Taylor, Paul. "Introduction." *The Careless State: Wealth and Welfare in Britain Today*. London: Bloomsbury Academic, 2010. 1–8. *Bloomsbury Collections*. Web. 26 Apr. 2023. <<http://dx.doi.org/10.5040/9781849661003.0005>>.

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Introduction

This book is about the increasing difficulty of keeping the state civilized in the late twentieth and early twenty-first century. It refers in particular to the case of Britain but is relevant to the experience of all developed states. John Gray commented that ‘for at least sixty years the British state was accepted as being fundamentally decent and reasonably efficient’ but that now the ‘British Government seems no longer fit for any coherent purpose and its authority is slipping away’.¹ Much of the explanation of this, Gray argues, is to do with the injection of the market into ‘every corner’ of British life. This book argues that it was a product of the political approach known in the US as *movement conservatism*,² and in the UK as Thatcherism, and its economic ideology *neoliberalism*.³ Meeting targets and financial performance were stressed ahead of protecting civilized standards for individuals.

The book considers the problems which arise from the increasing inequalities of income and wealth in Britain. It argues that increasing wealth for some has gone along with increasing difficulties for many. A very wide range of problems for the middle sections of society can be traced directly or indirectly to the appearance of the super-rich, the example they set and the demands they make. It must be made clear at the outset, however, that neither a left wing nor right wing agenda is adopted. Some functions, such as defence, must be carried out by the state. Others, such as the production and sale of toasters, are necessarily for the private sector. A large number can be carried out equally well by either the public or the private sector if the right conditions, such as adequate finance, are met. Pensions or education may be provided by the state or the private sector – the one is not morally superior to the other – as long as they are properly funded (see Chapters 2 and 8). Even medical support can be provided by either the private or the public sector, but if it is to be private, adequate incomes to pay for it are necessary. And the private sector can be just as inefficient as the public.

The civilized state is not the same as a rich state. Indeed states with a high gross national income may contain a small number of very rich people and a large number of poor people who suffer from various kinds of deprivation. More important is the difference between the incomes of the rich and those of the poor. Some economists have claimed that increasing wealth – in developed and underdeveloped countries – is necessarily linked with increasing income difference. They held that the trickle-down effect, beloved of neoliberal economists, would

ensure the wealth would be shared.⁴ This book argues, however, that the lower the income difference the greater the chance that a state is civilized, and that a state has greater strength if a smaller amount of wealth is distributed more evenly. Among continental European states, especially in Scandinavia, a lower level of difference goes with a more generous welfare system (see Chapter 8).

The first purpose of those influenced by neoliberal ideas was to create wealth. In practice this meant the creation of a class of wealthy people. Increasing prosperity for everyone was a secondary concern, and it was always difficult to find ways of achieving this. Attempts to give neoliberalism a positive social purpose looked like incidental afterthoughts. On the contrary, wealth obstinately clung to the palms of the rich, and was drained from the poorer peripheries to the richer heartlands (Chapter 2).

This book also argues that in the late twentieth and early twenty-first centuries the middle class was under attack in developed Western states. That used to be something unusual: the middle class got wealthier as the liberal state got stronger. It was thought that the first was the cause of the second. Indeed throughout the world, with the possible exception of Latin America, the rise of the middle class promoted more democratic and open societies with more developed welfare systems. The appearance of a more globalized form of capitalism, and the emergence of a powerful transnational class of super-rich, was now undermining the social and economic position of the middle class. Pensions were eroded, employment was less secure and life in many areas was not affordable. There had been times in the past when the middle class had seen their economic position attacked, sometimes with disastrous consequences. In Germany in the interwar period, inflation had destroyed savings and contributed to the rise of Hitler. But this time the threats were long term, concerned deeper changes in the workings of capitalism and concerned major changes in the class system. This was not a short-term crisis.

The capitalist system is morally neutral. But its neoliberal proponents attacked social democracy most skilfully. They said the ideal market was a market free from all restraints, unlike Adam Smith, their putative mentor, who recognized that markets had to be subject to rules for the good of the society, or else they would destroy themselves. They argued that strong welfare systems and social democracy undermined economic prosperity and were hostile to individual freedom. As a result markets had been 'injected into every corner of society' on the assumption that 'no one can be trusted

to serve the public interest'.⁵ The best motivator was the search for money, be it for workers or management, though the former were to be motivated by the threat of poverty and the latter by the promise of gain. Because of neoliberalism most states became more subtly callous towards their less well off, tolerated more exploitation of those who worked, either with their head or with their hands, were less generous with welfare provision and were more prone to support the ambitions of the super-rich. The extreme example of this new system was the USA, but the states of Western Europe were under pressure to move in the same direction.

The great flaw with neoliberalism was that untrammelled freedom, in the market place, in the domestic or international political realms or in society, always favoured the strong. This point is developed in Chapter 4. The strong would always strive to build and protect the order which suited them, and modern capitalists were very clear that free markets and less intervention by governments would favour them. Weaker states and poorer individuals would necessarily pay for this. Regulation had to be about more than playing the free market game fairly, since this only affected the dominant players. It had to be deliberately designed to serve social rather than economic objectives. So strongly did neoliberals in the US feel about this that they were prepared to damage their country rather than have liberals in power. It was extraordinary that in the USA, which claimed to be the leader of the free world, the word 'liberal' had become a term of abuse.

