Beveridge on Welfare Society: An Integration of the Trilogy

Atsushi Komine
(Ryukoku University)

Faculty of Economics
67 Fushimi, Kyoto, 612-8577, Japan

komine@econ.ryukoku.ac.jp

Preliminary Version
(Not to be quoted)

1 March 2006

A Seminar at the University of Rome

* This research was supported by a grant from JSPS. KAKENHI (17530158).
Abstract

The purpose of this paper is to trace back to its designer, William Henry Beveridge (1879–1963), the idea of the welfare state, thereby to re-examine his ideas from broader viewpoints. Our approach is to take up and integrate the trilogy published in his later years, that is to say, *Social Insurance and Allied Services* (1942), *Full Employment in a Free Society* (1944) and *Voluntary Action* (1948).

Even after full employment and social security are established, civil society cannot persist only under the condition of the national minimum. Beyond that, an infinite field existed: voluntary action.

Each volume made a premise of the work of the others and developed new concepts based on them. They circled one another in a spiral stream of argument. Beveridge completed drawing up the duties of the state and the duties and rights of citizens’. Here, he conceptualized a grand design of welfare in a civil and free society. It was possible to birth the concept, only after integrating the three Reports as a set (economic and social thoughts).

Contents

1. Introduction
2. Beveridge Report
   2-1. Contents and Promises of the Report
   2-2. Keynes’s Participation
3. Full Employment
   3-1. The Making of the Book
   3-2. Keynesian Contents
   3-3. Free Society, Social Security and Full Employment
4 Voluntary Action
   4-1. Realm of Voluntary Action
   4-2. Three Phased Understanding
5. Trilogy and Welfare Society
26 January 2006

Beveridge on Welfare Society: An Integration of the Trilogy
Atsushi Komine

1. Introduction

We have been perplexed for an answer to whether welfare states can survive or not. Some scholars maintain that the system has already been terminated. Another has undertaken to explore critically a theme on the welfare state\(^1\) in depth.

Surrounding discourses on welfare, the following view had been generally accepted: the Beveridge Report (1942), formally the *Social Insurance and Allied Services*, had “been regarded as the main blueprint for the creation of the post-war welfare state and his ‘scheme’ affected the development of British social policy for a generation after 1945” (Harris 2004 p. 289). During the Atlee Government, basic acts, such as the National Insurance Act and the National Health Service Act of 1946, were passed. Thus, Beveridge’s ideas, not the whole of them but part of them at least\(^2\), were actualized. For more than 30 years from 1945, the Welfare State had been real, and high rates of economic growth pertained. Nevertheless, with the advent of the stable growth era, the national consensus that had supported the Welfare State collapsed. Nowadays, ‘large government’ is the target of thundering criticism. In this context,

\(^1\) Research on the welfare state has accumulated so vastly that it is impossible to summarize or survey it simply. However, the following books are useful for clarification; for a critical discussion of the welfare state, see Pierson (1991 Ch. 2); for an argument of various patterns of it, see Esping-Andersen (1990 Ch. 1); for a pluralistic conception of it, see Johnson (1987 Ch. 3); for a philosophical approach, see Spicker (2000 III. 2).

\(^2\) From the start, the welfare state system deviated from Beveridge’s intention. As one example, the core of the system was neither social insurance, nor the principle of the flat rate of contribution or benefit.
Beveridge’s evaluations have been drastically changed: some\(^3\) regard him as a ringleader in the system of excess dependence on the state; others, even those who tried to develop some kind of welfare, point out his limitations arising from his age\(^4\).

Despite those currents, we shall discuss that William Henry Beveridge (1879–1963) should be reassessed as an architect of ideas underpinning the welfare society. This interpretation is beyond ordinary ones. In other words, the purpose of this paper is to trace back to its designer, Beveridge, the idea of the welfare state, thereby to re-examine his ideas from broader viewpoints. Our approach is to take up and integrate the trilogy published in his later years, that is to say, *Social Insurance and Allied Services* (1942), *Full Employment in a Free Society* (1944) and *Voluntary Action* (1948).

We have at least three merits when we recognize the three books as a comprehensive set. First, we can confirm that a typical mode of Beveridge’s thought penetrated the trilogy, the thought of threefold elements based on a consistent idea\(^5\). Second, we can release Beveridge from stereotypical criticisms on the welfare state if we position the man and his ideas against a broader background: welfare society with citizenship. Third, we can question the history of economic thought in interwar Britain, by pointing out the interaction both between Keynes and Beveridge\(^6\), and between economic and social thoughts of Beveridge’s.

