submit that in these circumstances the Right Honourable gentleman is not entitled to be exempted from the rule that speeches ought not to be read." Ibid, col 1661.

12 Ibid, col 1686.

However, sickness and unemployment benefit rates "ought to be the same ... and the Government would hope that it would be found possible to fix rates not widely different from those in the Report".<sup>13</sup> There was to be a definite statutory relationship between contributions and benefits.

Anderson's statement on old age pensions provides an apt illustration of the speech's clumsiness. Having spoken of Beveridge's proposal to defer full pension payments for 20 years, and the cost involved in 1965 of £300 millions, Anderson said,

"I have to say quite definitely that the Government have come to the conclusion that they could not at this time in view of all the uncertainties of the future, contemplate that particular feature of the scheme, a feature under which a contribution is to be settled now that is to be imposed by legislative enactment so that pensions become payable at a specified rate rising over a period of 20 years.

The Government definitely prefer a different approach. They would prefer fixed contributions and benefits now. It may be that the initial pension may be somewhat higher than that recommended in the Beveridge Report, having regard to the existing assistance grants and to the proposed benefits for invalidity and unemployment. It might be thought that the initial pension benefits, proposed in the Report, are on the low side. But the Government would prefer a fixed contribution for a fixed benefit, even if benefits are somewhat higher than those proposed in the Report. If Parliament liked to decide as they might do - to give increased pensions - then, in the view of the Government, the matter should be reopened and an increased pension should be granted with the increased rates of contribution."<sup>14</sup>

It was, as Dalton wrote in his diary, "a most miserable and inept presentation".<sup>15</sup> Some MPs might have been forgiven for being somewhat bewildered about what the Lord President was trying to say.

Anderson then said that the Government had reluctantly agreed that the Approved Societies would have to lose their role in health insurance. A funeral grant was accepted, the nationalisation of industrial insurance

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13 Ibid, col 1669.

14 Ibid, cols 1671, 1672.

15 Dalton Diaries, 16 February 1943.

rejected - "with the other proposals of the Report they [the Government] have quite enough on hand".<sup>16</sup>

Finally, Anderson described how a small body of experienced persons would devote themselves, with the departments concerned, entirely to the task of bringing the project as a whole into legislative form. Once the appropriate legislation had been enacted, a Ministry or Statutory Board would be set up.

Anderson was followed by Erskine-Hill, a member of the Tory right-wing 1922 Committee. He had,

"listened with the greatest possible pleasure to what the Lord President of the Council had to say because it seemed clear that the Government realised that there were great dangers in pressing on too hurriedly with a scheme which is essentially controversial".<sup>17</sup>

When Erskine-Hill had finished speaking, Bevan, G. Buchanan and Quinton Hogg all demanded that amendments be taken. Bevan, as usual, was the most intemperate:

"Must the House go on record as registering a lie because we have not got the opportunity of going into the Division lobby? The motion is a lie as far as many of us are concerned. Must the House of Commons go on record as registering a lie on a matter in which the House and the country are deeply concerned because you, Sir, do not call an Amendment? [Honourable Members: 'Order!'] Really, you will have such a row unless you are careful."<sup>18</sup>

The Speaker, however, remained unmoved, although he promised to reconsider later in the debate, according to the views expressed. The remaining speakers, on the first day, spoke in favour (in general terms) of the implementation of the Beveridge plan.

The Member for Tottenham North, R C Morrison, the penultimate speaker of the day, tried to explain why Anderson's statement would, in his view,

16 House of Commons Debates, 16 February 1943, col 1675.

17 Ibid, col 1680.

18 Ibid, col 1682.

be received with deep disappointment throughout the country:

"I am not sure how far the Government have appreciated the strong feeling in the country over this Report ... if he [the Lord President] went from day to day about the ordinary constituency, he would find that people now take an entirely different view from what they might have taken before the War. The fact that we have surmounted so many difficulties and got out of so many apparently impossible positions and tight corners has made a great difference. To stand up now on a public platform and try to explain the difficulties of such schemes as this, as I have done to scores of people in my constituency, reveals that people remain absolutely unmoved. They know the difficulties. When I explain the finances of the scheme people smile and ask, 'How much per day is the war costing?'"<sup>19</sup>

That evening, after the day's proceedings had finished, a scratch meeting of the Labour Party's Administrative Committee was hurriedly convened. The extreme disappointment with the Government's reponse to the Beveridge Report led the Committee to put down the following motion in the form of an amendment to Greenwood's original:

"that this House expresses its dissatisfaction with the now declared policy of His Majesty's Government towards the Report of Sir William Beveridge on Social Insurance and Allied Services and urges reconsideration of that policy with a view to early implementation of the plan".<sup>20</sup>

The following morning, 17 February, The Times made the first day of the debate the main item of its leader. While praising the Government for proposing to introduce far-reaching reforms, the newspaper made a commitment to establish a new Ministry and a planned timetable a test of the Government's resolution to legislate on the programme, "tentatively offered to it [the House of Commons] yesterday".<sup>21</sup>

The amendment, which had been proposed by the Labour Party's Administrative Committee, was discussed at a meeting of the Parliamentary Labour Party on the same morning, before the second day of the debate began. Both Attlee and Morrison spoke in defence of the Government but failed to make much impression on an increasingly militant body of Labour back-benchers.

19 Ibid, cols 1685-1686.

20 Ibid, col 1692.

21 "Yet it can be said with assurance that, with all its limitations, no speech ever delivered in the House of Commons has committed a government to more far reaching measures of social advance." Times, 17 February 1943.

A decision on how to respond to the amendment if it was taken, however, was left until the following day.<sup>22</sup>

Later that morning the War Cabinet discussed the situation. It had been informed by the Speaker that he might feel it necessary to call the Labour Party's amendment on the following day. Morrison and Attlee then described the events that had taken place earlier that morning. Dissatisfaction in the Labour Party centred round two points, they said. Firstly, feeling in the Party strongly favoured the immediate setting up of a Ministry of Social Security. Secondly, "the impression had been created that the Government did not intend to introduce legislation for some considerable time, possibly until after the end of the War or until a new Parliament had been elected".<sup>23</sup> There does not appear to have been a great deal of argument over the first point. It was generally agreed that to set up a new Ministry or Board immediately would merely hinder the drafting of legislation. Wood was delegated to make that point in his speech in the debate that afternoon. However, over the second point, the timing of the legislation, there appears to have been a major disagreement.

Both Attlee and Morrison argued in support of a specific commitment by the Government to introduce legislation, if appropriate, during the war. They pointed out that, if necessary, the actual legislation could be passed during the war but that the appointed days on which the various parts of the scheme would be brought into operation, including the rates of benefit, could be left open. This scheme had the advantage that it would avoid the Government having to make financial commitments on social security before having secured objectives of a higher priority such as international security and measures to maintain employment at the highest level possible.<sup>24</sup> However, neither Wood (who wanted to delay any financial commitments for as long as possible) nor Churchill (who wanted legislation enacted only after a future general election) were prepared

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22 Dalton Diaries, 17 February 1943.

23 CAB 123/45 WM (43), 31st Conclusions, 17 February 1943.

24 Ibid.



to budge from their positions. In the end, both Attlee and Morrison had to give way.<sup>25</sup>

Before the debate started on the second day, Greenwood asked whether, in view of the very large number of Members who wished to speak, it was possible to extend the amount of time allotted that day for the debate. Anthony Eden, the Leader of the House, recognised the support for an extension and agreed to an additional two hours.<sup>26</sup>

There were renewed requests also for the Deputy Speaker<sup>27</sup> to accept amendments. The Deputy Speaker said that the House should continue with the original motion, and that a decision on whether to take an amendment or not would be taken on the following day.

There followed 24 speeches. Around two-thirds of them were broadly critical of the Government and demanded early implementation of the Beveridge proposals. Only seven speakers, including Sir Kingsley Wood, spoke out in support of the Government. Criticism of the Government's performance was in fact the major theme of the day. "Profoundly unsatisfactory", "terribly colourless", "vast mistake", "major blunder", were some of the epithets used by a succession of speakers from both sides of the House about the Government's position.

Perhaps the most impassioned and spirited speech of the day came from Quintin Hogg, the member for Oxford, who had just demobilised himself from the army. Hogg was one of those who had quickly recognised the potential value of Government acceptance of the Beveridge Report as a sign that it intended to fulfill its part of the contract that it had with the British people. Broadly, the contract promised a better future in return

25 "It is also reported that KW had a spectacular success in Cabinet and that HM was beaten. Whitely tells me next day that CRA 'fought like a tiger against the PM in the Cabinet, but without success'". Dalton Diaries, 17 February 1943.

26 The Speaker had made it clear the previous day, that the decision whether or not to take an amendment would depend on the strength of feeling in the House over the issues. Anderson's lack-lustre speech ensured no shortage of speakers.

27 The Speaker was unwell.

for a high level of sacrifice during the war.<sup>28</sup>

"If we are to go to the people of this country and say, 'You have to look forward to a long period of self sacrifice and rejection', we can do so only if we offer at the same time a complete measure of social justice to guarantee that we shall all suffer alike. It is because to my mind the Beveridge scheme offers the means whereby that can be achieved ... that I feel it is deserving of warmer support than the Government have in fact given it ....

I have always been a believer in private property and private enterprise, but so long as there remain people who cannot have enough to eat the possession of private property is an humiliation and not an opportunity ... [interruption] ...

Some of my Honourable friends seem to overlook one or two ultimate facts about social reform. The first is that, if you do not give the people social reform, they are going to give you social revolution. The maintenance of our institutions has been one of the principles of the Conservative Party from time immemorial. The wise man who said that the maintenance of our institutions was the first Conservative principle made the improvement of the condition of the people the third. I am really afraid that if we in the Conservative Party persist in the attitude we have seen all too frequently recently ... we shall in fact destroy the chance of industrial recovery which is the very thing on which we lay so much emphasis. Let anyone consider the possibility of a series of dangerous industrial strikes following the present hostilities, and the effect it would have on our industrial recovery and then let him pause before he denies the despised left-wing Conservative the right to speak."<sup>29</sup>

Left-wing or not, the speech of the 36-years-old Major Hogg epitomised the views of many others who spoke that day from both sides of the House. Hogg went on to become a leading member of the Tory Reform Committee, formed a month later, on 17 March 1943. The main aims of this group of 36 Conservative MPs were to secure the implementation of an effective

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28 "There existed, so to speak, an implicit contract between Government and people; the people refused none of the sacrifices the Government demanded of them for the winning of the war. In return they expected that the Government should show imagination and seriousness in planning for the restoration and improvement of the nation's wellbeing when the war had been won." W K Hancock and M M Gowing, British War Economy, History of the Second World War, HMSO, p 541.

29 House of Commons Debates, 17 February 1943, cols 1812 to 1813.

programme of reconstruction and to persuade the majority of their party to espouse such reforms wholeheartedly.<sup>30</sup>

However, shortly after Hogg sat down, the Chancellor of the Exchequer rose. Sir Kingsley Wood's speech did nothing to alleviate the poor impression that Anderson's speech had made on Beveridge's supporters; if anything, it exacerbated it. Wood took great pains to point out the length of time it would take to implement the necessary steps prior to legislation, and all the difficulties involved. Lengthy negotiations would be necessary with the medical profession. Children's allowances gave rise to "considerable difficulties ... in connection with Income Tax Allowances and matters of that sort .... There are a number of other things of which the Government have indicated their provisional acceptance, and all those things, before one can come to the question of legislation, have to be in many cases the subject of negotiation. ... The next thing to be done will be, when these matters are concluded, to set forth in Parliamentary form the necessary draft bills. That will take some considerable time. Then, when all these matters are before the Government, and when we have a much closer idea of what the cost will be, we shall, as every Government always does, wait before finally committing ourselves to any or all of these proposals and again consider the financial situation and the cost."<sup>31</sup>

This brought exasperated responses from Emmanuel Shinwell, Arthur Greenwood, Earl Winterton and, finally, Aneurin Bevan:

"I am exceedingly sorry to interrupt the Right Honourable gentleman who has had a very hard time and has a long and difficult speech to make, but I think the House should recognise that the fate of the Government and the national unity may depend on what he is saying now. Certain specific promises were made yesterday by the Lord President of the Council. Whatever the Home Secretary may say on the next sitting day is obviously subject to what the Chancellor of the Exchequer has said now, and that is that whatever concrete proposals may be adumbrated now are subject to the overriding qualification that the Government do not commit themselves to any one of them until they have seen their comprehensive financial purport in the circumstances of that time. In other words, none of the concrete things are promised."<sup>32</sup>

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30 Cf Addison, op cit, pp 232-233.

31 House of Commons Debates, 17 February 1943, col 1831.

32 Ibid, col 1834.

Wood, however, remain unmoved. He concluded his speech by describing why the Government were opposed to the immediate creation of a Ministry of Social Security. Anderson had said that the bulk of the new legislation would be prepared by existing Departments, assisted by, "a small body of experienced persons". Wood explained the rationale behind the Government's thinking:

"It will be found that a great many of the duties ... will lie upon existing Ministers. For instance, the responsibility for a comprehensive medical service must lie on the Minister of Health, and if we try to interpose a new Minister we shall only hamper and hinder the machine."<sup>33</sup>

Wood went on to say that he was not opposed to the creation of a new Ministerial post, at a later date, whose duties, however, would be confined mainly to, "the collection of contributions and things of that kind".<sup>34</sup>

After Wood had sat down, the remainder of the debate that day consisted of a majority of speakers criticising the Government for its inadequate response to the report. Although there were a few apologists for the Government, most speakers reiterated the demand that Wood and the Cabinet had carefully rejected earlier in the day:

"I believe the Government can meet the situation by agreeing to the establishment in the near future of a Ministry of Social Security. By so doing, they would show that they mean business. Quite frankly - and I speak as a supporter of the Government - I have not yet been convinced that they really mean to implement the proposals of this plan."<sup>35</sup>

The following morning, at 9.30am on 18 February 1943, the Administrative Committee of the Labour Party met and proposed that the Party should support its own amendment, if it was called that day.

A full meeting of the Parliamentary Labour Party followed, at which the Administrative Committee's proposal was debated. Ernest Bevin was there to speak in defence of the Government. At the end of a blustering speech,

33 Ibid, col 1835.

34 Ibid.

35 Ibid, col 1898.

he threatened to resign if he did not get support from the Party.<sup>36</sup> However, this did not go down at all well with the meeting. The following speaker's suggestion, that the resignation of anyone unwilling to accept the view of the majority should be accepted, wrung loud cheers from an excited audience. Finally, the Party (rejecting Bevin's plea) voted "practically unanimously" to divide on its own amendment.<sup>37</sup>

Thus, provided the Opposition's amendment was taken by the Speaker, the stage was set for a major snub to be delivered to the Coalition Government. And, as it happened, the Deputy Speaker decided to call the amendment on the grounds that, "it will afford scope for the widest debate".<sup>38</sup>

The final days' debate followed much the same course as the previous days' had done. Around twice as many MPs who spoke were critical of the Government's attitude to the Report as were in support of it. Even some of those Tories who spoke in support of the Government were deeply unhappy with its performance:

"I believe that the inclination [to divide the House against the Government] ... is due in some measure, in large measure, to misapprehension both of parts of the scheme and of what has been said, not perhaps with all the force some of us would have liked with regard to the Government's proposals. I myself am not without criticisms ... but I shall regard it as a tragedy if on this, a major issue if ever there was one, anything should happen which would create any rift in the national unity which has been so unique during the whole period since May 1940."<sup>39</sup>

Despite the pleas not to 'rock the boat', the reasons for the Labour Party's amendment were put again and again:

36 "Bevin speaks at the Party meeting and makes a mess of it. ... [He] begins to shout, protest and threaten which he is always too much apt to do and which undoes it all ... [he says] if this is the way things are to be done, he will refuse to go on." Dalton Diaries, 18 February 1943.

37 Ibid, 18 February 1943.

38 House of Commons Debates, 18 February 1943, col 1962.

39 Ibid, col 1974.

"No one on this side expected miracles ... but the reason for the anxiety on this side of the House is that after ten weeks of consideration, after two days of debate, and after hearing two Cabinet Ministers speak in the Debate, we still have not one unqualified promise from the Government as to their intentions."<sup>40</sup>

A great responsibility lay on the shoulders of Herbert Morrison, the Government spokesman who was to wind up the Debate. There were a number of Tories who were prepared to vote against the Government, if Morrison failed to reassure them.<sup>41</sup> In the event, Morrison rose to the occasion and spoke with the clarity and vigour the situation demanded. He "spoke for an hour, his hair disordered, the dispatch box covered with papers".<sup>42</sup> He began by reminding the House that, if the Amendment were carried, it would "obviously raise constitutional and Parliamentary issues of a serious order".<sup>43</sup>

He denied that the Government was being recalcitrant in tackling the Report. The Government had "beaten the clock", by being the first body to deliver, point by point, judgement upon the Report. There had been no expectation, when a debate on the Report had been proposed in December of the previous year, that the Government would be in a position to do that.<sup>44</sup> So far as the implementation of the Plan was concerned, the Government were following the procedures outlined by Beveridge:

"Sir William Beveridge himself suggested that three kinds of decisions would be needed, decisions of principle, decisions of execution and detail, and decisions of amount. Already, although this Report was published only on 2nd December, decisions of principle have been taken on the great majority of the many issues of the Plan. For decisions of execution

40 Ibid, cols 1992-1993.

41 "If we cannot have those doubts removed (that the Government are being serious about the implementation of the plan) it will be our duty to go into the lobby against the Government." Ibid, col 2028.

