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The following reprint, together with some notes amplifying the points raised, is circulated to you on the invitation of Sir Ernest Graham-Little, M.D., F.R.C.P., M.P.



MB

The Editor, "Daily Telegraph."

7th October, 1944.

THE WHITE PAPER ON SOCIAL INSURANCE.

Sir,

So much advertising technique has been expended upon the subject of social security that one or two fundamental truths about the present proposals are in danger of being obliterated.

We are all to contribute a weekly sum to a fund which, augmented by further contributions which we make via general taxation, is to pay for various social benefits. Like any other scheme in which a compulsory contribution is made to a government department, it is really taxation, and there is little to be gained and much to be lost by disguising it under another name. For this disguise fogs the clarity of thought and leads to farcical anomalies and high administrative costs.

For example, the employer's contribution is really a *per capita* tax based on the number of employees for which he can organise work. Furthermore, this tax is graduated so as to favour the employment of juvenile and female labour, thus making it contrary to the interests of both skilled men and of the whole society. It is indeed very odd to find a tax on employment embodied in a scheme designed to alleviate the evils of unemployment.

In addition to local taxation, we already have general direct taxation operated by the Board of Inland Revenue. Through these channels we contribute funds which pay for social services like health, education, defence, etc., which are of the same species as the proposed new service. They are all services which society needs and which cannot well be provided by private enterprise. Why, then, is it necessary to set up an additional system of direct taxation ?

Every week, 23,000,000 stamps will have to be printed, sold over the counter, fixed to cards and cancelled. A register of the 23,000,000 contributors will have to be created and maintained to record progressive payments and to facilitate enforcement of payment. The means to be adopted for enforcement appear to be still under discussion. The competitive collectors in the Inland Revenue Department already possess such a register and have a method of enforcement which seems to work fairly well.

When we die, our executors will pay death duties to one department and recover some of the money in the form of a death grant from another.

Family allowances, much larger than the proposed new allowances, are already paid by the Inland Revenue Department. Furthermore, they are paid in a manner which is much more convenient to the recipient. The weekly wage-earner—who requires ready cash—receives his Inland Revenue allowance in cash with his wages ; his wife must make a special journey to collect the new allowance.

Both the existing and the new allowances are to be paid from the same fund. So that while the man is receiving his Inland Revenue allowance and paying tax into the fund, his wife will be queuing at the Post Office to recover, in the form of the new allowance, some of the money he is paying in. The money will certainly go round and round, but not in a manner likely to generate prosperity.

Taking into account the £60,000,000 estimated as the cost of the family allowances in kind, the cost for the first year of this desirable social service will be £710,000,000. This money can only come from earnings. No matter how it is collected or how cleverly the source is disguised, it must be provided by the 23,000,000 citizens of working age. The average cost is nearly 12s. per week per citizen of working age.

If the majority of these 23,000,000 wish to put aside this sum to provide these social benefits, then by all means let us do so ; but let us do it with the minimum cost in public time and expense and with the minimum bureaucratic growth.

Yours faithfully,

London, S.W.1.

T. W. S. ROBINSON.

The above letter appeared in a slightly abridged form in the *Daily Telegraph* of the 12th October, 1944, and is reprinted by kind permission of that newspaper. In order to satisfy several requests for an amplification of the points which were raised, the following notes are appended.

No political motives prompted the letter. It was written because :—

1. The confusion of thought in the Beveridge proposals leads to an administration which is contrary to the most elementary principles of organisation and management, and will result in an appalling waste of public time and money.

2. The actual cost to the individual is about three times as much as propaganda has led the mass of the people to believe.

“INSURANCE” AND “TAXATION.”

Insurance is characterised by two features. First, the chances that some misfortune may occur are calculated and expressed as an insurance rate. Secondly, the person insuring decides how much insurance he will undertake at that rate and how much of the risk he will leave to fortune. The White Paper proposals contain neither of these features.

Many of us insure against some of the worst of the social misfortunes that may overtake us, but many more either cannot or will not do so. Sir William Beveridge aimed at giving everybody the benefits of *being insured*. But in his proposals for doing this he overlooked the fact that by making contribution compulsory, independent of risk and payable to the State, his scheme surrenders all the features of insurance and acquires all those of taxation.

If any one doubts the accuracy of this description, let him devise a tax which is to be collected weekly by stamps and levied on classes of the community according to their way of life, and then let him compare this tax with the White Paper Proposals.