This paper is organized as follows: Section 2 deals with social security. Section 3 reviews full employment. Section 4 considers voluntary action. Finally, Section 5 presents an attempt to integrate the three themes as a

---

3 For example, see Cockett (1995 Ch. 2), which contrasts Hayek’s *The Road to Serfdom* (1944).

4 This point is argued by Ohsawa (1999 p. 102) and Miyamoto (1999 pp. 106-107).

5 This way is also true of his earlier writings on unemployment. See Komine (2004 pp. 271–272).

6 We are not satisfied with Cutler et al. (1986) despite its usefulness. The book compares Keynes with Beveridge directly in the light of liberal collectivism. Nevertheless, it merely compares the Beveridge Report (1942) with the *General Theory* (1936) and concludes that they “underestimate the difficulty of controlled and limited state intervention” (Cutler et al. 1986 p. 28). It refers to *Voluntary Action* as an important writing, but in light of private savings, not citizenship, as we do later.
unified one. We always give attention to collaboration between Beveridge and J. M. Keynes (1883–1946).

2. Beveridge Report

_Social Insurance and Allied Services_ was published on 1 December 1942. British people accepted this ‘post-war reconstruction scheme’ enthusiastically. Reportedly, 70,000 copies were sold out in two hours; 625,000 were sold in a year. According to a public-opinion poll taken in December 1942, 95% of the public had heard of the Beveridge Report, with 88% in favour, 6% against, and 6% undecided. The Beveridge Report unified British people by proposing, during wartime, a magnificent programme for the future. In this section, we first give an account of the Report briefly. Second, we point out how deeply Beveridge worked with Keynes.

2-1. Contents and Promises of the Report

The Beveridge Report was a comprehensive and ambitious design for a desirable society. The programme retained a purview for every contingency, and advocated a package of remedies that were weighted in different ways. First of all, Beveridge enumerated Five Giants of human beings: Want, Disease, Ignorance, Squalor and Idleness (Beveridge 1942 p. 170, para. 456). The ultimate goal was to vanquish the Five Giants completely by combining measures of social policy, yet a priority existed. Want was the worst vice, but the easiest to eliminate. Thus, the first target of the state was ‘freedom from Want’ (Beveridge 1942 p. 7, para. 11). The means to terminate Want was Social Security to meet two goals: a design

---

8 The figures are from Cockett (1995 p. 60) and Mouri (1990 p. 220). The British government arranged for an American edition to be printed and netted $5000 for the Treasury. See Beveridge (1955 p. 320).
for securing an income up to a minimum when people encountered either the interruption of income, the loss of working capability, or exceptional expenditures; and a design to bring an earnings stoppage to an end as soon as possible (Beveridge 1942 p. 120, para. 300). In addition, important assumptions existed: to accomplish the Report, it was necessary in advance to prepare (1) children’s allowances, (2) comprehensive health and rehabilitation services, and (3) maintenance of employment (Beveridge 1942 p. 120, para. 301). (1) Children’s allowances should be provided up to the age of 15 or 16. To the extent that family earnings were based only on a father’s wage, a larger family made them relatively poorer. Allowances were needed regardless of the social insurance system. (2) Health services symbolized and actualized the prevention and treatment of diseases and rehabilitation of working ability. Their aim was to return people to the labour market as soon as possible. Unemployment was the worst waste of resources. (3) It was undesirable to provide the long-run unemployed persons unconditional cash transfer as a right because the ‘dole’ would lower workers’ moral sense. Mere income security was insufficient for the happiness of human beings. Only equality of opportunity, and full employment, could avoid moral risks.

Under the three promises, Beveridge advocated Social Security that united the three remedies. The set of three elements, with different weights, was characteristic of him. We examine the character and the relationships among the three characteristics in the following manner.