42 B Donaghue and G W Jones, op cit, p 315.

43 House of Commons Debates, February 1943, col 2034.

44 "... early in the New Year there will be a fairly reasonable opportunity, before the Government have made up their mind, for the House to express its considered opinion". Ibid, 1 December 1942, col 1078.

and detail Sir William Beveridge allows a considerable period, as he properly had to do, assuming a certain time and date at which the war will end. ... Decisions of amount, he suggested, must wait until the post war price level is known. He is an experienced administrator and would be expected to know about these things. ... On all three points the Government agree. They agree, though without committing themselves to be ready with plans for execution at any particular period. We should be misleading the country and the House of Commons if we stated a particular time when we were going to be exactly ready, because of the uncertainty about the course and duration of the war, among other things."<sup>45</sup>

Turning to the Beveridge proposals themselves, Morrison said:

"Sir William Beveridge summed up his proposals in 23 suggested changes. Of these the Government have, for the time being, rejected one, which Sir William says is not necessary to the plan ... Of the other 22, six are left wholly or partly open for further consideration in the light of this debate ... the remainder of the changes are accepted. On a report published on 2nd December that is not a bad record, and honestly I cannot follow why my Honourable friends, from whom naturally I thoroughly dislike to differ, have got it quite sincerely - I accept that - firmly in their heads, that the Government are doing them what in technical language is called a double-cross."<sup>46</sup>

All the the six fundamental principles in the Beveridge Report had been accepted, save that of subsistence, "and while not accepting this in principle, the Government have intimated their aim to fix a benefit for unemployment and ill-health on the same basis as nearly as possible".<sup>47</sup>

Finally, there were Beveridge's three assumptions: maintenance of employment, a comprehensive health service, and children's allowances. "All those three assumptions were accepted by my Right Honourable friend [Sir John Anderson] in his speech, so I do not see that he could have gone much further than he did on that occasion in that respect."<sup>48</sup>

45 Ibid, 18 February 1943, cols 2035-2036.

46 Ibid, col 2036.

47 Ibid, cols 2036-2037.

48 Ibid, col 2037.

Morrison then went on to list the principal recommendations that had been accepted, and those that had not, before turning to the question of the establishment of a Ministry of Social Security, which some MPs had seen as the test of the Government's genuine desire to implement the Beveridge proposals. What was the point, argued Morrison, of cutting off the various bits and pieces of the functions of a series of State departments relating to social security?

"It is far better that the functions of health administration should be conducted by the State Department that is already looking after health. It is better that the feeding and medical inspection of school children shall be run by the President of the Board of Education, who is running the schools and that the training of labour should be carried out by the Ministry of Labour which is skilled and experienced in this business. ... What remains? There remain the collection and distribution of insurance moneys and the consolidation and coordination of all these insurance funds, which the Government accept. That can be put into a separate Ministry or it can be put under a Commission of Social Security or a suitable board .... I think I shall have the whole House with me when I say we are not short of State Departments or Ministers. They are growing fairly frequently and while I think it is inevitable in war-time, I do not think it is too healthy to have too many Ministries."<sup>49</sup>

Next, Morrison spoke of the various stages that would have to be gone through. A great scheme such as that proposed by Beveridge could not be brought into existence by, "the mere waving of a wand".<sup>50</sup> There had to be consultation and negotiation, otherwise not only the vested interests but organised labour and professional associations would be very cross. Then there were the administrative preparations by the Departments concerned guided by a limited but special staff. "Moreover the matter will be kept under observation and review, and people will be required to report to a Committee of the War Cabinet which will take a close and active interest in the matter."<sup>51</sup>

When pressed for a commitment to bring in the necessary legislation, Morrison was unable to promise a date but said that, "no essential time" would be lost. He did promise that the Government would come back to the House again before a bill was prepared and the administrative and financial preparations completed.

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49 Ibid, col 2043.

50 Ibid, col 2044.

51 Ibid, col 2045.



Finally, Morrison spoke of the need for compromise and unity.

"I am not going to say that in all the discussions in the Cabinet and Cabinet Committee we have at once agreed. Of course we have not ... there has to be give and take. Is the Report merely to be presented to the Government for them to be told, 'Here it is, sign on the dotted line?' We are not going to do that. [Interruption.] That really is what much of the argument has been. We are not going to do it. We reserve, and must reserve the right of examination. I think that the Government have acted with speed. We have reached among ourselves reasonable agreement with a big progressive outcome. I appeal to the House to realise that it also will have its pros and cons of arguments .... I would like the House of Commons to solve this problem of want and destitution in the same spirit of give and take and with the determination at the end to try and agree as His Majesty's Government have done .... I appeal to the House to think about it calmly, to examine their own minds and consciences quietly and to ask themselves in these circumstances even though we are tending to have victories instead of defeats, whether with the war on our hands, and the responsibilities we have, this is the moment, and the issue is big enough and clear enough to warrant Honourable Members in taking action which may precipitate serious political difficulties."<sup>52</sup>

It was a good speech. Good enough to prevent any Tory members from voting against the Government. But it came too late as far as the majority of the Labour members were concerned. As Hugh Dalton put it:

"HM winding up for the Government makes a grand speech. I am quite sure that, if this had been made on the first day, there would have been no crisis at all. But it is by now much too late to retrieve the ground lost by JA and KW or to stop most of the party voting for their amendment against the Government. JW and certain others have been lobbying to secure abstentions and have a certain measure of success. At least 24 of our members who remain in the House till the end don't vote".<sup>53</sup>

However, many more voted against the Government. There were 121 in all who voted for the amendment when the House divided. Of these 97 were Labour members. The remainder were either ILP, Communist, Independent or Liberal, including David Lloyd George casting what was to be his last vote in the House in support of the welfare state which he had helped to found.<sup>54</sup>

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52 Ibid, cols 2047-2048.

53 Dalton Diaries, 18 February 1943.

54 Cf House of Commons Debates, 18 February 1943; and Addison, op cit, pp 224-225.

Eighty-four Conservative members were listed as absent, although some of these were present and abstained from voting. However, 338 Tory votes were sufficient to give the Tories the day.<sup>55</sup>

Nonetheless, the Government had suffered its most major upset of the war in the Commons. There was a risk that backbench Labour M.P.s would withdraw their support from the Labour Ministers, precipitating a major political crisis.<sup>56</sup> Beveridge, who had listened to the debate from the visitors' gallery took a certain pride in the upset his report was causing.<sup>57</sup> How significant that upset would be - and its effect on implementation of the Beveridge Report - remained to be seen.

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55 Cf The Times, 20 February 1943.

56 Harold Nicolson, 'Diaries and Letters 1939-45', Collins, 1967 p.282.

57 "I met Beveridge in the lobby, looking like the Witch of Endor..... He said, 'My two previous reports led to the fall of two Ministers. This one may bring down a Government!' He is a vain man." Ibid, p.282.

## CHAPTER 7

## THE NEW CONSENSUS

The Government emerged from the debate of 16-18 February 1943 on the Beveridge Report, with its reputation for competence significantly tarnished. The debate had been widely reported in the press. Fortunately for the Government, the tide of the war had swung in its favour already, so the damage did not extend beyond its conduct of home affairs. However, not only had the Government laid itself open to charges of mismanagement,<sup>1</sup> it had (according to The Economist) failed to convince anyone of its future intentions over the Beveridge Report.<sup>2</sup> The overwhelming view outside the Government was that it was being far too cautious in its response to the Report. Thus, the debate, far from placating public opinion, strengthened the demand for early legislation on the Beveridge proposals. Leaders in the Times urged acceptance of the subsistence principle,<sup>3</sup> and immediate implementation of family allowances.<sup>4</sup> Nor was the aristocracy immune from the Beveridge fever.<sup>5</sup>

1 Times, 19 February 1943.

2 Economist, 20 February 1943.

3 "... if we are going to be poorer after this war there is a stronger case than ever for the social minimum at whatever level it may be fixed". Times, 19 February 1943.

4 Ibid, 22 February 1943.

5 In a letter, which was passed on to Anderson, Lord Harmsworth compared the Coalition Government's policy towards Beveridge with the Liberal Government's negative attitude towards the adoption of Old Age Pensions. Harmsworth wrote that on that occasion, "some of us got at him [Asquith] and represented to him the importance of the Government's making at least a hopeful gesture, an 'earnest' of better things to come ...." Harmsworth went on to suggest that something similar was needed with Beveridge, such as implementing family allowances without delay. Letter to Lord Snell, Lord Privy Seal, 1 March 1943. CAB 123/244, Lord President's Files.

The debate was followed by a brief period of intense political activity, particularly among the senior ranks of the Labour Party. The Party had to take stock of its position after its challenge to the Government. The Labour ministers were acutely embarrassed by the position in which they had been put. They felt that their status within the Coalition Government had been seriously undermined by the failure of the Party to support them in the debate. Bevin was particularly angry. At a meeting of all the Labour ministers called by Attlee after the debate, Bevin demanded that he should either be publicly exonerated or expelled from the Party.<sup>6</sup> Although he did not subsequently pursue his demand, Bevin severed his links with the Labour Party for over a year.<sup>7</sup> Churchill, needless to say, was very angry over the whole affair. He summoned some of the Labour leaders to see him, although he was ill with pneumonia. They made it plain that they could not continue as ministers within the Coalition, without the assurances of future support from the Labour Party.<sup>8</sup>

However, the Labour backbench MPs were unrepentant. They regarded the outcome of the debate as a vote on a domestic issue which did not affect their support for either the Coalition Government or the Labour members of it. At meetings of the Parliamentary Labour Party and the National Executive Committee of the Labour Party, on the morning of 24 February 1943, both sides stated their position. No votes of censure or confidence were taken. When the General Council of the TUC met on the afternoon of the same day, a vote of confidence in the Labour ministers was passed. There the matter was allowed to rest.

However, the action of the backbench MPs, in voting against the Government, undoubtedly helped to nudge the implementation of the Beveridge Report a little higher up the list of Government priorities. They had made it clear that their attitude in the future depended on the extent to

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6 Bullock, op cit, p 234. Bevin bitterly resented what he saw as the disloyalty of the Parliamentary Labour Party to the Party's leaders.

7 Ibid.

8 Times, 20 February 1943.

which they were convinced that the Government was pressing ahead with the task of devising draft legislation.

The new sense of urgency given to the Government's deliberations over the Beveridge Report is suggested by the memorandum Morrison circulated to his colleagues on the Reconstruction Priorities Committee, on 22 February 1943. He wrote:

"The Government's policy has been confirmed by the House of Commons not without difficulty. The circumstances made it reasonably clear that confirmation rests on the assumption that the government does in fact mean business, that all reasonable speed will be used and no false or undue caution evidenced .... We are to report again to the House in some few months time and if this is not a progress report in fact as well as in name, we shall, I believe, face a serious crisis."<sup>9</sup>

Morrison went on to propose the appointment of a group of officials to coordinate and assist the various departments which were to draw up detailed policy recommendations on various aspects of the Beveridge Plan. The official group would report monthly to the Reconstruction Priorities Committee who would, in turn, report to the War Cabinet as soon as possible. At the same time, the Committee would undertake the necessary review of post war financial circumstances, so that a White Paper could be published which would announce firm decisions on the Beveridge proposals. Subsequently, Morrison proposed, the Cabinet should announce to the House of Commons the timing of a legislative programme which was not necessarily dependent on the end of the war.<sup>10</sup>

When Morrison's memorandum was discussed by the Committee on the following day, general agreement with it was recorded. The fact that the necessity for war-time legislation on parts of the Beveridge Report was accepted by the Conservative members of the Committee was, in itself, a significant advance.

In fact, the debate marked (although most people were unaware of it) a turning point. Agreement had been reached on certain key aspects of the post-war "Welfare State": social security, a national health service, and

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9 CAB 87/13, PR (43) 15: 22 February 1943.

10 Ibid.

an unemployment policy. Moreover, while agreement on health and employment policy was reached only on broad principles, and was to undergo considerable development during the war (Beveridge having been deliberately vague on details), this was not the case with social security policy. Apart from the rates of benefit, the initial detailed response of the Government to the Beveridge social insurance and family allowance proposals was to stand virtually unchanged between the time of the debate in 1943 and the enactment of the legislation (between two and three years later).

At the time, however, the majority of men and women in the country were disappointed, convinced that the Beveridge Report was going to be shelved.<sup>11</sup> However, the furore over the debate in the House of Commons forced Churchill to retreat from his previous absolute refusal to accept the possibility of any legislation on aspects of the Beveridge Report during the war. He recognised that, if he was to continue to hold the Coalition together and reduce inter-Party conflict, he would have to concede that point. In an effort to rally his troops on the "home front", Churchill himself broadcast to the nation on 21 March 1943. "His speech was the first popular proclamation of the new consensus, and through it Churchill assumed once more the mantle of his youthful days as a Liberal reformer in Mr Asquith's government."<sup>12</sup>

At the beginning of the speech, Churchill admitted that his purpose was to damp down party controversy in order to concentrate on winning the war. At home he envisaged the preparation of a four-year plan, "to cover five or six large measures of a practical character". Preparations were to be put in hand and preliminary legislation introduced, if necessary, before the end of the war. When the war was over, the plan would be put to the country at a general election, either by a coalition of the three main parties or by a National Government.

While Churchill did not mention the Beveridge Report by name, he took pains to identify himself with it:

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11 Home intelligence reports after the debate distinguished between a "disappointed majority" and an "approving minority". Cf INF/292, Home Intelligence weekly report, 125, 16-23 February 1943.

12 Addison, op cit, p 227.

"I personally am very keen that a scheme for the amalgamation and extension of our present incomparable insurance system should have a leading place in our four-year plan. I have been prominently connected with all these schemes of national compulsory organised thrift from the time I brought my friend Sir William Beveridge into the public service 35 years ago, when I was creating the labour exchanges ....

The time is now ripe for another great advance and anyone can see what large savings there will be in the administration once the whole process of insurance has become unified, compulsory and national".

Churchill also spoke of full employment policies, expansion of state ownership, housing and health services and the development of education.<sup>13</sup>

The Economist wrote with relief at the Prime Minister's conversion, "His reluctance to discuss the problems of peace remains, but it is no longer a refusal. On Sunday he stated the agenda for peacetime planning".<sup>14</sup>

While many were critical of his decision to accept only initial legislation during the war, Churchill's speech successfully proved the sincerity of the Government's concern for post-war reform, while heading off demands for wartime enactment of what would be a difficult enough legislative programme to implement in peacetime.

The small group of departmental representatives, under Sir Thomas Sheepshanks, Controller of Insurance at the Ministry of Health, began to work on the details of translating the Beveridge Report into acceptable policies for a White Paper in early April 1943. They soon agreed that the Family Allowance recommendations accepted already by the Government could be implemented during the war, as a concession to the strong pressure the Government was under.<sup>15</sup>

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13 Winston S Churchill, Onwards to Victory; London, Cassell, 1944, pp 33-45. World broadcast of 21 March 1943.

14 The Economist, 27 March 1943.

15 PIN 8/1, Central Staff Minutes, 12 April 1943.

Initially, the central staff group reported via Sir William Jowitt, the Minister without Portfolio, to the Reconstruction Priorities Committee which had been formed originally to take an early view of the Beveridge Report. Between March and September 1943, the Committee met 13 times to discuss a variety of issues concerning post-war policy, including deciding on detailed aspects of the Beveridge Plan for inclusion in a White Paper. When it met on 16 September, agreement was reached that, in response to questions put down in the House of Commons, the Government hoped that a White Paper on the Beveridge Plan would be published "within the next few months".<sup>16</sup> Shortly after, in the same month, Kingsley Wood, the Chancellor of the Exchequer and leading opponent of Beveridge's Report, died. Sir John Anderson replaced him as Chancellor, and Attlee took over as Lord President of the Council.