The new devices of capitalism created an ever-increasing danger of economic collapse, though the rich were at less risk than the poor. Authorities such as George Soros and Warren Buffet, themselves highly successful capitalists, warned of this. The super-rich projected values which had effects on social values in general, on culture and on education, as is discussed in Chapter 6. People came to believe that their greedy ways were worth emulating. In consequence cultural activities became the creatures of capitalism. The modern school curriculum was shaped to equip students for business, and universities were ordered by the Government to adopt business practices and put businessmen in charge. They rushed to set up business schools and downgrade the humanities and pure sciences. Some of this was necessary but was taken too far: the young were no longer being taught to support a civilized state. They were being taught a box of tricks to enable them to fit better into the business world.

Developments within capitalism were not the only dangers facing the civilized state. Other dangers included the increasing threat of terrorism and the increasing level of national and international crime. In Britain the threat of terrorism led the government to curtail the traditional rights of citizens, to greatly increase the level of surveillance of the public, to allow the use in courts of evidence taken from phone-tapping or intercepting emails, to suspend the principle of habeas corpus and to cooperate with the US in the rendition of terrorist suspects for torture in other countries. Among the EU states now known to have been involved in the rendition process, and in some cases, actual torture, of terrorist suspects were Poland, Germany, Romania, Sweden and Italy.⁶ None of these responses was a necessary response to the threats.

Governments were now more likely to see their role as being like the managers of a company, driven above all by the need for efficiency and profit. These considerations trumped the ideas and prescriptions of political philosophers and historians. They had to be hard-faced, in the manner of businessmen, about doing what they deemed necessary, and decisions had to be based on utility rather than on civilized values. It was astonishing that in Britain key constitutional principles, which had evolved over centuries and which were thought to be firmly fixed in the constitution, could be casually thrown away overnight. Henry Porter wrote that after a 'decade [of New Labour] the account shows a devastating loss of the freedoms that we once regarded as our birthright, the self-evident and self-perpetuating virtue of the British people and their constitution.'⁷

In the welfare system staying within budget became the primary imperative, even if it meant distress for individuals. Gross targets were set, even if the quality declined – hospital waiting times were forced down at the expense of the quality of care; asylum seekers, adults and children, were treated with a shameful callousness; criteria for assessing the performance of schools and universities were introduced, which businessmen could understand, though the standards of state schools, especially in the city centres, remained distressingly low. The headline goals of welfare provision remained but, as with a private business, the financial bottom line trumped care for the individual. The system was no longer driven by the need to provide care when required but more to help reduce the damage which personal and social failure in general might cause to the economy.

It was remarkable that such changes had happened in a country which, before the great crash of 2008, had never been richer. They revealed a

preparedness to be illiberal, and uncaring, inviting surprising comparisons between New Labour and mid-Victorian conservatism. The USA, after right wing Republican administrations, such as those of Ronald Reagan and George W. Bush, was more far gone in carelessness about civilized values than Britain. But Britain was moving that way. These changes may appear at first sight to be distinct and separate. The book shows this is not the case: they are connected by the thread of market economics.

There are many ways of illustrating the high level of unfairness in modern Britain. These cases are considered in more detail in the following chapters.

- The difference between the median wage of the bottom 10% and that of the highest had greatly increased since the 1950s. Those who were paid less, such as lower grade civil servants, had their annual wage increases kept at around 2% while those in management, even in the public service, were awarded salary increases of 10% and over. Top business people, such as bankers and those in management positions in the public sector, were paid massive bonuses. Despite their grossly inflated incomes a significant group of business people, the so-called, non-doms, arranged their affairs so that they paid less tax than their cleaning ladies. They made use of various off-shore sheltered trusts and tax havens (see Chapter 1).
- The level of state pensions was kept at the level of subsistence. After a lifetime of contributions to the National Insurance Fund, a couple received just over £8,000 per annum and, in December 2007, were awarded an increase of about £25 per month. The state pension was described officially as being set at subsistence level (Chapter 2). The process of pension reform was dragged out endlessly because of the domination of the process by those who controlled the purse strings, the Treasury, rather than by those who preferred a civilized level of provision. It was agreed that the problem of adequate pension provision was likely to get worse, but the government lacked the will to deal with it. There was simply drift (see Chapter 2).
- Some public services were under constant pressure to find ways of saving, by postponing necessary improvements or cutting service to the bone. The prison service was starved of resources, even though the number of prisoners was higher than it had ever been before. Public libraries and post offices in country areas were closed. Old people living in care homes were excluded from the terms of the Human Rights Act, which limited their right to sue owners for inadequate provision. The financing of old people's homes by the state was kept at an entirely inadequate level, and it was often difficult

to maintain a reasonable level of care. Indeed there were reports that in some homes tranquillizing drugs were being used to keep order. But such homes became a major target for international investment companies as they could generate good profits, especially if the cost of staffing and provision was pared back further. There was a business opportunity as the total number of elderly was increasing and more cheap labour was available from Eastern Europe. The elderly were usually required to sell their own homes to pay for this inadequate care (see Chapter 4).