The first and main component was social insurance for basic needs, which had a principle of compulsory contributions. All citizens had their own right to be guaranteed a living up to a minimum. The scheme embodied six fundamental principles: “flat rate of subsistence benefit; flat rate of contribution; unification of administrative responsibility; adequacy of benefits; comprehensiveness; and classification” (Beveridge 1942 p. 9, para. 17). The first principle meant that the state should whenever ensure (only) a minimum level of subsistence, regardless of amounts of citizens’ incomes. Together with the fourth (adequacy of benefit), it indicated a
National Minimum. Specialists out of the Beveridge Committee, such as S. B. Rowntree and A. L. Bowley calculated the level. For instance, unemployment benefits were 40 shillings per week, and so was the retirement pension. This system included not only rights for every citizen, but also duties. There was no guarantee to be provided benefits beyond the minimum (Beveridge 1942 p. 121, para. 304). Instead, there remained ample room for private insurance. People had to work for an abundant living. Up to the minimum, it was a protection. Beyond the minimum, it was a competition. The second principle implied that all citizens had to pay the same contribution, irrespective of the amount of their property. The rate of weekly contribution was four shillings and three pence (except the people between age 16 and 20) (Beveridge 1942 p. 152, para. 403). Under the social insurance system with the first and the second principles, revenue and expenditure would be balanced in terms of both an individual and a state. People had a right of benefits in exchange for their duty of contributions. An increasing budget for welfare was designed to balance the benefit and contribution of insurance. Namely, the social insurance system subsumed a standard citizen who was industrious and independent to some degree.

Nevertheless, all citizens could not afford to contribute completely. Some physically or mentally handicapped persons would fall through the mesh of any insurance scheme (Beveridge 1942 p. 12, para. 23). Accordingly, society had to establish a second and subordinate component, i.e., public aid for exceptional contingencies. This was a transfer in cash out of the National Treasury. Traditionally, from the age of the poor laws, people in Britain had strongly resisted any type of means test (Beveridge 1942 p. 11, para. 12). ‘Doles’ in poor laws were always accompanied by a ‘stigma of pauperism’. This public assistance was conceptualized to be subjected to a strict means test because it had to “be felt to be something

---

9 The figure was evaluated by 1938 prices. A number of presuppositions were behind the calculations, but we omit them. The entire list of allowances is available in Beveridge (1942 p. 150, para. 401).
less desirable than insurance benefit” (Beveridge 1942 p. 141, para. 369). The National Treasury was no infinite cash register, so the state was duty-bound not to let the society members indulge in being extravagant and lazy. The following were specific allowances and temporary assistance: maternity and widows’ benefits (36 shillings per week up to 13 weeks); a guardian benefit (24 shillings); a dependent allowance (16 shillings); a children’s allowance (8 shillings); marriage (up to 10 pounds); and funeral and industrial assistance. These were unilateral transfers. The second component needed certifications and means testing, with provisions to avoid engendering stigma.

The third and complementary component was related with the principle that, rather implicitly, permeated the entire Report. Complementary meant encouraging private savings in addition to the state’s basic provisions (Beveridge 1942 p. 143, para. 375). The state had to leave room for self-help efforts, so that people should plan out their own life freely based on their subsistence level. This measure was associated closely with the third guiding principle in the Report: “social security must be achieved by co-operation between the State and the individual”. The state should not stifle incentive, opportunity, or responsibility. In “establishing a national minimum, it should leave room and encouragement for voluntary action by each to provide more than minimum for himself and his family” (Beveridge 1942 pp. 6–7, para. 9, emphasis added).

The Beveridge Report established an idea of the welfare state: the pillar was a national minimum by social security. However, the Report also referred to duties of citizens, as a complement at least. Beveridge was worried about creating free riders, those who might become overly dependent upon the state. In fact, the respective rates of contribution were 28 per cent for individuals, 20 for employers, 50 for the state, and 2 for interest. Those figures indicated that the rate of burden in the programme

---

10 In particular, see Beveridge (1942 p. 170, para. 455): “The plan is not one for giving to everybody something for nothing and without trouble, or something that will free the recipients for ever thereafter from personal responsibilities”.