Two months later, in November 1943, Churchill created a new ministerial post, that of Reconstruction. Lord Woolton, a non-party businessman (but later to become Chairman of the Conservative Party) became the first Minister. He also took the chair of the new Cabinet Reconstruction Committee comprising Attlee, Bevin, Morrison and Jowitt on the Labour side; and Butler, Lyttleton, Crookshank and Cranborne from the Conservatives. Anderson was also a member. It was to this new committee, heavily dominated by the Labour Party ministers, that the central staff continued to report.

Although a first draft had been prepared by November 1943, it was not until 10 months later, in September 1944, that the Government's proposals on social insurance and family allowances were published as a White Paper: "Social Insurance".<sup>17</sup>

Although a mass of detail had been added, and despite a rearguard action by the Treasury,<sup>18</sup> the broad conclusions were the same as had been reached

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16 CAB 87/12, PR (43): 19th meeting, 16 September 1943.

17 Part I, which dealt with Insurance and Family Allowance proposals, was published on 26 September 1944. Part II, which dealt with Workmen's Compensation, was published on the following day.

18 Cf discussion in Macnicol, op cit, pp 191-192.



by the Reconstruction Priorities Committee at its meetings early in 1943. The insurance scheme was to be universal and everyone would be included, classified into six types as set out originally in the Beveridge Report.<sup>19</sup> The old ramshackle structure was to be swept away and a new simplified one run by a new Ministry created:

"The government have also adopted the principle that the administration of a single, comprehensive and universal scheme of social insurance must be unified and that the various uncoordinated sections of the system of today must be brought within a single administrative framework."<sup>20</sup>

It was to be a flat-rate scheme with everyone, depending on his classification, paying the same amount of contribution: "the principle adopted has been that of equal benefits for equal contributions".<sup>21</sup>

The subsistence principle was rejected but the rates of unemployment and sickness benefit would be the same, and not differ substantially from, those suggested by Beveridge:

"In the debate of February 1943 they [the Government] expressed the preliminary view that it was not practicable [to adopt a subsistence basis for benefits] and further examination has confirmed this view."<sup>22</sup>

The rates for sickness and unemployment benefit were set at 24 shillings (£1.20) for a single person, and 40 shillings (£2) for a married couple. These were identical to those suggested by Beveridge, although it was becoming clear that the increase in the cost of living would be greater than that assumed by him. They would be paid only for a limited period of time (three years for sickness, and 30 weeks for unemployment, benefit), contrary to Beveridge, who had proposed no such restriction.

19 Here the White Paper was guilty of repeating the Beveridge myth of complete coverage. By virtue of the fact that a certain number of contributions had to be paid as a qualification for receiving benefit, large numbers of potential beneficiaries such as the congenitally handicapped were excluded from the scope of the scheme.

20 Social Insurance, Cmnd 6550, para 10.

21 Ibid, para 9. Here, again, the White Paper fell into the Beveridge trap of overstating the case. Married women, for example, were to be treated quite differently from married men.

22 Ibid, para 12.

Pensions were to be conditional upon retirement, but Beveridge's 20-year transitional period for pensions to rise to subsistence levels was scrapped, and fixed rates (considerably lower than those for sickness and unemployment) substituted. These were £1 for a single person and 35 shillings (£1.75) for a married couple.

Family allowances would be non-contributory and apply to second and subsequent children. The rate was five shillings (25p) per child. Services in kind, such as free milk and meals at school, would be extended.

All of this had been agreed 18 months earlier. The total cost of the proposals was estimated at £650 millions in 1945, rising to £796 millions in 1965.

A little over a week after the publication of the White Paper, a Ministry of National Insurance was created. Sir William Jowitt was appointed as its first Minister. It was Jowitt who, a little over a month later, on 2 November 1944, opened the debate on the White Paper in the House of Commons. This debate was of a very different character to the one that had taken place nearly two years previously. In place of acrimony and dissent, harmony and unity prevailed. There was none of the fierce hostility emanating from the Labour backbenchers against a Tory-led Coalition which, it was felt, was trying to evade its responsibilities. From the Tory side, there was little of that slightly bewildered retaliation against a foe on the attack, it was felt, prematurely and unfairly. Instead, there was a distinct feeling of relief that few of the fears expressed during the February debate of the previous year had materialised, and that the White Paper was more favourable to the Beveridge Plan than had been expected. Most MPs seemed to be reassured that the basic elements of Beveridge's proposals would be implemented. The majority of the 30 or so who spoke in the two-day debate were content to criticise some of the more detailed aspects of the proposals, while praising the Government and Beveridge for their sagacity in preparing a White Paper on a topic such as social insurance, in the middle of the war.

Nonetheless, some of the basic themes of the February debate were reiterated, although in a much lower key. The cost of the scheme was frequently mentioned. However, on this occasion, the great majority of the speakers agreed that the scheme could, and should, be afforded. Four rightwing

Conservative members insisted that it could not be afforded. However, their views tended to be openly derided by many of the others, particularly on the Labour side, who put their faith in Keynesian arguments for increasing demand through the money supply. Moderate Tories who spoke on the issue argued that the scheme appeared to be affordable initially, represented good value for money, and that its viability in the long term would depend upon the country's ability to improve its productivity.<sup>23</sup>

Similarly, a few speakers (albeit a greatly reduced number) called for legislation on Beveridge's proposals before the end of the war. One of these was Beveridge himself. In a bid to boost the early implementation of his Report, Beveridge had stood successfully as the Liberal candidate in a by-election at Berwick-upon-Tweed.<sup>24</sup>

In his maiden speech, Beveridge was one of the few speakers in the debate to comment on the Government's failure to agree to family allowances and retirement pensions at subsistence levels. Sir William Jowitt, who opened the debate had reiterated the Government's reasons for rejecting the subsistence principle. He took pains to deflate Beveridge's grandiose objectives, describing the scheme in the White Paper merely as one "designed to take the edge off the mishaps of life".<sup>25</sup> This was a far cry from Beveridge's avowed aim, to remove want entirely. Thus, when Beveridge, in his speech, attacked the Government's proposals for failing to achieve this aim, he was missing the point entirely; for Jowitt had made it clear that the scheme proposed by the Government did not attempt

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23 For example, R Storey, the Member for Somerset, argued thus: "Can we afford these proposals? To answer that question would entail an estimate of our national income for the next 30 or 40 years, but I do not intend to embark on such an estimate. What we can say, however, is that all the indications are that at the inception of the scheme the cost is not outside our national resources. After that all will depend upon our national productivity." House of Commons Debates, 3 November 1944, col 1180.

24 Harris, op cit, pp 441-445.

25 "They [the Government] should ... ensure ... that no child in Britain need go cold, hungry or ill-clad because there is not enough family income." Ibid, col 1127.

to do this.<sup>26</sup>

Although Beveridge's speech attracted much praise from other speakers, its content was generally not supported. Even James Griffiths, subsequently to be Labour's first Minister of National Insurance, called only for benefits "nearer to the level required to maintain subsistence".<sup>27</sup>

The debate ended with the Government's motion in support of the White Paper being accepted without a division. As the war was drawing to a close, it also effectively ended the Coalition Government's active involvement in the implementation of a national insurance scheme.

The same did not apply to family allowances, where a commitment to legislate had been made after the February 1943 debate. Despite Sir William Jowitt's prompting, it was not until March 1945 that the Family Allowance Bill was published.<sup>28</sup> The delay was due to several factors. Firstly, the need to iron out a variety of administrative problems;<sup>29</sup> secondly, delaying tactics employed by the Treasury;<sup>30</sup> thirdly, the relatively low priority given to implementation of the scheme and the much higher priority given to allowances for servicemen's families.<sup>31</sup>

26 On this occasion, Jowitt stressed the difficulty of exacting high contributions from lower paid workers which they could not afford, as a prime reason for the rejection of subsistence level insurance benefits. The solution was a system of "reasonable premiums and reasonable benefits - leaving the individual who is put in difficult circumstances to go to the Assistance Board if he is not able to cover himself by voluntary insurance". House of Commons Debates, 2 November 1944, col 985.

27 Ibid, col 1194.

28 Jowitt retained responsibility for the reconstruction programme until the end of 1943, and until then on a number of occasions urged greater haste in the preparation of the legislation. Sheepshanks to E Bevin, 15 September 1943, PIN 8/123; Sheepshanks to H George, 6 October 1943, PIN 17/2, quoted in Macnicol, op cit, p 192.

29 Such as to whom the allowance should be paid, the upper age limit, whether the family should be the "economic" or "blood" family, treatment of aliens, relationship with tax allowances, etc.

30 Cf Macnicol, op cit, p 191.

31 Cf discussion in Hall et al, op cit, pp 210-216.

Eventually, a bill was introduced in the closing months of the Coalition Government, for the payment of a weekly allowance of five shillings (50p) to over two and a half million families with two or more children. Jowitt, the Minister of National Insurance, introduced the debate on the second reading of the Bill on 8 March 1945. He presented the Coalition's proposals as being more generous than those of Beveridge himself.<sup>32</sup> This was a highly debatable point.<sup>33</sup> There were three real reasons for the lower rate. Firstly, it was the lowest rate which could be got away with; secondly, it avoided any commitment to the subsistence principle; and, thirdly, it reflected a genuine preference among many Ministers (Labour as well as Conservatives) for services in kind.<sup>34</sup>

Most of the speakers in the debate were enthusiastic about the introduction of the benefit and spoke as though a new era had dawned.<sup>35</sup> Much of the discussion focussed on to whom the allowances should be paid, which had been left to be subject to a free vote, which was eventually decided in favour of the mother.<sup>36</sup>

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32 "I want to point out that cutting down the proposed eight shillings [40p] to five shillings [25p] is not done on the ground of saving. If we take five shillings and these added allowances in kind the actual cost is substantially more than the eight shillings which was proposed." House of Commons Debates, 8 March 1945, col 2262.

33 In fact, even if the Government's pledges on benefits in kind (free school meals, milk, etc) had been fulfilled, its expenditure would have remained some 12 per cent less than that proposed by Beveridge.

34 Cf discussion in Philips Committee, pp 111-113; Reconstruction Priorities Committee, pp 154-158; and War Cabinet, pp 174. Also Hall *et al*, *op cit*, pp 206-207; Macnicol, *op cit*, pp 193-195.

35 House of Commons Debates, 8 March 1945, col 2333.

36 Only one speaker, out of 19, supported payment to anyone other than the mother.

There was just one speaker who did complain that the rate of the allowance was too low. This was Sir William Beveridge, the Liberal member for Berwick-upon-Tweed. Beveridge knew that the long-term effectiveness of his plan in reducing poverty depended upon the adoption of the subsistence principle. He did not accept the Government's arguments in support of benefits in kind.

"The earnings in practically every family are enough for man, wife and young child and, if they are not, you can, by minimum wage legislation, make sure that they are, but unless as the family increases, you make certain the whole<sup>37</sup> cost of the child is covered by your allowance you cannot make sure that the children will in every case be free from want."<sup>38</sup>

Beveridge went on to promise attempts to improve the rate in future.<sup>39</sup> Unfortunately, this proved to be a false hope. Four months later, Beveridge lost his seat in the House of Commons, following the landslide victory of the Labour Party in July 1945. Curiously enough, Beveridge lost his seat to a Conservative.<sup>40</sup>

By the time the Family Allowance Bill was given its second reading, the war in Europe was in its last stages, and the Coalition was beginning to break up. Following the surrender of Germany in May 1945, the Labour Party withdrew from the Coalition, and a caretaker government led by Churchill took over until elections could be held in July. During that brief period of two months, the Family Allowance Act became law. The legislation had the support of all the major political parties. The Act gave every family an allowance of five shillings (25p) a week for the second and each subsequent child under school-leaving age. Just over a year later, in August 1946, the first payments were made, under a new Government.

37 My emphasis.

38 House of Commons Debates, 8 March 1945, col 2309.

39 "For every child after the first when the father is earning, and for every child when the father is on benefit, there should be in total enough to feed, clothe and board that child, that is the one fundamental principle which is not conceded in this Bill, and that is why we hope to amend it in due course." House of Commons Debates, 8 March 1945, col 2311.

40 Harris, op cit, p 446.

## CHAPTER 8

## IMPLEMENTATION OF NATIONAL INSURANCE

On 26 July 1945, Churchill had to relinquish "the charge placed upon me in darker times,"<sup>1</sup> following the Labour Party's resounding general election victory. Attlee was the new Prime Minister. The new Minister of National Insurance was James Griffiths, the son of a blacksmith. It was a job Griffiths himself chose. When Attlee invited him to 10 Downing Street, the weekend after the election, he had offered him the job of Secretary of State for the Commonwealth, a key post with Cabinet rank. Griffiths asked instead for the Insurance Ministry, which did not carry with it Cabinet rank, although he was unaware of this at the time.<sup>2</sup>

Griffiths was an ex-miner, who, before embarking on a Parliamentary career had risen to become President of the South Wales Union of Mineworkers. During the Coalition, Griffiths sat on the Opposition front benches and made a historical contribution to the progress of the Beveridge proposals by being one of the leaders of the revolt against the government during the debate of February 1943. He was a good organiser, intelligent, practical and courageous.<sup>3</sup> His job at the new Ministry was his first as a minister. He was a little at sea initially, but once he grasped that his officials shared his commitment to the implementation of national insurance, his support for them was total. They, in turn, admired his determination and skill in pushing through most of the changes which were agreed with him.<sup>4</sup>

Two weeks after Griffiths' appointment, the Social Services Cabinet Committee was created. Its terms of reference were,

- 1 to consider all questions of policy connected with the completion and bringing into operation of the schemes of National Insurance and Family Allowances; and

- 1 W.S. Churchill, The Second World War, volume VI, Triumph and Tragedy, Cassell, p. 584.
- 2 J Griffiths, Pages from Memory, Dent 1967, p 77-78.
- 3 Interview with Sir John Walley.
- 4 Ibid.

2 to secure consistency having regard to the varying character of the schemes between the rates of payment to be made to individuals under the new schemes of national insurance and payments of a similar kind from Exchequer Funds.

The Committee was necessary not only to secure consistency between departments but to give Griffiths a voice in the Cabinet. All the Social Service ministers were represented. It was chaired by Arthur Greenwood, the Lord Privy Seal, who had set up the Beveridge Committee over four years earlier. Additional members were the Chancellor of the Exchequer, Hugh Dalton (usually represented by his Financial Secretary, Glenvil Hall); the new Lord Chancellor, Lord Jowitt; and the Secretary of State for Scotland, Tom Johnstone.

Dalton was an important figure in the settlement of the final aspects of the national insurance scheme. Many of the changes proposed at the Social Services Committee involved additional expenditure. As will be seen, these changes were not agreed with Treasury officials prior to approval by the Social Services Committee. A considerable amount of bargaining, therefore, took place directly between Griffiths and Dalton over the final package of proposals to be presented to Parliament.

Dalton was a marked contrast to the two other Chancellors who had played a key role in the implementation of the Beveridge Report. Unlike Wood, who was openly hostile to it, Dalton was a keen supporter of national insurance. Unlike Anderson, a model of financial rectitude, Dalton pursued an inflationary, expansionist, "cheap-money" policy which was partly to be his undoing in 1947.

The deliberations of the Social Services Committee were played out against a backcloth of extreme financial difficulty for the country as a whole. On 14 August, Dalton circulated to the Cabinet a memorandum by Keynes which graphically described the difficulties facing the country. In a nutshell, these comprised an enormous balance of payments deficit and a huge burden of debt overseas.<sup>5</sup> Keynes' solution was for a large loan to be negotiated

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5 Memorandum by Lord Keynes, "Our Overseas Financial Prospects", 14 August 1945, CAB 129/1 CP (45) 112.



from the United States. This would allow a breathing space for economic recovery, a reasonable standard of living for the average citizen, and the implementation of Labour's social programme.<sup>6</sup> In early September 1945, Keynes was despatched to Washington at the head of a delegation to negotiate a loan. Nearly three months of hard bargaining followed. Only after considerable controversy within the Cabinet were the somewhat harsh terms for the loan, imposed by the Americans, accepted.

In fact, the only changes ultimately made by the Labour Government to the basic proposals of the 1944 White Paper on social insurance, outlined in the preceding chapter, were to the rates of benefit and contributions. The basic rates of pension had not been raised at all during the war in favour of increases to means-tested pensions. Immediately after the general election the Government came under strong pressure from its back-benchers to raise pension rates at the earliest date possible. Griffiths had been advised by his officials that it would take three years before the national insurance scheme could be introduced. However, he wrung an early agreement from them, that pensions at the White Paper levels could be introduced a year in advance of the rest of the scheme and only a few months later than an increase in the existing pension could be implemented.<sup>7</sup> This proposal was put to the Social Services Committee in a memorandum circulated on 29 August 1945.<sup>8</sup> When it was discussed by the Committee on 3 September, Lord Jowitt expressed concern at the rate of 35 shillings (£1.75) proposed for a married couple.

