

# COMMANDING HEIGHTS

## The Birth of the British Welfare State

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For the Laborites in Britain, the specter of unemployment was the starting point, virtually their *raison d'être*. They wanted to make good, at last, on Prime Minister David Lloyd George's promise at the end of the first world war of "homes fit for heroes," a promise that had been betrayed in the bitter interwar years. The 1920s, and even more the 1930s, had delivered mass unemployment and hardship, bitter confrontation between labor and management, and preservation of the class system, whereby accent and education (or want of it) denied opportunity and doomed one to staying put. As the Laborites saw it, Britain was a nation whose capitalists had surely failed it; they had underinvested and demonstrated no entrepreneurial drive. Instead, flinty and mean-spirited businessmen had hoarded profits, eschewing new technologies, avoiding innovation, and depriving their workers. These businessmen were hardly the ones to rejuvenate the economy.

The reaction of the Laborites to the 1930s and its unemployment was in fact the culmination of an intellectual movement that had begun during the last decades of the nineteenth century, in response to the poverty and slums spawned by industrialization and to the economic crises and busts of the business cycle. These were the conditions that had led Clement Attlee to stake his career in the East End of London instead of in his father's law chambers. And the response of those who, like Attlee, were appalled by poverty took the form, in varying degrees, of a commitment to reform and social justice, a search for efficiency, a growing belief in the responsibility of government toward its citizens, and an embrace of the British brand of socialism. Much of this was articulated by the Fabians, launched in the late nineteenth century by, among others, Beatrice and Sidney Webb and George Bernard Shaw. This immensely influential society of intellectuals sought to replace the "scramble for private gain" with the achievement of "Collective Welfare"—moving, in Shaw's words, step by step, toward "Collectivism" and "an installment of Socialism." Their method was incrementalism, not revolution.

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During the 1930s, the British socialists looked around the world and saw other governments that were "doing things." One model was the optimistic activism, experimentation, and interventionist reforms of Franklin Roosevelt and the New Deal. Others were drawn more to the Soviet Union and what were viewed as the "heroic" accomplishments of communism, socialism, and central planning, which seemed to make the USSR the exception to global stagnation. A segment of the British intelligentsia, led by the Webbs, maintained its romance with Soviet communism for all too long. The Soviet model often impressed the intellectuals more than the trade unionists. Such leaders as Ernest Bevin had become fiercely anticommunist as a result of their battles with the communists for control of the British union movement, and they proved to be among the most resolute opponents to Soviet expansionism after World War II.

War itself had vastly enlarged the economic realm of government. The management of the British economy during World War II provided positive proof of what government could do, and demonstrated the benefits of planning. Indeed the government took over the economy and ran it far more efficiently, on a much larger scale, than had been the case in the 1930s; the government could squeeze much more production out of the industrial machine than its capitalist owners had done before the war. Moreover, the population rallied together and shared the experience of the "stress of total war," turning the national economy into a common cause rather than an arena of class conflict. Even the royal family had ration books.

All of these historical currents led to a rejection of Adam Smith, laissez-faire, and traditional 19th-century liberalism as an economic philosophy. In the immediate postwar years, there was skepticism and outright disbelief in the idea that the individual's pursuit of what Adam Smith defined as self-interest would add up, in the aggregate, to the benefit of "all." No, the sum was injustice and inequality, the few benefiting from the sweat of the many. The concept of profit was itself morally distasteful. As Attlee put the matter, a belief in private profit as motive for economic progress was "a pathetic faith resting on no foundation of experience."

The Labor politicians who took power in the final weeks of World War II were determined to build what they called "the New Jerusalem." To do so, they would apply the lessons of history and transform the role of government. Building on wartime experiences and institutions, they would make government into the protector and partner of the people and take on

responsibility for the well-being of its citizens to a far greater extent than had been the case before the war. Moreover, Labor had the blueprint at hand. It was in the Beveridge Report, prepared by a government-appointed commission during World War II under William Beveridge, a sometime civil servant who had been head of the London School of Economics. The report set out social programs to slay the "five giants": Want, Disease, Ignorance, Squalor, and Idleness (i.e., unemployment). The report, published by His Majesty's Stationer's Office, was a phenomenal bestseller. (Two commentaries on the report, both marked "SECRET," were even found in Hitler's bunker at war's end.) The report's influence would be global and far-reaching, forever changing the way not only Britain but also the entire industrialized world came to view the obligations of the state vis-a-vis social welfare.

Implementing the recommendations of the Beveridge Report, the Labor government established free medical care under a newly constituted National Health Service, created new systems of pensions, promoted better education and housing, and sought to deliver on the explicit commitment to "full employment." All of this added up to what the Laborites were to call the welfare state—and they were very proud to do so. The term emerged as used, for instance, by the archbishop of York in 1941—in explicit contrast to what were said to be the "power states" of the Continental dictators. To be sure, it was on the Continent that national insurance for pensions and illness had been pioneered—by German chancellor Otto von Bismarck, as early as the 1880s. In Britain, the reforming Liberal government of 1906 introduced the first state insurance schemes for unemployment and health and old-age pensions. These initial steps of what was at the time called the "ambulance state" were quite modest. By contrast, the comprehensiveness of the Labor Program of 1945 transformed Britain from a would-be ambulance state into the first major welfare state.