8
would be larger than of the present system (see Table 1). In this sense, Beveridge’s idea on the welfare state, by its nature, presupposed mutual efforts between individuals and the state.\footnote{Unlike popular but easygoing criticisms about the welfare state, sincere studies upon the Beveridge Report do not overlook this point. For instances, see Ohmae (1983 p. 226), Mouri (1990 p. 217) and Jinushi (1995 p. 46).}

<table>
<thead>
<tr>
<th></th>
<th>Present, 1945</th>
<th>Proposed, 1945</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nation</td>
<td>265</td>
<td>351</td>
</tr>
<tr>
<td></td>
<td>61.3%</td>
<td>50.3%</td>
</tr>
<tr>
<td>Insured</td>
<td>69</td>
<td>194</td>
</tr>
<tr>
<td></td>
<td>15.9%</td>
<td>27.8%</td>
</tr>
<tr>
<td>Employers</td>
<td>83</td>
<td>137</td>
</tr>
<tr>
<td></td>
<td>19.2%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Total</td>
<td>342</td>
<td>697</td>
</tr>
<tr>
<td></td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Table: Estimated Cost of Social Security\footnote{Made according to Beveridge (1942 p. 112, Table 13). The rates do not include interest, so the sum of the three elements does not match 100%.

2-2. Keynes’s Participation

Robert Skidilsky (2000 p. 264, p. 266) asserts that “Keynes was never a passionate social reformer” and “he had no influence on the structure of the Beveridge Report”. This paper next presents a counter-argument to that claim.\footnote{Skidelsky on Keynes is by far the more consistent in this context. He claims, against Roy Harrod, that “the presuppositions of Cambridge civilization are more fundamental” than those of ‘No. 6 Harvey Road’ (Skidelsky 1992/1983 p.26). The former indicates Keynes's early belief. He then regarded private life (for instance, a love for art and knowledge) as more important. The latter imply a sense of public duties. That sense should point the way for social reforms.} First, we will illustrate that Keynes evidently espoused a concept of a national minimum. Second, we will indicate that it was not superficially that Keynes collaborated with Beveridge in producing the Report.

First, Keynes did not reject the national minimum in the Report at all. On the contrary, he was enthusiastic about its support. For most conservatives, this concept was not a continuum from the classical liberalism in the 19th century. For most radicals, this view embodied citizenship. It was actualized for the first time since the Webbs had coined...
the term about 45 years prior. Keynes had already achieved conceptual penetration in the *General Theory* that the “outstanding faults of the economic society ... are ... its arbitrary and inequitable distribution of wealth and incomes” (Keynes 1973/1936: 372). Subsequently, he sought “the euthanasia of the rentier, of the functionless investor” (Keynes 1973/1936 p. 376), by policies of encouraging consumption and investment and of decreasing idle money. The basic line, as we see later in Section 3-2, coincided with that of Beveridge. Therefore, Keynes, in many respects, explored Beveridge’s arguments, which promised redistribution to the poor, when he investigated the Beveridge Report in 1942.

We have seven examples in this context. First, Keynes took for granted a statutory minimum wage, looking for less expensive remedies that maintained the same minimum. Second, he sought inexpensive options, promising a level of a national minimum especially in the light of dietetics. Third, he accepted that the state give some levels of subsistence to aged pensioners, unemployed persons, and dependent family members. Fourth, a national minimum existed behind the arguments of Keynes’s *How to Pay for the War* (1939). He advanced ‘deferred pay’ in this pamphlet. As inflation occurred, this mechanism regulated aggregate demand by freezing part of their income during the war (forced savings) and releasing it with interest during a post-war depression. Popular life was maintained at a stable level through subsidies such as children’s allowances or by lowering prices of basic necessities in compensation for forced wage reductions. In this case, Keynes’s ideas on managed economy were related closely to Beveridge’s on social security. Fifth, when James Meade

---

14 Keynes (1980 p. 207), a letter to James Meade, 8 May 1942.
15 Keynes (1980 p. 221), Keynes to Richard Hopkins, 7 July 1942. Keynes commented that it was better to extend the Board of Education’s activities in a nutritional direction instead of children’s allowances.
16 Keynes (1980 p. 245), Keynes to E. Hale, 24 August 1942.
advocated levying a tax during investigation of the Beveridge Plan, Keynes admitted that revenue from the tax would be used to further social reforms. The levy tax, received mostly from wealthy persons, had a function to finance social improvements benefiting poor people. Sixth, Keynes agreed that there was “a great deal to be said in favour of…extending the benefits and contributions to the whole population”. This sentence directly illustrates that Keynes explicitly accepted social insurance itself. Seventh, and most importantly, in February 1924, Beveridge sought Keynes’s advice about a candidate for Senior Lecturer in Political Science at the LSE. T. H. Marshall, of Trinity College, Cambridge, was the candidate. His reference was Keynes. We could not find Keynes’s reply, but the subsequent appointment proves that Keynes must have supported T. H. Marshall, who later became the theoretical pillar of the welfare state. Those seven cases above all indicate that Keynes regarded Beveridge’s national minimum as given, and pursued arguments based on that condition.