"This rate had been adopted by the Coalition government at a time when it was reasonable to expect that the cost of living would not be so high as it was today."<sup>9</sup>

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6. "The creation of anything resembling the kind of welfare state outlined in Labour's 1945 manifesto and proclaimed in a thousand speeches at the hustings, therefore, rested entirely on some kind of financial agreement being reached with the United States to ease the burden of indebtedness and deficit and to give Britain a breathing space to help with future recovery." K O Morgan, Labour in Power 1945-51, 1984.
  7. Interview with Sir John Walley.
  8. CAB 134/697 SS (45) 3: "Interim measures to accelerate the operation of increases in OAP rates", memorandum by the Minister of National Insurance, 29 August 1945.
  9. CAB 134/697 SS (45) 2: meeting, 3 September 1945.

It had been accepted by Parliament, Jowitt went on, because it was a better rate than the one Beveridge started with. But it would be difficult to defend now. Although concern was expressed about the additional burden any increase would place upon contributors, it was agreed that a 40 shillings (£2) rate was desirable. Greenwood and Griffiths said they would pursue the question with the Chancellor of the exchequer.

During the next two months Griffiths and his officials considered a variety of alternative improvements to the benefit and pension rates outlined in the Social Insurance White Paper. Griffiths' main adviser was John Walley, an Under-Secretary at the newly created Ministry of Pensions and National Insurance. Walley developed a close relationship with the new Minister based on mutual respect.<sup>10</sup> Walley was responsible for benefits and policy issues. He had been moved to the new ministry with his boss from the Ministry of Labour, Sir Thomas Philips. Philips was the Permanent Secretary. He was approaching retirement and disengaging from concern with policy development.

Walley had no previous involvement with the Beveridge proposals. One of his early tasks at the Ministry was to familiarise himself with them and to prepare the national insurance legislation. This was based on the contents of the White Papers published in 1944.<sup>11</sup> When the results of the 1945 general election were known, Walley began to consider what changes the new Labour Administration might want to introduce to the scheme. His list included issues such as the rate of pensions, the duration of payment of short-term benefits and indexation.<sup>12</sup>

Griffiths was an enthusiastic supporter of the Beveridge proposals, including the subsistence principle. He raised the possibility of paying benefits at subsistence levels with Walley and other officials at the Ministry of National Insurance.<sup>13</sup> They had little faith in the subsistence concept, however, and were dismissive of the convoluted methods by which Beveridge had arrived at his levels of benefits.<sup>14</sup> Moreover,

10. Interview with Sir John Walley.

11. Cmnd 6550, op cit.

12. Interview with Sir John Walley.

13. Ibid.

14. It was felt that the 'scientific' approach to the measurement of subsistence was largely spurious. Considerations of habit and social policy were thought to have greater relevance.

acceptance of the subsistence principle also implied acceptance of the principle of 'indexation', whereby benefits rise as the cost of living rises. Griffiths, however, had to accept that this was not possible. The rates of benefit and of contributions had to be referred to in the legislation. To change them required amending legislation. Implementation of the changes, once the legislation had been approved was a complex business. Unlike assistance payments which merely involved uprating benefits, increasing insurance benefit levels necessarily meant raising contributions as well. Contributors collected stamps in return for their payments. Existing stamps had to be withdrawn and new ones printed and re-issued. The whole process could take from 6 months to a year to implement.<sup>15</sup>

More importantly, the machinery to implement regular changes was not available. The Ministry of National Insurance was a new ministry. Initially it had no staff, no buildings and no procedures. A thousand new offices had to be created. Over six thousand approved society units involved in the payment of sickness benefit needed to be wound up and their work assimilated into that of the new Ministry. The new Ministry had to be set up from scratch with virtually no help from outside or from other existing ministries.<sup>16</sup> It was a huge organisational task. Upratings could not begin to be considered until this task was complete.

The final factor which persuaded Griffiths that indexation was not possible was the implacable hostility of the Treasury. This opposition extended to

15. "I considered the possibility of providing benefits on a sliding scale linked to the cost of living. This had practical difficulties in that it would require changes in contributions each time benefits were changed. I was reminded that when after 1918 war pensions had been tied to a cost of living scale it had worked well while the cost of living was rising and was abandoned the first time it fell." Griffiths, op cit, pp 85-86.
16. Interview with Sir John Walley. It is an interesting reflection on the lack of a corporate approach within the civil service that the new Ministry was left to sort things out alone. The Ministry of Labour, for example, with a well-established local network of offices already established, was ideally placed to assist in the search for accommodation. Such help was neither offered nor sought.

Dalton, the Chancellor.<sup>17</sup> Indexation involved a loss of Treasury control over the level and distribution of transfer payments. It also implied a lack of belief in the Chancellor's own commitment to prevent the level of inflation rising. It was to be some years, and the establishment of a pattern of continually increasing post-war inflation, before this opposition was finally overcome.

Hence, Griffiths had little choice but to accept the advice of his officials that the only practicable option was to raise the level of the Beveridge subsistence benefits in line with inflation, to be reviewed after 5 years.

However, Griffiths was able to seize the opportunity to secure more favourable treatment for elderly people. He agreed with his officials that there was little logic in maintaining the differential proposed in the 1944 White Paper in favour of those in receipt of sickness and unemployment benefit and against retirement pensioners.<sup>18</sup> The rates of pension suggested by Beveridge at the end of the 20 year transitional period had, moreover, been aligned with the unemployment and sickness benefit rates. Accordingly, it was proposed that there should be one uniform rate of insurance benefit shared by short and long term recipients alike. As a result, retirement pensioners were to be treated much more generously than had been suggested in the White Paper. The proposed new rate for a single retirement pensioner, for example, was an improvement of 30 per cent on the White Paper rate.

On 9 November, Griffiths circulated two memoranda outlining his proposals to the Social Services Committee. The first of these began by pointing out that, "in the passage of the Bill through the House we must expect to be faced with strong demands that the rates of benefits and pensions should be fixed on a 'subsistence' basis."<sup>19</sup> It was proposed to meet these demands by adjusting the Beveridge subsistence rates by more than the 25

17 Ibid.

18 The Assistance Board, for example, gave higher allowances to pensioners than to those on unemployment assistance. This was on the grounds that those on long term benefits had greater needs.

19 CAB 134/697 SS (45) 18: "Benefits and Pension Rates", memorandum by the Minister of National Insurance, 9 November 1945.

per cent rise in the cost of living during the war, which Beveridge had assumed. As the Chancellor of the Exchequer had confirmed his intention to hold the cost of living at about 31 per cent over the September 1939 level, this was the amount by which it was proposed that the benefit rates would be increased.

This gave a rate for a married couple of 42 shillings (£2.10) per week, and for a single person of 26 shillings (£1.30). Although Beveridge had estimated the subsistence requirements of retired people at a slightly lower figure than those of people of working age, it was recommended that the same benefit rates be applied to pensions too, as Beveridge had originally suggested for the long run.

At the end of 1945 these rates seemed relatively generous and exceeded the basic means-tested assistance rates by a substantial margin.<sup>20</sup> When rent payments are taken into account the position is less satisfactory, although neither Griffiths nor his officials made any attempt at precise comparisons.<sup>21</sup>

The memorandum contained also the seeds of what was to prove the most controversial issue within the Government of its treatment of the Beveridge plan: the question of the duration of sickness and unemployment benefit. It queried the desirability of the 1944 White Paper's proposal to limit the payment of sickness benefit to three years and unemployment benefit to 30 weeks. In the case of sickness benefit, it argued that there was no justification for a three-year limit, "from the point of view of human needs", and that the cost of unlimited duration would be small. The case for unlimited duration of unemployment benefit was still being reviewed.<sup>22</sup>

20 For example, the scale rates paid by the Assistance Board at the time were 18 shillings and 20 shillings to an unemployed person and supplementary pensioner living alone respectively and 31 shillings and 35 shillings to unemployed and elderly couples respectively.

21 Interview with Sir John Walley. When rent payments are included in assistance benefits the proposed short term insurance benefits were higher in approximately three quarters of cases. A comparison of insurance pension rates with supplementary pensioners paying rent reveals that the insurance pension was higher in a little under half of cases. AST/7. Assistance Board Memorandum No 447, Scales of Assistance, 31 January 1946.

22 CAB 134/697 SS(45)18: "Benefits and Pension Rates" Memorandum by the Minister of National Insurance, 9 November 1945.

The second memorandum proposed that the existing old age pension of 10 shillings (50p) continue to be paid to existing contributors, after the ages of 60 and 65. It would be topped up on retirement to a total of 21 shillings, subject to an earnings limit of £1. The 10 shillings would continue to be paid, irrespective of earnings. The 1944 White Paper proposal for an enhanced rate of pension for those who postponed retirement was to be dropped. There were two main arguments in support of this proposal. The first was that the inducement to postpone retirement offered by the White Paper was inadequate, and that the retirement condition attached to the receipt of the pension would cause many people to retire prematurely. The second was that it was unfair to existing contributors - particularly voluntary ones - to be deprived of the right to an unconditional pension.<sup>23</sup>

There was little or no consultation with Treasury officials about these proposals. Details of them were circulated only two days before they were to be discussed by the Social Services Committee. The day after their circulation on 10 November, Edward Hale and Barnard Gilbert wrote a briefing note to the Financial Secretary and the Chancellor, advising that the Treasury reserve its position for the Cabinet. The note struck by the two Treasury officials was one of gloomy resignation. While they accepted that the uprating of the benefits, in line with the increase in the cost of living, was "not, taken as a whole, intrinsically unreasonable",<sup>24</sup> they questioned the wisdom of levelling up the retirement pension rates to the sickness and unemployment benefit rates on grounds of cost.<sup>25</sup> They questioned also the proposal to revert to Beveridge's original plan for unlimited duration of sickness and unemployment benefits, not on the grounds of cost but on the grounds of the incompatibility of such indefinite payment with the need for the imposition of sanctions to prevent abuse.<sup>26</sup> With all the sentiments expressed so far, Dalton noted his

23 CAB 134/697 SS (45) 19: "National Insurance Bill - Retirement Pensions", memorandum by the Minister of National Insurance, 9 November 1945.

24 T 161/1164/S48 497/5: briefing note for Chancellor of the Exchequer and the Financial Secretary on SS (45) 18 and 19, 10 November 1945.

25 Ibid.

26 "Sanctions can hardly be made effective unless the case is treated as one for assistance in which discretion can be exercised." Ibid.

approval. But he was less convinced by his officials' disapproval of the increased contributions which would result from their implementation.<sup>27</sup>

At the end of the note, Dalton scribbled on it:

"I agree. The Financial Secretary should say (at the Social Services Committee Meeting) that it has been impossible for these papers to be studied in the time available at the Treasury, that they raise many new proposals for increased expenditure of which I now learn for the first time....Postscript. I spoke to the Lord Privy Seal (Arthur Greenwood) after the Armistice Service. We agreed that no decisions would be taken at the Social Services Committee tomorrow, and that before anything went to the Cabinet he and the Minister of National Insurance would come and discuss all the details with me."<sup>28</sup>

There followed a series of five meetings, over 12 days, during which the Social Services Committee discussed Griffiths' memoranda and the amendments it wished to see made to the White Paper proposals. Eventually all the proposals made by Griffiths were agreed by the Committee, with the Treasury reserving its position on a number of them, particularly on the retention of the 10 shillings unconditional old age pension. A new proposal, which was introduced by the Minister of National Insurance during this series of meetings, was that the 42 shillings retirement pension for a married couple should be split on a 26 shillings (husband) and 16 shillings (wife) basis. This was justified on the basis that an equal split of 21 shillings left the single, retirement pensioner on too low a rate (21 shillings), particularly as the single person rate for sickness and unemployment benefit was to be 26 shillings. However a 26 shillings (single) pension carried with it an increase in the contribution, of seven pence. Needless to say, this new proposal was opposed by the Treasury.

With the exception of the Treasury, Griffiths had little difficulty gaining consent to his proposals on rates of benefit. His proposals for unlimited duration of sickness and unemployment benefit were much harder for the Social Services Committee to swallow. While it was quickly agreed, at the Social Services Committee on 22 November, that sickness benefit should be

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27 They had written, "It is very doubtful whether the increased contributions resulting from the Ministers' new proposals will be accepted by the industrial population.... Even if the increased contributions are accepted, they cannot but reduce the taxable capacity of the population for other purposes." Dalton had scribbled in the margin, "maybe". Ibid.

28 Ibid.

paid indefinitely,<sup>29</sup> the application of a similar suggestion to unemployment benefit was much more controversial. While Griffiths supported the idea of payments without time-limits, he was also conscious of the need for safeguards to prevent workers who preferred to remain on benefit from doing so, rather than returning to work. The Minister of Labour, George Isaacs, reminded the Committee that training or rehabilitation schemes were, by themselves, inadequate safeguards;<sup>30</sup> while the Financial Secretary to the Treasury, Glenvil Hall, reminded it of the problem of married women who would be able to claim benefit over a long period, although they had no real intention of returning to work. Nonetheless, a majority of the Committee favoured Griffiths' position, and officials were asked to provide advice to the Committee on additional safeguards which could be devised.<sup>31</sup>

In a paper circulated four days later, officials were able to suggest only two additional safeguards, a reflection possibly of their lack of enthusiasm for the idea of unlimited duration of what previously had been short-term benefits. About one of these, the importation into the insurance scheme of the sanctions of the assistance scheme (such as compulsory attendance at a work centre), they were dismissive. This was on the grounds that the main sanction of the assistance scheme was the means test. By itself, attendance at a work centre was an inadequate penalty. They were happier with the second suggestion, which was that where a person failed to accept an offer of suitable employment his case could be examined by a review tribunal with powers to exclude him from benefit for a period of time or until a substantial number of requalifying contributions had been paid.<sup>32</sup>

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29 The additional cost represented an increase in the contribution of only one halfpenny. CAB 134/697 SS (45): 9th meeting, 22 November 1945.

30 On the main grounds that, firstly, they would not be provided in sufficient numbers; and, secondly, their use as a sanction would destroy any prospect of co-operation between both sides of industry in creating retraining facilities for redundant workers. Ibid.

31 Ibid.

32 CAB 134/697 SS (45) 28: report by officials on additional safeguards required if unemployment benefit is made continuous, 26 November 1945.



The only member of the Committee recorded as speaking in favour of this suggestion, when it was discussed on 24 November, was the Minister of Labour.<sup>33</sup> Griffiths, whose attitude on the issue seemed to have hardened, spoke out in favour of unlimited duration of benefit without any additional safeguards against abuse. He was strongly supported by Ellen Wilkinson, the Minister of Education, whose comments articulated the views of those on the left of the Labour Party and were ably captured by the minute-taker. In her view,

"It was essential to abandon completely the theory that it was more economical to provide unemployment benefit than work, and the provision of unemployment benefit without limit would put a compulsion on the State to see that work was provided for all. Again, many of those classified as unemployed were unable to remain in steady employment not through any moral fault but because of some physical disability or mental instability due to heredity or environment. The proper treatment for such persons was not to cut them off benefit but to provide them with suitable medical or psychiatric attention."<sup>34</sup>

A third proposal was put forward by the Lord Chancellor, Jowitt. He suggested that benefit should last for only 32 weeks, subject to the Minister being able to extend this period in particular cases or for particular areas. However, a majority of the Committee favoured the view of Griffiths and Wilkinson, and it was decided to recommend that unemployment benefit should be paid for an indefinite period.

On 23 November, Griffiths and Dalton had discussed their differences but failed to reach any agreement.<sup>35</sup> On 1 December, Greenwood submitted the Committee's report on the national insurance scheme to the Cabinet. So far as rates of benefit and pension were concerned, the report stated:

33 Because there had been no time to circulate the official memorandum, a verbal description of its contents was given to the Committee by the Permanent Secretary of the Ministry of Labour. CAB 134/697/ SS (45) 11: meeting, 24 November 1945.

34 Ibid.

35 CAB 134/697 SS (45): 11th meeting, 24 November 1945.

"The White Paper argued against the adoption of a subsistence basis for benefit rates in a universal insurance scheme. We agree that it would be impractical to vary benefit rates according to the needs of different individuals or to change them at short intervals according to variations in the cost of living. But it is in our view essential:

- (i) that the leading rates should be fixed nationally at figures which can be justified broadly in relation to the present level of the cost of living; and
- (ii) that definite arrangements should be made for a review of the rate from this point of view at fixed intervals."<sup>36</sup>

The report went on to recommend that the rates should be calculated by the addition of 31 per cent to Beveridge's subsistence rates, to be reviewed at five-yearly intervals.