Anyone with a spark of social conscience will agree that the provision of the kind of assistance aimed at in the White Paper is a responsibility to be undertaken by society as a whole. But so is the provision of roads, police, education, defence and all the other social services which are financed by taxation. More than half of the funds necessary for the new service are to be collected through existing channels of taxation ; why, then, create a new tax and a new bureaucracy to collect the balance ?

THE EMPLOYER'S CONTRIBUTION.

If one wished to encourage unemployment, then taxing an employer a fixed weekly sum for every employee for whom he organised work might be a good way of doing so. And if one wished to encourage the replacement of men in industry by female and juvenile labour, then grading the tax along the lines proposed in the White Paper might provide the necessary incentive.

The employer's contribution is a tax on employment of this nature. Again, if any one doubts the accuracy of this description, let him devise such a tax and then compare it with the White Paper proposals.

It is quite true that employers have been paying this sort of tax, under the title of insurance, for some considerable time.

It is also true that, except for making war, no cure has yet been found for unemployment ; all that we have for dealing with this evil are repeated assertions that it will be cured and a variety of academic theories for doing so.

The ethical case for making employers pay a special share of the cost of unemployment relief is no stronger than that for making politicians pay a special share of the cost of defence services. But if political expediency is such that employers must be taxed, why not tax their profits instead of taxing employment ? And if it is the desire of the Government to encourage employment, why not make the tax a graded one based on profits per employee ? And why not collect such a tax through the well-used channels of the Inland Revenue Department ?

THE COST.

The figure of 12s. per week is an approximation calculated in the following manner from data given in the White Paper.

Cost in 1945 (excluding cost of allowances in kind)	£650,000,000
Cost of allowances in kind (school meals, etc.)... ..	60,000,000
Total cost	<u>£710,000,000</u>

These figures are given in paragraph 51, page 14, and Table IV, page 49, of the White Paper (Part I).

The money is to come from weekly contributions, from interest on existing funds, and from the Exchequer or local taxes. The employer's contribution and the interest on existing funds will be added into production costs and will be paid, eventually, by the consumer.

We have no foreign investments which might produce the money, and there is little raw material which we can export. The money can only be raised by work and, regardless of the channel by which it enters the fund, its ultimate source must be the earnings of the 23,000,000 people of working age. Speaking broadly, it is this 23,000,000 which supports the 9,650,000 housewives, the 10,100,000 children and the 4,800,000 retired persons over working age. (Table III, page 48.)

The figure of "nearly 12s. per week per citizen of working age" is therefore calculated :—

$$\frac{710,000,000 \times 20}{23,000,000 \times 52} = 11.87s.$$

Those of working age will pay this money partly by direct contribution, partly by taxation and partly as an increased price for consumption goods.

I quite appreciate the approximations involved in this estimate. It ignores the fact that some housewives may be in employment and are therefore to be added to the 23,000,000 ; some housewives and some of the retired persons will doubtless contribute to the fund by taxation on unearned income. But these are minor details which can have no effect on the order of magnitude of the figure.

In any case, certain expenses, for which no estimate can be made, have been ignored (paragraph 51, page 15, of the White Paper), and the imponderables with which the Government Actuary has had to deal are such that the actual cost for the first year might easily be 700 or 750 million pounds.

My reason for quoting the figure of 12s. was not to give an accurate estimate, but to draw a distinction between the true cost and the figure of a few shillings which has gained such wide public credence. The cost in 1975, calculated in the same way, will be about 17s. per week per person of working age. These figures are average costs, and it is not suggested that the burden will be uniformly spread. In the first year some will pay as little as 5s. per week, others as much as £5 per week.

The taxpayer's money is to be shuffled backwards and forwards between its owner, the Board of Inland Revenue, the Post Office and the new Ministry. Every time it is handled some of it will disappear as a handling charge. The administrative cost of the scheme is estimated by the Government Actuary to be £22,000,000 per annum, but this is only the visible cost and not the whole cost. The figure ignores the cost of handling of mail by the Post Office ; it takes no account of the public time and expense involved in filling in forms, journeys to buy stamps, finding lost cards, fetching family allowances, and all the other non-productive jobs which the public will have to undertake.

The examples which I gave of the money going round and round could be multiplied ; the scheme will not have to operate for very long before the mass of the people get some impression of the manner in which their time and money are being wasted.

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