Second, the relationship between the two scholars was longer and tighter than had been expected. Their interchange in letter correspondence form could be traced back to as early as August 1910, and to May 1914 in personal contact. During the war, they encountered one another as men of affairs: Food Controller and Exchange-rate Controller. After the war, Beveridge became Director of the London School of Economics and Keynes returned to Cambridge. Subsequently, they came to meet frequently at meetings of the London and Cambridge Economic Services.

---

18 Keynes (1980 p. 215), Keynes to Meade, 30 June 1942. Yet, Keynes was less keen than Meade on introducing a levy tax.
19 Keynes (1980 p. 252), Keynes to Hopkins, 13 October 1942.
20 The Beveridge Papers (BP), 2b-24, a letter from Beveridge to Keynes, 14 February 1925. As to the correspondences between the two, see Marcuzzo (2004 p. 18).
21 The Keynes Papers, PP/45/144/107-108, Keynes to Beveridge, undated but definitely before 14 August 1910. See also PP/45/144/105-106, Keynes’s sister to Keynes, 14 August 1910.
22 BP, 9a-52, “I remember being impressed by the power that one man could wield [sic, wield]”, Some Memories of Maynard Keynes, (undated, probably 1952, p. 3).
23 The Service was founded in 1923 to support financial journalists, economists and
In 1923, they continued to engage in a heated controversy over population (Toye 2000 pp. 172–180). Notwithstanding, they came to approach one another on friendly terms. In particular, the Liberal Party was an axis: they joined the Liberal Summer School and helped to reconstruct the Nation and Athenaeum (Moggridge 1992 p. 390). Beveridge put forward a new concept, the Economic General Staff, in 1923. Keynes not only advocated it, but also engaged in actualizing the concept as a think-tank in government. Beveridge gave unstinting praise to Keynes when Keynes acclaimed public works as remedies for unemployment almost for the first time in May 1924 (Harrod 1982/1951 p. 346). In February 1930, they both attended a meeting of the Royal Economic Society to decide to edit the works of David Ricardo. In 1932, a book was published named The World’s Economic Crisis and the Way of Escape that included their lectures. In January 1934, they both attended an editorial board of the Economic Journal. In 1936, they corresponded on a long history of prices by Beveridge. In March 1940, Keynes and his colleagues “decided to nominate you [Beveridge] as President [of the Royal Economic Society], ... to succeed Pigou.” Finally, on 15 April 1940, Keynes wrote a letter to Beveridge: “I thought it would be nice for the Old Doges to meet again here before term begins. I find that that Layton and Salter can manage lunch on Friday, April 19, at 1 o’clock.” The Old Doges remark exemplified their long and intimate friendship. Hence, unlike popular impressions, Beveridge and Keynes had been mature friends and shared businessmen by providing existing statistics in a useful form. The executive committee consisted of Beveridge, A. L. Bowley, Keynes, H. D. Henderson (later D. H. Robertson). See Moggridge (1992 p. 383) and Skidelsky (1994/1992 p. 106).

24 BP, 2a-29, a minute of the Society, 13 February 1930.
25 BP, 2a-33, two letters from/to Keynes, 30 January 1934.
26 BP, 2a-35, four letters between Keynes and Beveridge, July and October 1936.
27 BP, 2a-39, Keynes to Beveridge, 20 March 1940. Keynes then served the role of the virtual secretary of Royal Economic Society (and Economic Section of British Academy) and consulted most members on various subjects in advance.
28 BP, 2a-39, Keynes to Beveridge, 15 April 1940. ‘The Old Dogs’ indicates Keynes, Beveridge, Layton, Salter and Henderson, who were active civil servants during World War I, yet did not engage in official duties at that point in 1940.
some basic sensitivity to the times.