The suggested rates of unemployment and sickness benefit were 42 shillings (£2.10) for a married couple, and 26 shillings (£1.30) for a single person.

This represented an increase of two shillings (10p) over the rates proposed in the White Paper. Both of these benefits, it was proposed, would be of unlimited duration.

The same rates as Beveridge had originally set were proposed for retirement pensions. However, the apportionment between husband and wife - 26 shillings (£1.30) and 16 shillings (80p) - was different from both the Beveridge and the White Paper's recommendations of an equal share.

A similar break from both the Beveridge and White Paper proposals lay in the suggestion that an unconditional pension of 10 shillings (50p) should continue to be paid at age 65 (age 60 for women).

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36 CAB 129/5 CP (43) 315: report by Social Services Committee on the National Insurance Scheme, memorandum by Lord Privy Seal, 1 December 1945.

These and a number of other suggested improvements bumped-up considerably the cost of the Beveridge proposals, compared with the Coalition Government's 1944 White Paper. The total cost of the 1944 White Paper proposals in 1948 was put at £486 millions. The new proposed changes pushed up the cost by £76 millions to £562 millions. To pay for this, Class 1 contributions would have to be raised from six shillings and elevenpence (35p) to nine shillings and sevenpence (47p) for male employees, and from five shillings and fivepence (27p) to seven shillings and sixpence (34p) for female employees. The employer's share - five shillings and twopence (26p) - of the new rate of contribution had been felt by the Social Services Committee to be too high. On the other hand, it had been felt that he could reasonably be expected to pay as much as four shillings and sixpence (23p). It was therefore recommended that the difference should be paid for by the Exchequer.<sup>37</sup>

Although these proposals for additional expenditure coincided with renewed optimism about the success of Keynes' negotiations in Washington, it seems unlikely that there was any connection between the two events. Certainly, the acceptance of the loan by the Cabinet, on 5 December, seemed to make little difference to the Treasury's response to the Social Services Committee's proposals. In a memorandum circulated on the same day, the Chancellor of the Exchequer argued against them. The memorandum suggested that it would be better to divide the married couples' pension equally, as had been done always, which would leave a single pension of 21 shillings. The initial savings would be £27 millions, in addition to nearly £1 million per year off the gradually increasing cost of the scheme to the Exchequer over the following 20 years.<sup>38</sup> The retention of an unconditional old age pension was against Labour Party policy, and it would be preferable to raise the amount of the addition for each year of postponed retirement. The proposal for the unlimited duration of unemployment benefit was "fraught with possibilities of abuse sufficient to involve real risk of bringing Government administration into disrepute".<sup>39</sup> The

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37 CAB 129/5 CP (45) 315: report by the Social Services Committee on the National Insurance Scheme, 1 December 1945.

38 The Chancellors' paper estimated an annual increased cost to the Exchequer of £10 millions per year between 1948 and 1968. CAB 129/5 CP (45) 323. National Insurance Scheme, memorandum by the Chancellor of the Exchequer, 5 December 1945.

39 Ibid, paragraph 3.

transfer of part of the increased cost from the contributor to the Exchequer, "would soon lead to pressure for a bigger arbitrary transfer. The practical question is how heavy a burden can be imposed, without running grave future risks, on the taxpayer and on the contributor."<sup>40</sup>

On the following morning, 6 December, these differences were discussed in Cabinet. Herbert Morrison, now the Lord President of the Council, spoke in support of the Chancellor. His reasoning on this occasion was very similar to that of nearly three years previously, in the early days of the discussions following the publication of the Beveridge Report: anxiety that expenditure on pensions would pre-empt spending to achieve other reforms.<sup>41</sup> As discussions of the various arguments progressed, it became clear to Attlee, the Prime Minister, that agreement would not be reached at that Cabinet. He therefore invited the main protagonists, including Bevin, the Foreign Secretary, to reconsider and submit revised proposals the following week.

The revised proposals were submitted to the Cabinet by Greenwood, the Lord Privy Seal, five days later.<sup>42</sup> Dalton, the Chancellor, conceded the case for a single pension of 26 shillings on two conditions. Firstly, that any pressure to raise the rate further would be resisted. Secondly, that contributions would be raised after five years to meet part of the additional burden due to the increased rate. In return, Griffith conceded the case against retention of the unconditional 10 shillings pension. Instead, it was agreed that the inducement for deferred retirement should be increased to two shillings for each six months by which retirement was postponed. Stalemate, however, was reached over the duration of unemploy-

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40 Ibid, paragraph 6.

41 "There was a danger that an undue proportion of our resources would be spent on the aged with the result that the Cabinet would later have to reject other desirable projects of social reform on the grounds that they could not be financed." CAB 128/2 CM (45) 60: meeting, 6 December 1945.

42 CAB 129/5 CP (45) 325, National Insurance Scheme, Memorandum by the Lord Privy Seal, 11 December 1945.

ment benefit, with both Ministers refusing to budge from their positions.<sup>43</sup> Significantly, Bevin as well as Morrison supported Dalton, the Chancellor of the Exchequer. Thus, when the national insurance proposals were discussed again by the Cabinet, on 13 December, this issue proved to be the most contentious. After a full discussion, during which all the arguments for and against were put, Attlee stated that there was a majority of the Cabinet in favour of a time-limit of 30 weeks, and that this should be the decision of the meeting. At the same time, the Social Services Committee was asked to investigate further the possibility of easing the conditions by which claimants would be entitled to assistance after the exhaustion of their right to benefit.<sup>44</sup>

These arrangements left the initial combined Class I contribution to stand at nine shillings per week (45p), divided between four shillings and sevenpence (23p) for male employees and four shillings and fivepence (21p) for his employer. Corresponding rates were to be fixed for women and Classes II and IV.

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The drafting of the National Insurance Bill could now be hurriedly completed, and on 11 February 1946 (preceded by a three-day debate) the Bill was given its second reading. Griffiths opened the debate by outlining the basic features of the scheme, the majority of which stood unchanged from those announced in the debate which had taken place almost exactly three years previously. Firstly, it was a scheme of great administrative unification, bringing together all the fragmented social insurance schemes of the previous 40 years under the control of a single Minister

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43 In his Diaries, Dalton restricts himself to describing the positive outcomes of his discussion with Griffiths and Greenwood. "I had a bit of a fight to insist on the principle of Retirement Pensions but they finally agreed to 26 shillings [£1.30] a week for a single person and 42 shillings [£2.10] a week for a married couple .... Of course the Old Age Pensioners Association will try to auction this up. But I have insisted that we must stand firm on this as I think we may, since the rate of 26 shillings and 42 shillings run right through the Bill." Dalton Diaries, 7 December 1945.

44 CAB 128/2 CM (45) 62: meeting, 13 December 1945.

working through a single department. The citizen would pay for his benefits with a single stamp upon a single card.<sup>45</sup> Secondly, the scheme was a universal one and included many classes of contributors who had hitherto been excluded. "All the people in this country are brought within this all-embracing scheme."<sup>46</sup> Thirdly, the principle of subsistence continued not to be accepted:

"it is undesirable, as well as impracticable, to have automatic adjustment. This method of pegging benefits to a specific cost of living and adjusting automatically was tried at the end of the last war in pensions and broke down the first time it came to be applied. We are convinced, after examination, that it will break down again. It is equally clear that no general level of benefit can possibly cover all the varied individual needs of every person who would come within the scheme."<sup>47</sup>

However, the leading rates of benefit would be fixed initially at levels which could, "be justified broadly in relation to the present cost of living".<sup>48</sup> As the Chancellor had committed himself to holding the level of price increases to 31 per cent over the pre-war level, then this amount would be added to the original Beveridge rates instead of the 25 per cent Beveridge had assumed. The rates would be reviewed statutorily every five years. "It is the beginning of the establishment of the principle of a National Minimum Standard",<sup>49</sup> which of course it was not. The rates for sickness and unemployment benefit were to be the same, as had been agreed in the Coalition White Paper, and the actual amounts to be paid were slightly increased. The biggest change was in the amount of retirement pension, which was raised from the 35 shillings (£1.75) for a married couple and £1 for a single person proposed in the White Paper, to 42 shillings (£2.10) married and 26 shillings (£1.30) single. As had been agreed by the Coalition government, the pension was conditional upon

45 House of Commons Debates, 6 February 1946, col 1746.

46 This, of course, was by no means true. One of the features of any contributory scheme of insurance is that those who have been unable to meet the minimum contribution requirements are excluded from its benefits.

47 House of Commons Debates, 6 February 1946, col 1749.

48 Ibid.

49 Ibid, col 1750.

retirement. The increment for postponement of retirement was, however, doubled from one shilling (5p) to two shillings (10p) per week, because of fears that a one shilling increment was an inadequate inducement for people to remain in the labour market. Unemployment benefit was to be paid for only a limited period. Griffiths presented the reason for this as fear of mass unemployment breaking the insurance fund, as had happened in 1920-1921:

"We believe that the responsibility for long-term unemployment should be undertaken by the state (ie out of national assistance) as a direct responsibility."<sup>50</sup>

In fact, the main reason was exactly the same as the one which had motivated the Coalition Government to propose a short-term unemployment benefit: fear of abuse.

Fourthly, contributions were to be flat-rate, as had been accepted all along almost without question. They had, however, been raised substantially, mainly to pay for the improved rates of pension. The amount levied from an employed man was four shillings and sevenpence (23p). This compared with a rate of three shillings and tenpence (19p) for an employed man under the Coalition Government's proposals.

When the Bill was given its Third Reading, three months later, Griffiths admitted that he thought the system of flat-rate contributions was a serious defect of the scheme, but that because so much work had been done on it already it was better to implement it and reform it later, rather than start from scratch again.<sup>51</sup>

Fifthly, there was no role for the Approved Societies, while the possibility of nationalising the industrial insurance business, which was never seriously considered by the Coalition Government, was not even mentioned.

Finally, due almost entirely to the increase in the rates of retirement pension, the cost of the scheme had risen to £552 millions in 1948.

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50 Ibid, col 1752.

51 "We will when we come to review it give serious consideration to the possibility of devising some way of financing the scheme in which the contributions will be better equated with the capacity to pay". House of Commons Debates, 30 May 1946, col 1462.

R A Butler, who opened the debate for the Opposition during the Second Reading, was quick to point out the inconsistencies in the Government's position over the level of benefits in relation to the subsistence principle. Whereas the Coalition Government had come out in favour of the young at the expense of the old, the position was now arguably reversed. While pensioners were to be better off than Beveridge had recommended, an unemployed or sick man with two or more children would be worse off.<sup>52</sup> This was because no measures had been announced by the Government to uprate family allowances, which had been set by the previous caretaker government at the Coalition Government's recommended rate of five shillings (25p). These were the only dependants' allowances for second and subsequent children of families in receipt of national insurance benefits.

This sort of criticism was fairly typical of the debate as a whole. With one exception, there were none of those full-frontal assaults on the cost of the Beveridge plan which had characterised earlier debates. Instead, most of the discussion concentrated on secondary aspects of the scheme. It was felt by several Tory members that the self-employed suffered an injustice. In return for their increased contributions, they would be ineligible for unemployment benefit and would have to wait 24 days before they received sickness benefit. During the subsequent Committee stage, an amendment reducing the waiting period for a self-employed person from 24 days to three days - the same as that for an employee - was accepted. Several MPs felt that the income limit for exemption from paying contributions to the scheme was too low. At £75 it left those with incomes just above that amount paying nearly one-fifth of it in national insurance contributions. Again, it was agreed to raise the income limit to £104 during the Committee stage.

While, in general, plaudits were showered upon the Government and, in particular, upon Arthur Greenwood for having set up the Beveridge Committee in the first place, there were a few Labour members who criticised the scheme for not going far enough. During the brief debate on the Bill's Third Reading, on 30 May 1946, for example, Sydney Silverman cast a warning shadow:

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52 House of Commons Debates, 6 February 1946, col 1754.



"Remember that what we set out to do was to guarantee and ensure in the case of everyone who qualified by reason of some social misfortune, the maintenance of a reasonable minimum of subsistence, as of right ... if one compares the benefits under this Bill with those paid by the Assistance Board in comparable circumstances ... we find ... that these figures in the Bill are far below the figures thought by the Assistance Board and the more enlightened poor law authorities to be the necessary minimum. Therefore the maintenance of the minimum standard of life which we set out to achieve by the social security scheme cannot be achieved on these scales of benefit without recourse to supplementation by the Assistance Board."<sup>53</sup>

While this was not entirely true, Silverman had pinpointed the main lacuna in the new national insurance edifice. In the future, without the subsistence principle to underpin the insurance rates, it was likely that the two would drift further and further apart. And this was how, in practice, it turned out.

Silverman had been responsible for a spate of amendments to the National Insurance Bill during its Committee stage. One of these, for the introduction of the new pensions two years in advance of the main scheme, was to give the Government and civil service a considerable number of headaches. It attracted much back-bench support in the form of around 200 signatories. Griffiths' own officials at the Ministry of National Insurance were strongly opposed to the suggestion having already conceded the possibility of their implementation a year early. However, staff at the Blackpool office, which administered the existing old age pensions, said that they could do the work in time. A Treasury official was used to arbitrate. His decision was that it could be done. Griffiths backed Silverman, and the new pension rates were paid to existing retired pensioners in October 1946, nearly two years in advance of the main scheme. It was, according to one of Griffiths' officials at the time, "utter chaos", but a major administrative achievement nonetheless.<sup>54</sup>

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53 House of Commons Debates, 30 May 1946, cols 1428-1429.

54 Pressure on staff was such that nearly half a million letters containing pensions enquiries from the public remained unanswered. Interview with Sir John Walley.

By the time the complete scheme was introduced on the "appointed day" in July 1948, hundreds of new statutory regulations had been prepared and approved, together with a mass of new instructions; a huge new central office had been created in Newcastle to hold the records of all insured persons, together with a network of around 1000 regional and local offices; and upwards of 30,000 new staff were in the process of being recruited and trained.<sup>55</sup>

Thus, five and a half years after the publication of his report, Beveridge's bloodless "British Revolution" was well on the way to completion. However, it was not long before this jewel in the crown of the new welfare state was to become more than a little tarnished. The next chapter examines some of the reasons for this.

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55 CAB134/697 SS (46) 10, 10 May 1946. Cf also Annual Report of the Ministry of National Insurance, 1949. Sir John Walley, op cit, p 36.

## CHAPTER 9

## THE IMPACT OF NATIONAL INSURANCE AND FAMILY ALLOWANCES

It is easy, with the benefit of hindsight, to be critical of the Beveridge scheme. Firstly, it manifestly failed to achieve Beveridge's primary objective: the removal of "want". By the 1960s, a number of studies had appeared which showed that substantial numbers of old people, families with children, lone parents, unemployed and sick people had incomes below approved subsistence levels.<sup>1</sup>

When the leading benefit rates, introduced in 1948, are compared with the rates paid 10 years previously (see Table 4 overleaf), it can be seen that the seeds of failure had already been sown.

Under National Insurance, rates for unemployment benefit were lower in real terms in 1948 than they were in 1938. A single man on sickness benefit received the same in real terms in 1948 as he did in 1938. A married man with children in receipt of sickness benefit was, however, better off in 1948 as a result of the introduction of dependency allowances which were not paid in 1938.

Married men at work not paying tax, with two or more children were better off to the tune of five shillings (25p) per child, a substantial gain to those with large families.

Pensioners were also major beneficiaries of the new scheme, particularly as their benefits had been paid early in 1946. By 1948, the new national insurance retirement pension remained a substantial improvement on the pre-War old age pension. Nonetheless, many people felt that it was inadequate as a sole source of income. Within four months of the

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<sup>1</sup> Cf D. Cole and J Utting, The Economic Circumstances of Old People, Caldicote Press, 1962; B. Abel-Smith and P Townsend, "The Poor and the Poorest", Bell, 1965; Ministry of Pensions and National Insurance, Financial and other circumstances of Retirement Pensioners, H.M.S.O., 1966; Ministry of Social Security, Circumstances of Families, H.M.S.O., 1967.

