

# Britain: Media and big business denounce increase in public health spending

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Chancellor Gordon Brown's decision to increase taxation in order to finance greater spending on the National Health Service (NHS) has created uproar. The media has described his April 17 budget, with its one percent increase in National Insurance (NI) payroll contributions, as a major "gamble". Some even warning darkly that it marks a return to the days of "Old Labour" and squeezing the rich until the "pips squeak".

Such mutterings have little to do with the economic reality of the measures involved. Proportionately, the tax increase will fall most heavily on working people, rather than the rich. Nonetheless, the decision to increase direct taxes at all, and to levy the tax across the board, as well as on employers NI contributions, is regarded as a radical breach with the longstanding political consensus first laid down by Conservative Prime Minister Margaret Thatcher.

Hugo Young summed up the fears generated by Brown's decision in the April 18 *Guardian*. The budget, "asks a deep question about the character of the British people... What sort of society do they believe in?" Never before had a budget focused on a single issue, such as health service funding, he continued. "But this single issue is a metaphor for everything: are you for or against a state called a welfare state?"

Although distorted by the retrogressive method of taxation used to fund the increase, it is precisely the question of the survival of any form of publicly funded health service that has caused outrage amongst sections of big business and their political representatives.

For five years, the Blair government has emulated Conservative policy on public spending. Thatcher's infamous dictum that "there is no such thing as society" summed up the attitude of Britain's rich, who regarded the welfare state as an unnecessary infringement on their personal accrual of wealth and sought to undermine and ultimately destroy it through privatisation, means-testing and starving it of cash. The ruling class calculated that, faced with school class sizes of 40 plus and months of waiting for vital health care, many families would be forced into taking out private provision, leaving a rump of publicly funded services that could then be quickly dismantled.

But Britain's elite has found it far easier to destroy than to create. Twenty years on, the efforts to simply graft a US-style private insurance model onto what had been one of the most centralised, and universal systems of social provision in the world has produced a disaster—with standards of transport, health and education in Britain now amongst the worst in Europe.

Whilst increasing indirect taxation—which falls most heavily on the poorest—to some of the highest levels in the world, successive governments have held down public spending and cut effective

corporate taxes to 30 percent, lower than US, Germany and Japan.

The Blair government was enthusiastic in its efforts to continue this policy, but it has run up against objective difficulties—namely that it has become increasingly difficult to force one of the lowest paid workforces in Europe to make expensive private personal provision.

In addition, although much of the media has described the rise in NI contributions as an attack on "Middle England", and therefore political suicide for Blair, in truth the systematic under-funding of health care has always been highly dangerous for the government as far as its support amongst the so-called middle classes is concerned.

The reality of Britain's welfare system does not correspond to the government and the media's usual depictions of it as simply a safety net for the poor. As Nicholas Timmins explains in his seminal work on the welfare state, it was the extension of public provision to the middle class after the Second World War that was "one of the defining shifts of the 1940s. In Britain it meant that the middle class no longer had to pay the market cost of private health care or take out private insurance. No longer did they have to pay school fees. Indeed it is the huge middle-class stake in 'free' education and health care that have made those the most enduring and popular features of the welfare state" (Timmins, N, *The Five Giants*, p. 163, Fontana [1996]).

For these reasons, take-up of private education and health schemes remains low at around 10 percent of the population. Neither has big business been willing to stump up the cash to help finance more attractive private insurance plans, with the long-term view of dismantling government provision.

This has left the government in a bind. As part of its pledge to restructure public services, Blair commissioned a review of the NHS, the first since 1948. Whilst the report, drawn up under the stewardship of former National Westminster bank chief executive Derek Wanless, was aimed at justifying a greater involvement by private capital in public provision, its conclusions nevertheless proved politically devastating for the government.

*Securing our Future Health: Taking a Long Term view*, reports that health provision in the UK has been under-funded to the tune of £200 billion over 30 years. Britain spends just 6.8 percent of GDP on health care, in comparison to a European Union average of 9 percent, he reported.

This lack of resources has been used by Conservatives and others to demand the speedy introduction of full-scale private health provision, but the Wanless report found that such a solution is not as straightforward as it seems, even for a government committed to privatisation.

Brown hinted at these problems in his budget speech. Adopting the US model was unfeasible, he intimated, because of its high costs. Explaining the US experience, he said, "Family premiums average

around £100 a week and are set to rise next year on average by £13 a week, and because of its costs insures only some of the people for some of their care.” Top range schemes in the UK are similarly priced, and beyond the reach of most families.