The friendship above became a partnership in the process of arguments on the Beveridge Report. Their involvement began in March 1942. Keynes wrote a reply to Beveridge, who had sent two memoranda:

I have read your Memoranda, which leave me in a state of enthusiasm for your general scheme. I think it a vast constructive reform of real importance and am relieved to find that it is so financially possible. (Keynes 1980 p. 204, emphasis added)

To judge whether Keynes gave the greetings that courtesy demanded, let us check another letter, one to James Meade in the Economic Section: “Person ally I am very much in favour of something on the lines of Beveridge’s proposals”\textsuperscript{29}. Note that Keynes supported not part of them, but rather their general scheme, and it was not true that he accepted them reluctantly. Therefore, he contacted Beveridge himself after he discussed possibilities of social insurance with Meade, saying “[c an] you spare me a copy of the authentic latest version of your proposals? … I am receiving and having to deal with criticisms of it, which is awkward if one really does not know what is in the original”\textsuperscript{30}. Keynes was consciously involved as a defender against the Treasury that was afraid of not controlling budgets caused by new and increasing demands for welfare services. He explained the matter to R. Hopkins, permanent Secretary of the Treasury, saying, “to do Beveridge justice he does not intend to overwhelm the Budget and is fully alive to this side of the matter”\textsuperscript{31}. In August 1942, Keynes, Robbins and Epps (Government Actuary) made up a small informal committee to discuss the proposals. At that time, Keynes met with Beveridge to discuss them at length. Keynes made a detailed report to the

\textsuperscript{29} Keynes (1980 p. 206), Keynes to Meade, 8 May 1942. Meade was one of the most passionate Keynesians at that time.

\textsuperscript{30} Keynes (1980 p. 219), Keynes to Beveridge, 25 June 1942.

\textsuperscript{31} Keynes (1980 p. 228), Keynes to Hopkins, 20 July 1942, emphasis in original.
Treasury: Beveridge “was considerably impressed by these arguments”\(^{32}\). In October 1942, Keynes was glad to say regarding the final version of the proposals: “it looks to me that the document is a very fine one and will impress public opinion as at the same time moderate and far-reaching and argued in the most convincing and striking manner”\(^{33}\). To the author of the Report, Keynes wrote as follows: “I feel confirmed … that it is a grand document. … I should hope that the major and *more essential parts* of it might be adopted substantially as you have conceived them”\(^{34}\). These correspondences above show that Keynes sympathized with Beveridge in the essence of the Report. In turn, Beveridge testified as follows: “I remembered how much I had gained by talking to Keynes about Social Insurance” (Beveridge 1955 p. 330).

Their collaboration was possible because of the two scholars’ shared vision. We cite four examples. First, the Beveridge Report presupposed Keynes’s macroeconomics: a Keynesian approach to estimating the post-war national income made it possible to formulate that Report\(^{35}\). Social security budget in the Report was definitely the same framework of the Keynesian national accounting. Second, they agreed upon a plan for decreasing unemployment: Beveridge had proposed dismissal tax. The charges should be imposed to employers who dismiss employees. Keynes was very much attracted by the tax\(^{36}\). Furthermore, Meade developed his idea for varying rates of contributions corresponding to good and bad trades after investigating the Beveridge Plan. Meade intended to combine the social insurance system with macroeconomic management to ease the trade cycle. After an initial objection, Keynes came to back the idea, saying that “8 per cent would be better as a standard with increasing contributions below that fairly steeply declining rates above it”\(^{37}\). Third, both tried to

\(^{32}\) Keynes (1980 p. 239), Keynes to Wilson, 11 August 1942.

\(^{33}\) Keynes (1980 p. 252), Keynes to Hopkins, 13 October 1942.

\(^{34}\) Keynes (1980 p. 255), Keynes to Beveridge, 14 October 1942, emphasis added.

\(^{35}\) This point was argued by Moggridge (1980/1976 p. 131).

\(^{36}\) See Keynes (1980 p. 205, p. 207).

find the best way to blend self-help properly with national relief: As examples, consider their arguments on Friendly Societies and on the contribution principle. Beveridge at that time championed Friendly Societies strongly. Keynes also said: “I agree with you ... in wanting to encourage Friendly Societies ... by which a man makes provision for more than his minimum relief in cases of sickness or disability,” and “[the] more socialised we become, the more important it is to associate as closely as possible the cost of particular services with the sources out of which they are provided.” This statement portrays Keynes’s trust in the principle of contribution to social insurance. Thus, when he viewed a draft of the White Paper, *Social Insurance (1944)*, Keynes bitterly lamented:

I always thought ... that the Beveridge scheme was by far the cheapest ... and I several times represented this to the late Chancellor. I am not therefore surprised that a readiness to depart from these proposals immediately leads to largely increased expense. (Keynes 1980 p. 263)

Fourth, Keynes noticed that Beveridge’s social security system should engender good circulation in his macroeconomic model: “Nothing ... can prevent our national income from increasing several times as fast as our obligations under the Plan.” The four instances above show that they elementally shared a view for the post-war ideal world.