TABLE 4

Comparison of 1938 benefit rates with those of 1948  
at constant (1938) prices.<sup>2</sup>

	<u>1938</u>			<u>1948</u>		
	£	s	d	£	s	d
<u>Unemployment benefit</u>						
Single person		17	- ( 85p)		15	- ( 75p)
Married couple + 1 child	1	10	- (150p)	1	8	6 (142p)
<u>Sickness benefit</u>						
Single person		15	- ( 75p)		15	- ( 75p)
Married couple + 1 child		15	- ( 75p)	1	8	6 (142p)
<u>Retirement/old age pension</u>						
Single person		10	- ( 50p)		15	- ( 75p)
Married couple	1	-	- (100p)	1	4	6 (122p)
<u>Family allowance</u>						
Married couple + 1 child	-	-	-	-	-	-
+ 2 children	-	-	-	-	5	- ( 25p)
+ 3 children	-	-	-	-	5	- ( 25p)

introduction of the entire scheme in 1948, the M.P. for Oldham West, Mrs Barbara Castle, was to be found in the House of Commons presenting a petition

"signed by over 2.3 million old age pensioners and others in Great Britain. The Petitioners stress that old-age pensioners are suffering great hardship on account of the increase in the cost of living, and that the basic rate of the old-age pension of 26 shillings per week has now become insufficient for the purchase of the necessities of life....."<sup>3</sup>

The fact that the Assistance Board's scale rates exclusive of rent payments

2 This table assumes an increase of 72 per cent in the cost of living between 1938 and 1948, and is based upon B Abel-Smith, The Reform of Social Security, Fabian, 1954, table 1.

3 House of Commons Debates, 3rd November 1948, col. 831.

were increased to 24 shillings at the same time as the entire insurance scheme was introduced in July 1948 provides some implicit acknowledgement of the veracity of the petitioners' claim.<sup>4</sup> As table 5 overleaf shows, the leading benefit rates under the main insurance scheme remained lower than the assistance rates, inclusive of average allowances for rent.

The introduction of the new national insurance retirement pensions in October 1946 reduced the numbers of elderly people in receipt of means tested supplementary pensions by nearly two thirds - a major achievement.<sup>5</sup> However, most of those without other resources needed to continue to apply for means tested assistance to achieve a minimum subsistence income. When the unified National Assistance scheme was introduced at the same time as the new National Insurance scheme in July 1948 there remained approximately 800,000 Assistance recipients who were previously in receipt of unemployment assistance, supplementary pensions, outdoor relief, blind domiciliary assistance or tuberculosis treatment allowances.<sup>6</sup> Two years later this number had increased by 60 per cent. Thus one of the main objectives of the Beveridge plan - to secure a minimum subsistence income for all, without recourse to means-testing was not achieved.

How can this failure of the Labour Government be explained?

4 In fact, officials at the Assistance Board were casting doubts on the adequacy of the scales as early as January 1946, only a few weeks after the new insurance pension rate of 26 shillings for a single person had been agreed:

"Apart from any question of scientific basis or logical argument, some members of the staff feel that the 20s. rate for the pensioner living alone (29 shillings inclusive of average rent payments)..... is on the "tight" side. A sample budget which has been worked out in the office is appended to this memorandum. It certainly tends to support the view that people living alone who have nothing beyond what they get from the state (i.e. have no private resources) must be finding it difficult to manage."

AST 7/861, Scales of Assistance, Unemployment Allowances and Supplementary Pensions, Board Memorandum No. 447, 31 January 1946.

5 The numbers in receipt of supplementary pension dropped from 1,470,087 to 570,552 following the introduction of the national insurance pension. Report of the National Assistance Board, 1948, Cmd 7767, HMSO.

6 Ibid.

TABLE 5

Leading National Insurance rates of benefit and scale rates inclusive of average rent allowances paid by the National Assistance Board 1946-50<sup>7</sup>

	<u>1946</u>	<u>1948</u>	<u>1950</u>
<u>National Insurance benefits</u>	s	s	s
Single person	26	26	26
Married couple	42	42	42
 <u>National Assistance Board scale rates and average rent payments</u>			
Single person	29(27) <sup>8</sup>	33	35
Married couple	45(41)	51	54

When the new rates were agreed in December 1945 they were roughly equivalent to the levels of assistance payments then being paid. The same could almost be said in 1946, as table 5 shows, when the first payments of the new retirement pension were paid. However, the assistance rates were increased in 1948 when the rest of the insurance scheme was introduced.<sup>9</sup> By this time it could manifestly not be claimed that insurance and assistance rates were similar.

A major reason for the difficulty experienced by the government in matching assistance allowances was the fact that means-tested benefits had risen during the war, while insurance benefits were held down. The increases in levels of assistance payments, moreover, outstripped the rise in the

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7 The Assistance Board was re-named the National Assistance Board in 1948. The average rents paid are based on 10 and 5 per cent samples of all recipients in Great Britain. The exception is 1946 where only information on supplementary pensioners is available and the data is assumed to apply to recipients of unemployment assistance. c.f. Assistance Board Annual Reports for 1946, 1947 and 1950, Cmds 7184, 7767, 8276, HMSO.

8 The bracketed figures apply to working age recipients only. The scale rates were unified in 1948.

9 Report of the National Assistance Board, 1950, Cmd 8276, HMSO.

official cost of living index by a considerable amount.<sup>10</sup> The fact that Beveridge's 1938 proposed subsistence rates were uprated only by an amount (31 per cent) equivalent to the increase in the cost of living during the war inevitably reduced the new scheme's impact on recipients of Assistance.

More important was the fact that the cost of living index that was used was wrong. It seriously under-estimated price increases during the period including the second world war. As was discovered later, even by 1945 the inflation rate since 1938 was fast approaching 50 per cent. By the time the entire scheme was implemented in 1948, it had reached 72 per cent.<sup>11</sup> It was also the case that no-one could have predicted the continuing high levels of inflation which occurred after World War II. The Minister of National Insurance, James Griffiths, was, in fact, alive to the dangers of inflation. He was also deeply concerned that all he was able to offer by way of indexation was a review of the rates at 5 yearly intervals.<sup>12</sup> It was partly in order to present this in the most favourable light possible that one of the Chancellor of the Exchequer's first economic errors of judgement was foisted upon him, ie. his commitment in 1945, to hold inflation down to its post-war level of 31 per cent.<sup>13</sup>

There is a further reason for the mismatch between the new insurance rates of benefit in 1948 and subsistence levels. Beveridge's subsistence levels had been calculated on the basis of assumptions made about minimum necessary levels of expenditure on five areas, of which food comprised over

10 The increase in Assistance rates for adults from 1940-46 was some 35 per cent. The official index showed a rise in the cost of living of 12 per cent over the same period. AST 7/861, Scale Rates and Discretionary Grants, Board Memorandum No. 472, 30 May 1947.

11 A H Halsey, Trends in British Society, table 4.10.

12 See Chapter 8, pp 193-194, for a discussion of the reasons.

13 "I (Sir John Walley) do not think Jim (Griffiths) was misled by anyone - I think they were misleading themselves, including Beveridge, who used to have a regular "moan" about how inflation had destroyed his scheme. Jim, at least had a better understanding of what was to be expected than Dalton had. Dalton made that absurd boast about his intention to hold prices which I got Jim to father on him in his second Reading Speech on the 1945 Bill, as Jim's alibi for not incorporating a proper "dynamism" in the scheme". Letter to the author from Sir John Walley.

one third of the total cost.<sup>14</sup> Expenditure on food was based on the cost of a variety of basic foodstuffs adequate to sustain life. These basic foodstuffs included meat, bread, sugar jam, potatoes, oats and barley. While these foodstuffs were freely available in 1938, they were strictly rationed in 1948. Officials at the National Assistance Board reckoned that the amounts of these foodstuffs included in Beveridge's figures were double the amounts allowed by the post-war ration.<sup>15</sup> As a result they concluded that the only reasonable course was to disregard pre-war figures and devise a new minimum dietary based on what was currently available.<sup>16</sup> The dietary produced by the National Assistance Board officials provided less than two thirds of the calories (1945) of the dietary used by Beveridge.<sup>17</sup> However, it cost nearly 50 per cent more. It was these figures which were taken into account in the uprating of national assistance scale rates in 1948. Had they been used in the determination of the insurance benefit rates they would have been increased by an additional three shillings and sixpence (seventeen and a half pence.)<sup>18</sup>

This examination of the leading benefit rates of the new National Insurance scheme suggests that, while there were some improvements in benefit rates, they were insufficient to meet the basic objectives of the Beveridge scheme.

There were, of course, other improvements. There were two entirely new benefits, for maternity and death. This was a gain undoubtedly, although the cost of the new benefits was relatively small. The insurance schemes were extended to cover new classes of beneficiary. Around five millions more people were included. However, the new beneficiaries, (mainly for short-term benefit) were principally the middle classes who had much less

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- 14 The five areas were food, clothing, fuel, light and sundries, and a margin for inefficient spending. c.f. Cmd 6404, page 78, table IV.
- 15 AST 7/861, National Assistance: the adult scale rates, Board Memorandum No 499, 15 April 1948.
- 16 "When the enforced change in the pattern of expenditure has been so violent no index could be satisfactory which is compounded from the rise in prices of individual articles, and the only reasonable course is to disregard the pre-war figures and start afresh." Ibid. para 10.
- 17 It was described as sufficient for an old woman but insufficient for a man of working age, even if he was unemployed. Ibid. para 11.
- 18 The Beveridge figures for food, increased by 31 per cent, amount to approximately 8 shillings for a single person. The amount for food in the National Assistance Board dietary was eleven shillings and sixpence for a single person. Ibid. para 23.



need of state insurance benefits than the chronically sick without insurance records, and the long-term unemployed who had exhausted theirs and continued to be excluded. Finally, there was the great administrative achievement of the rationalisation and unification of state insurance. Single rates of contribution and benefits introduced some semblance of equity and coherence into what previously had been a chaotic hotchpotch.

The effect of the 1945-48 reforms on the distribution of income was mixed. The evidence for 1949 suggested that, as a result of the new high flat-rate contribution, those with below average incomes paid more to the Exchequer than they received in benefits. In 1938 the same group had made a small net gain.<sup>19</sup> While there was no vertical redistribution in favour of the poor, there was some redistribution in favour of the old and families with two or more children.

This brief review of the evidence suggests that the 1945-48 creation of family allowance and national insurance schemes failed to improve working class living standards a great deal, except for large families and retirement pensioners for a limited period. This failure is the greater because the opportunity existed to carry out major structural reforms in a way that had never occurred before. Despite the war-time consensus that existed in favour of radical reform, the publication of the Beveridge Plan and the mandate subsequently given to the Labour Party to implement it, the dream of a minimum subsistence income as a right for all was not realised. A so-called welfare state was created. But it was a papier-mache Jerusalem. The Beveridge Plan was introduced. But, in the process, the heart was cut out of it. With a subsistence basis to the benefits removed, a combination of rising wage levels and inflation greatly reduced the effectiveness of the scheme. Whether responsibility for this should be attributed to faults within the Plan itself or to the successive governments that implemented it, is a matter of judgement. Certainly, some of the major reasons for the failure of the Beveridge Report to

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19 Peacock, The Economics of National Insurance, 1951, p 69. Moreover, recent evidence suggests that the situation may have favoured the better off even more than Peacock estimated:

"thirty-six per cent of social class V dies before the age of 65, as compared with only 22 per cent of social class I ... in effect social class V can be subsidising the state pensions of social class I."

achieve all of its objectives lie within the contradictions which were within it. While Beveridge was aware of the difficulties, he tended to obscure them by the rhetoric with which he overlaid his scheme. This can be seen by an examination of the six fundamental principles which Beveridge embodied in it.

The first of these was a "flat rate of subsistence benefit".<sup>20</sup> Beveridge wanted to replace the existing mixture of benefits, which bore little relation to the needs of the recipients, with a single system which met minimum needs but without the stigma of the Poor Law and the means test. His real intention was to replace national assistance with insurance benefits at a similar level. He was aware that, for many people, flat-rate benefit would not be enough to maintain them at anything like the standard of living they had previously enjoyed. But these people would be able to top up their state insurance benefits by contributing to private insurance schemes. Beveridge placed great faith in commercial insurance, despite its defects, of which he was aware.<sup>21</sup>

A more important problem, however, was that no flat-rate of benefit could be pitched at precisely a level which met minimum needs. This is because the concept of subsistence is relative, something which immediately became clear with the problem of rent. Shelter, along with warmth, clothing and food, was a basic requirement, the cost of which had to be met out of a payment for subsistence. Unfortunately, its cost for a similar standard of accommodation varied in a much more dramatic fashion than the other basic requirements, both within and between different regions of the United Kingdom. In the end, Beveridge had no alternative other than to propose an average amount for rent within the basic flat-rate benefit. This meant that to some people the benefit would be at or above subsistence level, while to others it would be below subsistence level. It was a point that the Coalition Government was able to make much of, to justify its initial rejection of the "subsistence principle". Beveridge had allowed his commitment to the encouragement of voluntary insurance, through the provision of only a minimum flat-rate benefit, to sweep aside the

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20 Social Insurance and Allied Services (The Beveridge Report), Cmd 6404, para 304.

21 The two major limitations of commercial schemes were, firstly, the fact that pension rights from one scheme could not be transferred to another after a change in job; and, secondly, that benefits were not adjusted in line with price inflation.

illogicality inherent in trying to meet subsistence needs at the same time.

Beveridge's second fundamental principle of a "flat rate of contribution"<sup>22</sup> was based on the idea that all insured persons, rich or poor, should pay the same contributions for the same level of security. This had a good populist ring to it, but, as a large and growing proportion of the benefits were to be financed out of general taxation, was clearly bogus. There was also a major difficulty. This was that contributions (and hence benefits) could only be raised to a level which could be afforded by the poorest contributor. This was an important factor affecting the decisions taken between 1943 and 1945 about the size of contributions. While the system of flat-rate contributions was not a significant factor restraining increases in benefits during the early years of the scheme,<sup>23</sup> it became increasingly important as the weight of the pension obligations assumed in 1946 began to be felt, and additional levies were made. The burden then rapidly became intolerable, and it took only 13 years from the inception of the scheme before a system of graduated contributions was introduced.

The third principle, that of "unification of administrative responsibility",<sup>24</sup> was achieved briefly in 1966 when Beveridge's proposed, but ill-fated, Ministry of Social Security came into existence.<sup>25</sup> It was not until then that aspects of the administration of the Supplementary Benefit scheme (which replaced National Assistance) were merged with some of those of the National Insurance scheme. Prior to that time, ministers had taken the view that it was essential to keep separate the organisation of the two schemes, to emphasise the distinction between them.

Beveridge had felt that the stigma of the means test would be a sufficient means of maintaining the attraction of the insurance scheme. In any case, he had designed his system of national insurance specifically to replace the existing three different means tests which existed for public assistance, supplementary pensions and non-contributory pensions. While

22 Cmnd 6404, paragraph 305.

23 Sir John Walley notes that the scheme paid its way for the whole period of the Attlee government, with practically no help from taxation. Walley, op cit, p 77.

24 Cmnd 6404, paragraph 306.

25 It lasted for only two years before it was merged into the newly created Department of Health and Social Security.

he realised that a single residual scheme of assistance would have to remain, he saw it fulfilling a minor and diminishing role. Nonetheless, although the administrative unification was not as complete as Beveridge would have liked, his attempt at streamlining the system was very largely successful.

The fourth fundamental principle was that of "adequacy of benefit in amount and in time".<sup>26</sup> By this, Beveridge meant that his benefits would be the "minimum needed for subsistence in all normal cases", and would "continue indefinitely without means test, so long as the need continues." The difficulties involved in applying the subsistence principle have been discussed earlier. However, even if this principle had been accepted, a major difficulty would have been maintaining the value of the benefits in the face of inevitable rises in the cost of living. Beveridge, in his Report, delegated the task of maintaining the real value of his benefits and contributions to a Social Insurance Statutory Committee.<sup>27</sup>

But the need for such a Committee was dismissed by the Coalition Government, mainly inspired by the Treasury, which had a clear interest in seeing the real value of the benefits fall. Moreover, Beveridge himself did not support the concept of benefits being adjusted continually in line with changes in the cost of living. He thought that a much greater priority was to stabilise prices in the first place.<sup>28</sup> Nor was the need felt by the incoming Labour government which settled instead for a review every five years.

With the benefit of hindsight, it is apparent now that Beveridge could have operationalised his concept of subsistence much better, had he tied his benefits to a percentage of (say) average manual earnings or to national assistance rates rather than to what was, in the final analysis, an essentially arbitrary definition of subsistence.

Beveridge's fifth principle was that social insurance should be comprehensive, "in respect both of the persons covered and of their needs.

26 Cmnd 6404, paragraph 307.

27 Ibid, paragraph 179.

28 Cf, for example, House of Commons Debates, 3 November 1944, col 1129.

It should not leave either to national assistance or to voluntary insurance any risk so general or so uniform that social insurance can be justified."<sup>29</sup> Unfortunately, Beveridge's claim to comprehensiveness was false in a number of ways. Firstly, anyone who failed to comply with the minimum contribution conditions would be unable to claim benefit. Among this group were the extremely poor, with incomes below the exemption level (£102 per annum when the scheme was introduced), and the congenitally disabled who were unable to pay the minimum number of contributions to enable them to qualify for disability benefit. Secondly, there were the self-employed, who were ineligible for unemployment benefit and could only receive sickness benefit after 13 weeks. Thirdly, there were large numbers of women whom Beveridge deliberately excluded from the scope of his insurance proposals. These form two main groups: married women at work and unsupported mothers.