What Brown did not say is that even the more expensive UK schemes often do not cover previously existing medical conditions nor, most importantly, emergency care. With or without private insurance, anyone injured in a car crash for example is taken directly to a NHS hospital because private hospitals concentrate only on the most financially lucrative procedures. Indeed, those suffering botched operations in private hospitals—during childbirth for example—have to be transferred to NHS for emergency care, demonstrating the parasitic relationship of the private sector in the UK to the NHS.

Neither was the European model of social insurance an option, Brown continued, mainly because of the financial burden on business. In France, Brown said, “the typical employer is paying £60 a week”.

Wanless had ruled out both the US and European models in his review. “Substantial investment” was needed “quickly”, he stressed, in order to stop the system breaking down. NHS funding would have to double by 2022, just to ensure adequate levels of health care. The additional finances could then be used as a lever to press through unpopular measures, such as across the board charges for prescriptions and a restructuring of health workers contracts.

The government has largely adopted the Wanless proposals. In his budget speech, Brown said the additional increase in NI contributions would help finance an additional £40 million spending on the NHS over the next five years. At the same time, the chancellor and Prime Minister Tony Blair went out of their way to reassure big business that the government remains committed to its best interests.

Writing in the *Observer* newspaper just days before the budget, Blair had argued, “There is a world of difference between old style ‘tax and spend’ where money went into unreformed systems and New Labour’s ‘invest and reform’ where money is accounted for and services built around the system.” The establishment of a health audit system to oversee NHS spending would “link the money paid to benefits received”, the prime minister continued.

With his eye to the mass of working people who rely on the NHS, he continued, “Despite all the grand tours of European capitals the Conservatives cannot escape the reality that other countries health systems do not enjoy a superior system of funding. They enjoy a superior level of funding. And it is the under-funding which produced the under-capacity in doctors, nurses, beds and buildings which we are reversing”.

By increasing NI contributions, the government had sought a means of raising sufficient revenue whilst having the *least* impact on the rich *and* maintaining its pledge that it would only “borrow to invest”. At least one Labour minister was cited anonymously as stressing that Labour “cannot be seen as a party that wants to bash the rich.” The amounts pledged by Brown are less than those proposed by Wanless, a total NHS spending commitment of £96 billion in 2007-08 compared to a recommended £105.6 billion.

The *Financial Times* admitted that “high earners escaped relatively lightly” in the budget. Previously no additional NI contributions were levied on income above £30,940 a year. Brown’s one percent increase across the board will mean, for example, that Matt Barrett, chief executive of Barclay’s Bank, must pay an extra £18,620 on his annual income of £1.86 million. In contrast, the FT continued, if the government had removed the upper limit on NI contributions entirely it would have cost Barrett more than £95,000.

Increasing NI contributions across the board, the paper went on, “means that the money will come almost equally from all income groups, including lower and middle earners. Abolishing the upper earnings limit would have put the burden mainly on top earners.”

The chancellor insisted that the budget would still mean Britain was the “most competitive and entrepreneurial economy in Europe”, and that even after the increase, tax as a proportion of national income is 37 percent, 3.5 percent less than the EU average. Only Spain and Ireland’s rate is lower. Moreover, the extra funding would help “renew a shared national consensus around an NHS, freely accessible at the point of need, paid for from taxation”.

But big business, the Conservatives and the right wing press are indifferent to the need to build political consensus. This is a layer that has grown fat on impoverishing working people and tearing up their basic democratic rights. As to the consequences of millions being left without any form of basic health provision, they care not one jot.

Nor are they impressed by the Chancellor’s argument that their tax bill is much lower than it could have been—they do not want to pay anything at all. Business has complained that it will bear the brunt of the NI increase, decrying it, as a “tax on jobs” that would push its bills up by £4 billion. The Confederation of British Industry said it proved Blair was no longer concerned with the interests of business, whilst an Engineering Employers Federation spokesman said its members felt “shafted by the government”.

Sections of the press have accused the government of a “lurch to the left” and even of socialism! In his *Observer* piece, Blair had argued, “The budget will crystallise for the country a fundamental choice in values, not just policies. Do we believe opportunities should be extended to all or remain the preserve of the privileged few? That health care should be provided fairly when you need it or left to your ability to pay? That a decent education is the right of every child or only the few who pay for it”.

In his typical opportunistic fashion, the prime minister had hoped his self-serving paean to social justice would help consolidate support for his government’s measures. But for ruling circles, after decades in which any reference to equality has been rubbished as dangerous nonsense, such talk is anathema. They are especially concerned that in its bid to court popularity, Labour has inadvertently opened the way for a sea change in public perception of the roots of the country’s social and economic problems. The last thing they are prepared to tolerate is a move away from the ritualistic denunciations of the “something for nothing society” and praise for the natural superiority of the free-market, towards a discussion of an egalitarian model of society.



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