

*From the London End*

## The Cost of Social Services

"IT was never contemplated" complained the *Times*, "that the nation would have to bear simultaneously the cost of the social services and security system, and that of a large defence programme—with large public subsidies on food and housing thrown in for good measure". The total burden has been crushing. The level of investment has in consequence had to remain always below what was necessary to maintain an efficient industrial structure. In the five years of peace, from 1948 to 1952, the proportion of the national income taken in all forms of taxation has fallen from 42½ per cent to only 37 per cent. With declining American aid in the years to come this tax burden is more likely to increase than diminish. With this prospect ahead, the incentives necessary for a marked industrial revival will be most certainly absent and the solutions open to the authorities for bridging the gaps in the national finances are unlikely to provide the incentives which industry and trade has been demanding all these years. It is therefore natural to ask what has been the cost of social services and whether if the social services are sacrificed, the resulting savings will be sufficient to meet the problems of the immediate future.

The table below shows the scale of expenditure on the social services in the United Kingdom in three selected years—1947-48 (immediately before the inception of the National Health Scheme and the new National Insurance Scheme); and in 1950-51 and 1951-52, the latest

years for which information is now available. Compared with 1938, the total expenditure in 1951 had increased threefold. -But in order to allow for the rise in prices, a comparison of these expenditures to the gross national income would be a more reliable index of the burden. Social service expenditure expressed as a percentage of gross national income increased from 9.2 per cent in 1937-38 to 11.7 per cent in 1950-51 and declined slightly to 11.5 per cent in 1951-52. If food subsidies are included, the last two figures would be 14.1 and 13.7 respectively.

This is not such a striking expansion as the mere total of expenditure would seem to indicate and there are a number of other factors which must be taken into account to obtain a fair comparison. In the first place, there has been a change in the structure of the population. Between 1938 and 1951 the population of the UK increased by over 2½ million but nearly all of this increase took place in the dependent age-group—those over the retirement age and those under 15 years. Had the population structure been the same in 1938 as in 1951, it is estimated that a further "£50-60 millions would have been added to the cost of the social services in 1938" (*Planning*—PEP June 15th). In other words, the proportion of such costs to national income in that year would be between 10 and 11 per cent, instead of 9.2 per cent.

The comment made by various groups *eg* the *Times* that the call which the social security and health

services make on the national resources is reflected by the country's national accounts and that this call has increased, is not strictly correct. Many of the services provided in 1938 and in 1952 are not strictly comparable and the apparent increase over the years is in fact a mere transference of the cost from the private to the public sector. Therefore the main conclusion to be drawn from the table is that the proportion of national income allotted to the social services increased between 1937-38 to 1951-52 by a quarter. This increase is ascribable almost entirely to the health and the nutrition services but as explained above, only a part of this rise in public expenditure represents a larger claim on national resources.

Even from other points of view, it is unwise even to consider a letting down on the social services which, to all intents and purposes, has not been so large compared to the position prior to the war. Where, then, can economies in public expenditure be effected? Those who see an early end to the cold war will have no doubt solved the dilemma. But to those who do not, the dilemma remains and the temptation to reach a solution by nibbling at the social services is difficult for them to resist. The Chancellor of the Exchequer—the "Tory Planner" as he has now come to be known, sees the only way out in increased production. But here, too, similar positions were taken by the late Sir Stafford Cripps and Hugh Gaitskell and with little success. The problem seems intractable.

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### Well Received but with a Motive

The British press devoted much space to the proceedings, at the last session of the All-India Congress Committee and in particular, to Pandit Nehru's comments on the international situation and on colonial policy in Africa. These comments of the Indian Prime Minister were not altogether sympathetic to the Western point of view and while the representatives of the left in Britain were content to signify their agreement by observing silence, the apologists of Britain's colonial policy lost no time in expressing their view that Mr Nehru had no right to interfere in Britain's affairs and that the role of the Indian Government has become one

### UK Current Expenditure on the Social Services

|                                 | 1947-48       |                       | 1950-51       |                       | 1951-52       |                       |
|---------------------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|
|                                 | £m.           | Per cent of Nat. Inc. | £m.           | Per cent of Nat. Inc. | £m.           | Per cent of Nat. Inc. |
| <b>Social Security Services</b> | 310.5         | 5.1                   | 673.2         | 5.0                   | 709.0         | 4.8                   |
| <b>Education</b>                | 222.8         | 2.0                   | 288.7         | 2.2                   | 328.2         | 2.2                   |
| <b>Health</b>                   | 174.7         | 1.6                   | 462.7         | 3.5                   | 489.2         | 3.3                   |
| <b>Housing</b>                  | 55.6          | 0.5                   | 74.7          | 0.6                   | 77.6          | 0.5                   |
| <b>Nutrition Services</b>       | 54.9          | 0.5                   | 62.7          | 0.5                   | 70.4          | 0.5                   |
| <b>Others</b>                   | 12.7          | 0.1                   | 6.3           | 0.0                   | 5.5           | 0.0                   |
|                                 | <b>1080.5</b> | <b>9.9</b>            | <b>1568.3</b> | <b>11.7</b>           | <b>1679.9</b> | <b>11.5</b>           |
| <b>Food Subsidies</b>           | 314.7         | 2.9                   | 323.8         | 2.4                   | 331.1         | 2.3                   |
| <b>Total</b>                    | <b>1395.2</b> | <b>12.8</b>           | <b>1892.1</b> | <b>14.1</b>           | <b>2011.0</b> | <b>13.7</b>           |