Beveridge's failure to take account of the needs of these groups of women in his scheme stems from a variety of factors. The most important of these was the general belief, shared by Beveridge and embodied in their legal status, that women were not equal to men and, in the case of married women, were dependants of men. This idea was bolstered by the primacy placed by Beveridge on the role of the nuclear family, with the man as the breadwinner and the woman as the child rearer.<sup>30</sup>

Such beliefs were underpinned by a code of ethics which led Beveridge to exclude a separated wife from entitlement to insurance benefit if the estrangement were her fault.<sup>31</sup> This is quite clearly an inappropriate

29 Cmnd 6404, paragraph 308.

30 "It is undeniable that the needs of housewives in general are less than those of single women when unemployed or disabled, because their house is provided either by their husband's earnings or by his benefit...the attitude of the housewife to gainful employment outside the home is not and should not be the same as that of the single woman. She has other duties....Taken as a whole, the Plan for Social Security puts a premium on marriage, in place of penalising it... ..In the next thirty years housewives and mothers have vital work to do in ensuring the adequate continuance of the British race and of British ideals in the world." Cmnd 6404, Op Cit, paragraphs 112, 114, 117.

31 "Not only did Beveridge want to get women back into the home so they could breed the Imperial race, he also wished to discourage immorality." E. Wilson, Women and the Welfare State, Tavistock, 1977, p.152.

criteria for eligibility for an insurance benefit. As a consequence the temporary separation benefit proposed by Beveridge was never implemented and unsupported mothers omitted from the insurance scheme.

Similarly, married women at work were under Beveridge's plan, given the option of being exempt from paying contributions and receiving benefits. Those that wanted to could contribute but would only receive benefits at a reduced rate. Not surprisingly the great majority of married women at work chose to opt out of insurance.

The sixth, and final, principle to which Beveridge claimed to adhere was that of "classification". By this Beveridge meant that his proposals would be adjusted to the differing circumstances of various categories of people, "and to many varieties of need and circumstance within each insurance class. But the insurance classes are not economic or social classes in the ordinary sense: the insurance scheme is one for all citizens irrespective of their means."<sup>32</sup> However, the straitjacket imposed by Beveridge was such that his classification could not cope with the many varieties of need which existed. His classes were actually defined according to their status in relation to employment or the lack of it.<sup>33</sup> This led to a variety of anomalies. Long-term sick or disabled people were treated in exactly the same way, as far as benefits were concerned, as were the long-term unemployed. Provided sufficient contributions were paid, full pensions would be paid to those who could afford not to work, while a widowed mother with children who had a job was ineligible for a pension. Moreover, while Beveridge espoused the principle of equal treatment for both sexes, his lower rate of benefit for married women together with their new option to contract out of the insurance scheme is another example of the way his actual recommendations failed to live up to the promise of his eloquence. In general, the Beveridge reforms did little to promote the cause of equality between the sexes.

Nonetheless, while Beveridge can be heavily criticized for exaggerating

32 Cmnd 6404, paragraph 309.

33 The six classes were: I - Employers; II - Others gainfully occupied; III - Housewives; IV - Others of Working Age; V - Below Working Age; VI - Retired, Above Working Age.

the potential impact of his scheme upon the poor, paradoxically the fact that it was implemented at all must be attributed in part to the style in which it was presented. It was essentially Beveridge's vision of a new world, free of past miseries, which captured the popular imagination. And, had it not been for the vast amount of popular support enjoyed by the Report, it seems unlikely that national insurance would have featured so prominently among the reforms of the post-war Labour government.

## CHAPTER 10

## CONCLUSION &amp; DISCUSSION

What lessons are there to be learned from the government's implementation of the social insurance and family allowance provisions of the Beveridge Report? By what process was a consensus arrived at, about what was arguably part of the most important series of reforming legislation in the twentieth century. And, moreover, what effect did the Second World War have on the process?

In recent years, considerable debate has occurred about the relationship between war and social policy change, and more particularly about the Second World War as handmaiden of the "Welfare State". Titmuss' classic thesis<sup>1</sup> of a strong causal link between the Second World War and the extension of state welfare has come under close scrutiny. MacNicol, in the context of family allowances, argues that a desire by government to relieve family poverty had little to do with the enactment of the legislation, and that a "war and social change" explanation is an inappropriate justification for it.<sup>2</sup> Harris, in the context of the reconstruction of social security and the implementation of the Beveridge Report, finds greater support for Titmuss' thesis, but with some modifications. She acknowledges the existence of a social policy consensus but argues that it existed among reformers and the general public. In contrast, she finds little evidence of such a consensus among Ministers and civil servants, and reports initial hostility to Beveridge's proposals as well as fear that an over-hasty commitment to social reform would hinder both the war effort and post-war revival.<sup>3</sup>

1 Titmuss argued that war influenced social policy in three ways. Firstly, popular attitudes became more egalitarian as a consequence of the heightened social solidarity induced by the war; secondly, that the war exposed many social evils in sharper relief to the public gaze; and, thirdly, that the government was made aware of the necessity for the civilian population to be healthy and reasonably content. Cf R M Titmuss, Essays on the Welfare State, 1963.

2 MacNicol, op cit, pp 195-196.

3 Harris, "Some Aspects of Social Policy in Britain during the Second World War", in The Emergence of the Welfare State in Britain and Germany, W Mommsen (ed), 1981.



There can indeed be little doubt that a remarkable consensus existed throughout most of the war on a wide variety of social policy issues. This consensus has been described in general terms by Addison<sup>4</sup> and, in the context of the Beveridge Report, by Harris. Harris argues that, although his report was almost entirely his own work, through it Beveridge was giving voice to a national consensus on a variety of social policy issues. She notes that, while Beveridge had already made up his mind about the main features of his report, time and again witnesses to his committee - representing all shades of opinion and interests - would argue for similar policies. These included not only comprehensive insurance, subsistence level benefits, abolition of the Poor Law and an end to means testing, but family allowances, full employment and a National Health Service as well.<sup>5</sup>

What undoubtedly swung the balance in favour of the implementation of the Beveridge Report after its publication was the overwhelming weight of public opinion in its favour. All the major newspapers, except for the Daily Telegraph, supported it strongly, while the Times made the importance of its implementation a recurrent theme of its leaders. Public opinion polls, as well as the bulging mailbags of Ministers and MPs, revealed that a large majority of individuals from all occupational groups supported the plan.<sup>6</sup> If Churchill and the other leading Conservatives in the Coalition Government had hoped that they could side-step the Beveridge proposals, they were dissuaded from this attitude by the debate in the House of Commons in February 1943. At the end of the debate, 22 Conservative and Liberal Members abstained, and 97 Labour MPs voted against the government. But for a rousing concluding speech by Morrison, the government's motion on the Beveridge Report might have been defeated and the Coalition Government broken up. A month later, Churchill made post-war social reform the main theme of a major public broadcast, in a bid to seal the rift created by the government's seeming reluctance to accept

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4 Addison, op cit, and P Thane, Foundations of the Welfare State, 1981.

5 Harris, op cit, p 250, in Mommsen, op cit.

6 A survey by the British Institute of Public Opinion (Gallup poll) soon after the publication of the Beveridge Report, revealed 86 per cent in favour of the plan, including over 70 per cent of employers. Quoted in Addison, op cit, pp 218-219. Over 260 letters in support of Beveridge's proposals were received at the Ministry of Health alone, in the three months after the debate in February 1943.  
PRO PIN 8.

Beveridge's plan.

This strong tide of public opinion in support of Beveridge's proposals owed much to three factors. Firstly, the experience of the 1930s; secondly, the broad-based appeal of the recommendations; and, finally, the influence of the war. During the 1920s, around 10 per cent of the working population were unemployed. By the early 1930s, the proportion had risen to over 20 per cent. Although a slow economic recovery had reduced the proportion to something over 12 per cent by 1938, the decade was characterised by unrelenting stringency over public expenditure, a stoical acceptance of the inevitability of misery and the bleak faces of millions of people forced to eke out a miserable living from the means-tested dole.<sup>7</sup>

During the 1930s, a variety of groups and individuals interested in the "middle way" of innovative reform within capitalism began to emerge. They comprised "left-wing" Tories such as Harold MacMillan and Duff Cooper; progressive Liberals and Independents such as Lloyd George, J M Keynes and Eleanor Rathbone; "right-wing" Labour politicians and trades unionists such as Ernest Bevin, Herbert Morrison and Hugh Dalton; and progressive industrialists such as Lord Melchett and Israel Sieff, as well as many others. By the end of the decade, a broad set of recommendations had been prepared covering the whole field of social policy.

Beveridge's proposals, when they emerged in 1942, drew their inspiration from these schools of thought. It was partly because they seemed to be such a natural progression from previous policies that they were able to gain widespread support.

Only the right wing of the Tory party was actively opposed to the Beveridge national insurance and family allowance proposals. They were opposed in principle to any extensions of welfare, through an ideological disapproval of "feather-bedding" and any consequent increases in public spending. Moderate and left of centre opinion among the Conservative Party as well

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7 "The passion for modest progress, which captured the home front during World War II is only comprehensible as a blissful release from the frustrating circumstances which affected reform between the wars." Addison, op cit, p 1.

as all the Liberals were, however, strongly in favour of the Beveridge Report. This is partly because the report's national insurance proposals were essentially Liberal, providing basic contributory insurance cover for wide sections of the population while leaving ample scope for voluntary thrift and the private sector.<sup>8</sup>

There was much, too, in the report to capture the imagination of the Labour Party. Beveridge's espousal of full employment and a national health service was aimed at the gut of the party and brought a swift response. There was more uncertainty about the family allowance and national insurance proposals. Traditionally, the Labour Party rank and file and the TUC had opposed family allowances as a threat to wage levels and contributory insurance in favour of non-contributory benefits financed from taxation. Beveridge's national insurance and family allowance proposals, however, appeared to offer an end to poverty and means testing, so bitterly experienced during the 1930s. Thus, although many in the Labour Party would have preferred a more progressive method of financing national insurance benefits, Beveridge's proposals were overwhelmingly supported.

The contributory concept was also not without support within the civil service. Although the Treasury preferred means-tested schemes, contributory insurance, by creating a link between contributions to and payments from a scheme, served as a restraint on demands for higher expenditure and therefore had some merit even in Treasury eyes.

The broad-based appeal of Beveridge's report was not, however, due solely to the content of his proposals but to the manner of their presentation as well. Much of the rhetoric in the Beveridge Report sounds archaic and Bunyanesque to our ears today. Fifty years ago, during the country's greatest crisis, it had a profound impact. It was in its way as perfectly tuned to the needs and mood of the nation as were Churchill's greatest speeches. This impact was made all the more powerful by the publicity

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8 "It seems likely that in this unwillingness to antagonise commercial insurance interests lay the secret of the unanimous political support gained for the National Insurance Bill", Heclo, Modern Social Politics in Britain and Sweden, 1974, p 148.

given to the report, master-minded by Brendan Bracken, as Minister of Information. As a result, over a million copies were sold.<sup>9</sup>

The third factor which undoubtedly gave a great impetus towards popular acceptance of the Beveridge Report was the war itself. The impact of World War II was so great that, possibly for the first time, large numbers of rich and poor were forced to share common facilities in air-raid shelters and as evacuees. Actually seeing how poor people lived had a telling effect on the consciousness of the middle-classes. What major war seems to do is to upset the delicate balance of norms and social organisation maintained in peacetime (capitalist) society, and creates a different social milieu in which different norms and forms of organisation predominate.

These changes have to occur, assuming the war is on a sufficiently large scale, in order for the combatants to prosecute it. Generally, after the war has ended, the systems of social organisation and norms slowly revert to their pre-war positions. The key changes in social organisation are the introduction of a new range of central planning and control mechanisms, in order to direct the war effort in the required way, and the introduction of much higher rates of taxation than is usual in peacetime. The key change in the prevailing social norms is a greatly heightened sense of social solidarity. Stress on central state planning and social solidarity are two attributes associated with either extreme left- or right-wing regimes. Britain, with its strong democratic tradition, and opposing a fascist dictatorship during World War II, would almost inevitably lurch to the left, and this is what it did.<sup>10</sup>

Beveridge himself presents a fascinating picture of a man whose attitudes towards the relief of poverty and the role of the state were changed considerably during the war. Throughout the 1920s and 1930s, Beveridge had been too concerned with the necessity for maintaining incentives ever to consider the possibility that primary poverty could

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9 Of government White Papers, this number of sales has been exceeded this century only by Lord Denning's Inquiry into the Profumo Affair.

10 "Between Dunkirk and the battle of Alamein there were many signs of a movement to the left in popular opinion.... Mass observation estimated that by December 1942 (when the Beveridge Report was published) about two people out of five had changed their political outlook since the beginning of the war", Addison, op cit, p 127.

be eradicated or to identify himself over much with the problems of the poor.<sup>11</sup> However, by 1942, the year during which his report was written, "he had come to the conclusion that a highly collectivist planned society was both consistent with personal freedom and a prerequisite for combating major social ills".<sup>12</sup> Between 1942 and 1944, there was little to distinguish between the views of Beveridge and such left-wing Labour politicians as Aneurin Bevan and Stafford Cripps.<sup>13</sup>

Beveridge, however, was soon to propose the adoption of Keynesian economic policies and revert to a more traditional Liberal approach.<sup>14</sup> Thus, while the influence of the war on Beveridge was too ephemeral to cause him to deviate from his lifelong devotion to voluntaryism and private effort, it did stimulate him to suggest family allowance and national insurance benefits at subsistence levels, and inspired him to write a report of such wide-ranging impact. Beveridge's aspirations were undoubtedly broadly shared by the vast majority of the population during the war.

After the war, many people, like Beveridge, reverted to more traditional values and attitudes. No longer having to use all their energies in fighting a common enemy, the virtues of individual freedom and competition slowly began to seep back into the public consciousness. In fact, although the Labour government of 1945-51 was able to introduce the fruits of the wartime consensus in the shape of some nationalisation and the creation of the "welfare state", ironically it was also responsible for substantial reductions in personal taxation and for sweeping away the huge mesh of wartime regulations and controls which had helped it to power in the first place. It was given less than six years to implement its programme, before attitudes had changed sufficiently to secure a return to power of the Conservative Party.

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11 Harris, op cit, p 381.

12 Ibid, p 440.

13 Ibid.

14 Ibid, pp 440 and 445.

Is it true, however, to suggest (as Harris does) that the wartime government, ministers and civil servants alike, were largely immune to the mood of reform and the need to enhance national efficiency and social solidarity? The records of the official and ministerial committees established to deal with Beveridge's proposals, as well as the changed circumstances of both the civil service and government, suggest a more complex and diffuse picture.

The reaction against the Beveridge Report was led by the Treasury. The lengths to which Treasury officials went, in order to emasculate Beveridge's report before it was even written, are not generally known. Initially, they tried to ensure that his terms of reference were as innocuous as possible. They hoped thereby to restrict him to an exercise in administrative rationalisation, with few expenditure implications. When they discovered that he intended using his terms of reference to the full, he was accused of exceeding them. When he refused to accept Treasury demands that he withdraw his famous three principles (the maintenance of employment, a national health service, and universal family allowances), the civil servants on his committee were reduced to playing a passive role as "advisors and assessors". The Treasury hoped in so doing to distance the government from the findings of the committee. This was also their motivation in allowing only Beveridge's name on the final Report when it was published.