- Hospitals were driven by crude performance criteria, such as the reduction of waiting lists rather than the proper treatment of illness. In 2006–7 the measurable indicators showed improvement, but outcomes, which could have been measured but weren't, became worse. The test of efficiency in hospitals was the time a patient spent in hospital, rather than the rate of recovery. The death rate following emergency heart-attack admissions substantially increased in 2006–7.⁸ In early 2009 failures were discovered at Stafford Hospital, which were also attributed to stress on reaching targets and financial performance rather than proper health care (see Chapter 6). Because of incompetent management the rate of hospital infections such as MRSA had reached epidemic level, and the longer the stay in hospital the greater the risk of deadly infection. Getting a degree of control of one infection was usually matched by the appearance of a new infection.

The causes of this included outsourcing of the cleaning of hospital wards to companies which employed low-grade labour, the closing of isolation wards, the lack of effective supervision of hygiene and cleaning in the hospitals, the lack of any clear responsibility on the part of the real bosses, the consultants, for the maintenance of good hygiene and the overworking of nurses and junior doctors who therefore neglected such simple steps as washing their hands between patients. As a result more and more people began to see a stay in hospital as a risky last resort. It was ironic that the earliest example of scientific method in the late eighteenth century concerned the discovery in a Viennese hospital that childbed fever was caused by the doctors' not washing their hands between patients, and not the miasmatic clouds hovering over the city. Such established and simple precautions were now often ignored.

- The right to privacy was reduced, for instance with regard to the range of officials entitled to enter a private home without the consent of the owner. Debt collectors and the like were to be given the right to use violence

to gain entry to a home. The state was encouraged to collect as much information as possible about citizens for storage on centralized databases and incorporation in a national identity card (Chapter 4). The purpose of this drive to have up to 60 pieces of information about every citizen stored in databases, and linked to the new identity card, was to help crime detection and counter-terror activities. But there was little confidence that such data would not become available to almost everyone who wanted it, such as the most junior of officials, potential employers and even crooks. The government's record with regard to data protection had been abysmal. There had been several cases of the release of confidential information to the public and the loss of data discs.

- The operation of the asylum policy by anonymous and unaccountable home office officials was eccentric: individuals who had been in the UK for many years, had successful careers in the UK and were clearly strongly pro-British were deported, sometimes to face great personal danger; whereas rich individuals, known to politicians or their friends, had no problem in staying. Russian or Indian billionaires such as Roman Abramovitch or the Hinduja brothers had no difficulty in spending as much time as they liked in the UK. A Nigerian student who had won a place at Cambridge, had lived in the UK since he was eleven years old, had been head boy of his school and had no character blemish whatsoever was threatened with deportation. Those whose application for asylum had been rejected were imprisoned in centres such as that at Campsfield where adults and their children were allowed only limited access to medical treatment. The Children's Commissioner wrote a damning report about the treatment of asylum seekers by Hillingdon Council. Deportation was often carried out with brutality. One pilot refused to take off because of the beating given to a woman who was to be deported.
- But most important was the development of modern capitalism, with its range of new mechanisms for getting rich quick (Chapter 5). Most of these were little more than forms of gambling, which brought little benefit to the wider public, but had helped to create a new class of the super-rich. Indeed the scale of this casino capitalism was so great that it increasingly posed a real threat to the stability of the financial system. There were increasingly dire warnings about the danger of a major collapse of the financial market which happened in 2008 and worsened in 2009. But the class of the super-rich also affected the values of society in general. They suggested that greed

was good, and that no part of human existence should be removed from the market. The consequences of the emergence of so many super-rich was entirely negative (see Chapters 5 and 6 and *passim*).

All of these developments, and there were many others, must be seen as examples of a retreat from civilized behaviour. Even those who professed to be caring liberals were affected, perhaps unconsciously, by the new ideology. Attempts to improve public services were often spoiled by the application of market principles. Women, as well as ethnic minorities, were in some ways better off than they had been – starting from a low base. In many ways life in developed states, and in a few developing ones, had improved. More people could find a job and had a better standard of living. This is discussed at length in Chapter 7. But this is not the point. After all there were many examples of objectionable regimes in which things had improved in some ways. Overall the liberal state was under attack.

There were obviously a number of challenges facing British citizens. Some were long-standing but had not been well addressed – like the problems of the schools or the hospitals. Others were new, such as the appearance of large numbers of super-rich or the failures of the banking system. What they had in common was that they challenged the principle of fairness in the modern state. They made it more difficult to maintain civilized standards and extend them to the vast majority of British citizens. They made life harder for a large number of people who had previously thought of themselves as being of adequate means.

That is why they are discussed in the following chapters.