Yet, at the same time, Treasury ministers were using the existence of the Beveridge Committee as an excuse in Parliament for delaying taking decisions on a number of outstanding issues, such as family allowances. While the expectations built up by Beveridge's self-publicising activities effectively nullified any chances Treasury officials hoped to create of the government being able to repudiate the Report.<sup>15</sup>

Once the Report was published, Treasury officials, supported by the Chancellor of the Exchequer, Kingsley Wood, attempted to have its implementation deferred on the grounds that it was a low priority. When this failed, they switched tactics to supporting proposals which made adminis-

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15 See chapter 2 for further details.

trative sense but had minimal cost implications, such as the equalisation of the unemployment and sickness benefit rates, and to attacking those with the heaviest expenditure implications, such as subsistence rate pensions. However, the cost of the proposals was not the sole criterion of Treasury support. For example, the information that the creation of a universal social insurance scheme would save the Exchequer money in its first 10 years was not given to ministers for a while, largely because of the Treasury bias towards means-tested schemes. Even after many of the basic features of the Beveridge Report had been reluctantly accepted by the Coalition government, the Treasury continued to delay their implementation.<sup>16</sup>

The question which must be asked, however, is how the Beveridge proposals ever saw the light of day, in the face of such implacable opposition from the Treasury? Throughout the 1920s and 1930s, Treasury control was paramount, and no government institution was able to have its way in the face of opposition from the Treasury.<sup>17</sup>

A major factor was the loss of power endured by the Treasury as a result of the war. This led in 1940 to the virtual replacement of financial budgetting with manpower budgetting. Power shifted away from the Treasury to departments such as the Ministry of Labour which, under Ernest Bevin, assumed a dominant position on the "home front". This shift away from the Treasury was partly an inevitable concomitant of war, during which resources have to be planned and deployed, whatever the cost. Partly, however, it was a reaction against the stranglehold the Treasury had exerted on the country during the 1920s and 1930s. The power of the Treasury was something of which Churchill, himself an ex-Chancellor, was very well aware.<sup>18</sup> A powerful sign of the demotion of the Treasury was

16 Cf Macnicol, *op cit*, p 191.

17 "In all the great pitched battles over the allocation of resources and fiscal policy during the inter-war years ... the Treasury won. Continuity, as much as possession of the most gifted recruits to Whitehall, gave it advantage over any other Department." K Middlemas, *Politics in Industrial Society*, 1979, p 228.

18 "When Mr Churchill's Government took office in May 1940 the political atmosphere was definitely antagonistic to the Treasury. There was a strong feeling that finance should be put in a less dominant position", D N Chester, in *Lessons of the British War Economy*, 1951, p 6.

given by Churchill when he created his first War Cabinet on 10 May 1940, after the formation of the Coalition Government under his leadership. For the first time, the Chancellor of the Exchequer ceased to be a member of the Cabinet. Although Wood, the Chancellor, was subsequently re-admitted for a short period, he was again excluded in February 1942, never to return.<sup>19</sup> The Treasury did not regain its former pre-eminence until Stafford Cripps became Chancellor in 1947.

Another important counterbalance to traditional Treasury values during the war was provided by the temporary civil servants. Many of these were academics brought in to assist the government machine. A large influx occurred after the formation of the Coalition Government, in the spring of 1940. Within their ranks were included some of the imaginative reformers who had helped to create the alternative "middle way" of the 1930s. Many went into the Central Economic Information Service. This organisation was subsequently split into two. One unit became the Central Statistical Office, the other the Economic Section of the War Cabinet. This latter group was particularly influential. Its head was Lionel Robbins. One of his staff was D N Chester, who acted as secretary to the Beveridge Committee. Other individuals were recruited to particular ministries. Beveridge himself went to the Ministry of Labour. In July 1940, Keynes went to the Treasury, where one of his early achievements, together with staff from the Economic Section, was to pioneer the first official statistics of national income and expenditure. By the spring of 1941, the first Keynesian budget was introduced. No attempt was made to balance the books, the standard rate of income tax was raised to 10 shillings (50p) in the pound, and "post-war credits" were introduced.

Both Keynes and Robbins were enthusiastic supporters of Beveridge's proposals. They played an important part in advising Beveridge in the late summer of 1942, on methods of reducing their cost to make them more acceptable to the Treasury. This is not to say that Beveridge followed their advice. For example, he excluded the first child in a family from receipt of family allowances, a change opposed by Robbins, and he proposed

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19 Wood died in September 1943 and was replaced as Chancellor by Sir John Anderson, who previously had been Lord President of the Council and was already a member of the War Cabinet.



the "golden staircase", the 20-years transitional period before subsistence retirement pensions were paid, whereas Keynes would have preferred a simple 50 per cent uprating of the existing old age pension. Nonetheless, in getting Beveridge to reduce the cost of his proposals to the Exchequer by some £250 millions (around £3,000 millions at 1989 prices), they reduced the number of levers the Treasury could use to dislodge the scheme.

However, despite the relatively much lower cost of the plan to the Exchequer, the Treasury still continued to argue early in 1943 that it could not be afforded after the war. The Economic Section provided an important counter to such claims by creating alternative estimates of national income after the war, which showed that the plan could be afforded. It had also an influence on men such as Sir John Anderson and Herbert Morrison, through the briefing material it provided, in support of Beveridge's proposals.

It would be quite wrong, however, to attribute such support for Beveridge's proposals as there was among the civil service entirely to the temporary staff and a weakened Treasury. It is true that the report of the Philips Committee - the official committee set up to advise ministers on the contents of the Beveridge Report - was notably lukewarm towards it. Indeed, the report of the Committee does not reflect a great deal of credit on the civil service. No attempt was made by the Committee to discuss the Report as a whole and to consider how likely its recommendations would be, if implemented, to achieve the objectives outlined in the beginning of the Report. Instead, a piecemeal approach was adopted, and specific recommendations looked at in isolation. Nor was there any attempt to make up for Beveridge's failure to examine the relationship between his proposed social insurance scheme and the existing National Assistance Scheme. Once ministers had given the "green light" to certain elements of the scheme, the opportunity to consider it as a whole in relation to its objectives did not arise again.

In mitigation for the Committee, they were given only six weeks, including the Christmas period, in which to produce a report for the Cabinet Reconstruction Priorities Committee. Their actual meetings spanned a period of only 19 days. Moreover, they were working in the midst of the worst holocaust the world had yet witnessed. However, three of

Beveridge's own committee were also members of the Philips Committee, while Beveridge had circulated a first draft of his report to the departments concerned at least six months earlier. Moreover, the worst of the blitz was over and the Battle of Britain effectively won. The first great foreign victory of the war had been achieved three weeks earlier at El Alamein. Perhaps a better explanation for the failure of the Committee to get to grips with the broad consequences arising out of the Beveridge Report lies in its terms of reference, which were merely to, "examine the major questions arising out of the Report".<sup>20</sup> Ministers were asked to submit questions for examination. However, it seems that only Herbert Morrison did so, and that the remainder were made up by officials themselves. Thus one is drawn to the traditional explanations - the inherent conservatism of much of the British civil service and its deference to the Treasury - for the blinkered approach of the Philips Committee to Beveridge's recommendations.<sup>21</sup>

However, it does seem unlikely that established civil servants would be wholly immune from the growing demands for better collective services. The minutes of the meetings of the Philips Committee reveal a considerable volume of support for some of Beveridge's proposals from some of the departmental representatives. For example, representatives of the Ministry of Health spoke consistently in support of many of Beveridge's recommendations. They were supported on some occasions by representatives from some of the other "spending" ministries, such as the Board of Education and the Home Office. Moreover, on at least one occasion the Committee, with the exception of its Treasury representatives, wholeheartedly supported Beveridge's more radical proposals. For example, there was virtually unanimous support, when the subject was discussed, for the recommendation to take the industrial assurance business into public ownership. This was a sign of the growing support within the civil service for greater state control. This enthusiasm was not reflected in the Committee's report, however, which suggested that a final decision be deferred pending further examination of the subject.

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20 CAB 87 RP (42): 14th meeting, 3 December 1942.

21 Blinkered, here in the sense of a failure to discuss any long-term strategic objectives such as the removal of want.

This failure to reflect accurately the conclusions of the Committee's meetings was almost certainly the result of collusion between the Treasury and the Committee's chairman, Sir Thomas Philips. Philips was a cautious Permanent Secretary at the Ministry of Labour, who had little time for Beveridge. There is, however, no evidence to suggest that Philips' attitude towards the Beveridge Report was affected by his personal feelings about Beveridge. Nonetheless, the coolness of Philips and the hostility of the Treasury towards many of Beveridge's proposals is strongly reflected in the official Committee's report to ministers. It could be argued, however, that without the support given to Beveridge's ideas by some of the civil servants on the Committee the tone of its final report would have been considerably more negative.

In fact, there was a body of opinion in the spending ministries (such as Health, Labour, the Home Office, and Board of Education) which was strongly in favour of modest reform. Such officials had realised that the creation of the Coalition Government and the swing of public opinion to the left presented an opportunity for a reconstructed social policy.<sup>22</sup>

Much of the apparent coolness of the government to the Beveridge Plan must surely be the inevitable response to someone who was seen to have abused a trust. Beveridge, having been given an official position within the government, and support from a wide range of ministries and civil servants, not only seemed to exceed his brief by producing such a fundamental critique of existing social security policies and far-reaching (not to say costly) proposals for reform, but proceeded to abuse flagrantly all the usual conventions of confidentiality by publicising them well before the government had had time to consider them itself. In mitigation for Beveridge, this was partly a response to the Treasury's attempt to "noble" him and prevent his plans seeing the light of day (see chapter 2, pp<sup>38</sup> - 41). However, the inevitable consequence of Beveridge's activities as a one-man pressure group in the months leading

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22 Cf, for example, the note of 17 January 1941 by the Deputy Secretary of the Board of Education, which conveys his sense of the atmosphere in Whitehall at the time, "There are straws to be found in Cabinet papers and elsewhere which indicate the way the wind is blowing ... it is clear that the war is moving us more and more in the direction of Labour's ideas and ideals", Addison, *op cit*, pp 171 and 172.

up to and after the publication of his report was the alienation of many members of the government. Churchill, in particular, was so furious that he refused to see Beveridge or to involve him in any further activity on behalf of the government.<sup>23</sup>

The "less than enthusiastic" response from ministers<sup>24</sup> was also more complex and differentiated than might appear to be the case, initially. The group of ministers who advised the War Cabinet on Beveridge's proposals - the Reconstruction Priorities Committee - was split over the level of support it was prepared to offer them, as the Philips Committee had been before them. Unlike the Philips Committee, however, the influence of the Treasury was much less powerful within the Reconstruction Priorities Committee.

Although Wood, the Chancellor of the Exchequer, argued forcibly at the Committee's first meeting that the implementation of the Beveridge Plan was not a major priority and could not be afforded, this view was not accepted by the Committee. Partly this was because its Labour members, Morrison in particular, put up a stout defence of the Beveridge Report. Partly it was because Sir John Anderson, the Lord President of the Council and the Committee's chairman, remained unconvinced by the Treasury arguments and was not prepared to see the Beveridge plan dismissed out of hand.

Thus Wood was forced to retreat to a position whereby he accepted that legislation should be prepared, but that no actual commitment to enact it could be made until the post-war situation was clearer. This was the position ultimately accepted by the Cabinet.

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23 As Lord Robbins writes, by his self-publicising activities, "most of the knowledgeable world outside was better informed of what he was likely to say than the members of the government which was employing him .... If the unhappy Beveridge, his own worst enemy, had wanted not to be used further by the Coalition, he could hardly have devised a more effective method of bringing this about." Robbins, Autobiography of an Economist, 1971, p 190.

24 Cf Harris, op cit, p 256.

The contribution made by Sir John Anderson to the evolution of Beveridge's proposals into legislation has not been given sufficient prominence in the past. As a civil servant, Anderson had been steeped in social security affairs and was responsible for much of the work that led to the Widows, Orphans and Old Age Contributory Pensions Act of 1925. His knowledge of the issues was more than a match for Wood, and of anyone else on the Committee. He was, moreover, being briefed by members of the Economic Section and shared their support for many of Beveridge's proposals, provided that the public expenditure consequences were manageable. It was he who was chiefly responsible for engineering the compromise between the different sections of his Committee, which was subsequently accepted by the War Cabinet and the House of Commons in February 1943. It was essentially this compromise agreement, with the exception of the retirement pension provisions, which was enacted in 1945 and 1946.

The remaining Tories - Lyttleton and Cranborne - on the Reconstruction Priorities Committee shared Wood's concern about the potential impact of Beveridge's proposals on post-war levels of taxation, and would have preferred to have seen the report quietly buried. However, both had accepted Keynes' ideas on deficit budgeting and argued strongly at the Committee's first meeting in support of capital expenditure on public projects and in support of the introduction of a capital levy. When Beveridge's assumption of the maintenance of employment was discussed, it was enthusiastically supported by all the Conservative members of the Committee, none of its Labour members having to contribute. There was, however, little evidence of enthusiasm over any of Beveridge's other proposals from among the Committee's Conservative members.

In the early days of the discussions Morrison, the Home Secretary, was the only enthusiast about Beveridge. Indeed, without Morrison's early intervention in support of Beveridge, it seems very likely that Wood's bid to have the Report shelved (at the first meeting of the Reconstruction Priorities Committee) might very well have succeeded, although this would have caused a great popular outcry.

Ernest Bevin, the Minister of Labour, and Lord Jowitt, the Paymaster General (Morrison's Labour colleagues on the Reconstruction Priorities Committee), were both more equivocal than Morrison in their attitudes towards the Report. Bevin was concerned in case social security benefits

were used as a means to depress wage rates, and was as opposed to "feather-bedding" as anyone. He bore little regard for Beveridge, and is reported to have said of his report, "this sort of thing takes the struggle out of life".<sup>25</sup> In contrast, behind the scenes, Jowitt actively supported the plan. However, he seems to have remained largely silent at most of the Committee's earlier crucial meetings.

Neither Bevin nor Morrison got on with each other, and Bevin in particular frequently "baited" Morrison at meetings.<sup>26</sup> This, apart from their ideological differences, would have been sufficient to have prevented them from acting in unison at the meetings of the Reconstruction Priorities Committee. Here, their different priorities brought them into virtual opposition with each other on occasions. Bevin, for example, continued to oppose family allowances, even though they were supported by the TUC Congress and Labour Party, but was a fervent supporter of subsistence level pensions. Morrison's priorities lay firmly with the young and the need for child support. He believed that the introduction of subsistence level pensions should wait until there were more resources available to fund them, and that in the meantime the correct approach was to "invest" in family allowances. Had Morrison and Bevin acted in concert, they could have auctioned up the pension or family allowance rates proposed in the Coalition Government's 1944 White Paper, "Social Insurance". But neither was prepared to compromise his order of priorities. Even after the Labour Party came to power in 1945, Morrison continued to argue against the equalisation of the retirement pension rates with those of the sickness and unemployment benefit rates on the grounds of cost. He was, however, overruled by his Cabinet colleagues, supported by the weight of backbench opinion in favour of higher pension rates.

The only two members of the War Cabinet who were not members of the Reconstruction Priorities Committee in 1943 were Churchill and Attlee. The majority of Labour Ministers, including Attlee, supported the plan. They were, however, not prepared to risk shattering the consensus by demanding a positive commitment to legislate before the end of the war,

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25 Interview with Lord Robbins.

26 Cf Donoghue and Jones, op cit, p 314.

although they put the arguments to Churchill for such a commitment, at Cabinet before the debate in February 1943. Dalton was particularly mindful of the need for restraint in case Churchill called a general election with potentially disastrous consequences for the Labour Party.<sup>27</sup>

Churchill was not particularly interested in the Beveridge Report, and saw it only as a hindrance to the effective pursuit of victory in the war. Like Wood and his own adviser, Cherwell, had been forced to concede, Churchill accepted that implementation of some of the Beveridge recommendations was inevitable. He stood firm, however, on the principle that the legislation should not be enacted until after the war.

Thus, while there was a considerable body of opinion both among ministers and civil servants in favour of the Beveridge reforms, some of those in the centre and right-wing of the Conservative Party remained unconvinced that urgent implementation of the Beveridge reforms was essential, either for the successful prosecution of the war or for the effective improvement to national efficiency in the long term. At the head of this phalanx stood the immovable and resolute Churchill. Many of these leaders had moved sufficiently far down the road towards increased social solidarity and improvements in national efficiency, to accept the adoption of goals such as full employment and free education for all up to the age of 16, swingeing increases in taxation and the creation of a vast central planning apparatus. However, they stopped short at full and immediate acceptance of the Beveridge proposals. Partly, this was because of their wide-ranging scope and cost - around £3 billion at today's (1989) prices. Partly, it was due to the manner of their presentation, which could hardly have been more guaranteed to raise opposition among ministers and civil servants alike, whatever their actual content.

Thus, a detailed examination of the policy discussion on aspects of the Beveridge Report lends little support to the thesis of a consensus in government circles in support of measures of social reform, in order to increase national efficiency. Nor should this be surprising. With a few exceptions, government ministers are perhaps the least likely of any members of the population to change their fundamental political and social

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27 Dalton Diary, 16, 18 and 24 February 1943.

beliefs in the face of short-term changes in the country's social and political situation. Could anyone seriously expect Sir Charles Kingsley Wood, who had led the national campaign against health insurance 30 years previously, to change the habits of a life-time and embrace the concept of universal state insurance, simply because there was a war on? Could Ernest Bevin, whose whole life had been devoted to encouraging employers to reward their employees adequately, be anything other than unenthusiastic about family allowances, which were partly designed to reduce "inflationary" wage demands? The fact is that such ministers and others like them in the government were forced to bow before the weight of public opinion in favour of the Beveridge reforms given expression in the debate of February 1943 and, ultimately, at the general election of 1945.



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