To be precise, Beveridge and Keynes shared the vision of a national minimum and contribution system. The two points compose the core of the New Liberalism, which celebrated a nation’s obligations as well as a

---

38 See Beveridge (1942 p. 144, para. 379).
42 Keynes (1980/1942 p. 219), a draft for the House of Lords, 24 February 1943.
person’s duties and originalities. In other words, they pursued a decision of the most appropriate rate in action of individuals and the state. This interpretation markedly portrays Skidelsky’s claim at the top of this section as inappropriate.

3. Full Employment

The second book of the trilogy, *Full Employment in a Free Society*, was published in November 1944. This section notes that the book was constructed more complicatedly than previous research\(^ {43}\) had regarded. To begin with, we outline its making. Then, we compare the book with Keynes’s *General Theory*. Finally, we examine its original position.

3-1. The Making of the Book

The book has a complicated road to publication. We will divide five phases in chronological order to trace the process.

The first phase was Beveridge’s initial motive. Beveridge, who had pointed out his three premises of social security programme, faced up squarely to the most difficult premise: full employment. The “ink of my signature on the Social Insurance ... Report was hardly dry before I started on my next Report” (Beveridge 1955 p. 327). In November 1942, before publishing the Beveridge Report, he addressed a Fabian Society meeting, saying that a fault of private enterprises was to not preventing from unemployment and that such prevention was indispensable to a national plan\(^ {44}\). On 19 January 1943 at Plymouth, he took as his subject ‘Freedom from Want and Idleness’. ‘Idleness’ meant in this context idle human resources: unemployment. On 7 February, he wrote a letter, stating that “I am much more interested in ... maintenance of employment” (Beveridge

\(^{43}\) For example, see Jinushi (1995 p. 39): “Beveridge was completely converted to Keynesianism” [our translation].

\(^{44}\) See the following article, *The Times*, “Economic Reform”, 25 November 1942.
1955 p. 328). In March, he declared that the Beveridge Report was no longer his concern\textsuperscript{45}. However, this time he had no hope for government support: he had to establish a research committee in his private capacity. Funds were given anonymously from friends: three progressive businessmen\textsuperscript{46}. On 8 April 1943, it was announced to set up an informal committee on employment\textsuperscript{47}. Beveridge’s concern on full employment welled up from deep in his mind.

The second step was to encounter young economists and social investigators\textsuperscript{48}. The private committee had seven members (three women): Ernst F. Schumacher (1911–1977), Joan Robinson (1903–1983), Nicholas Kaldor (1908–1986), Barbara F. Wooton (1897–1988); Frank Pakenham (1905–2001), H. F. Carlill and Elspeth Mair. Over the next 14 months, meetings were formally held monthly in London, and privately weekly in Oxford (Harris 1997 p. 434). Schumacher, fleeing Germany to Britain, attracted Keynes’s attention because of his scheme on a clearing union\textsuperscript{49}. He later became famous for his book, \textit{Small is Beautiful}. Robinson was formerly a member of the Circus, and later became a heterodox economist. Kaldor had been influenced by Robbins at the LSE, but approached Keynes after publishing the \textit{General Theory}. He later became the most powerful post-Keynesian. Wooton, who read classics and economics at Cambridge, published numerous books including \textit{Social Science and Social Pathology} (1959). She engaged in social and judicial reforms, based on the spirit of equality. Pakenham entered upon a social investigator career and later

\textsuperscript{45} Regarding his statement in February and March, see Beveridge (1955 p. 328).
\textsuperscript{46} One of them was a publisher, Edward G. Hulton (1906–1988). He had supported the Conservative Party and was very active in establishing the \textit{Picture Post}, a magazine that pioneered photojournalism, the \textit{Farmer’s Weekly} and \textit{Nursing Mirror}.
\textsuperscript{47} The Times, “Plans for Employment”, 9 April 1943. This article censured the government for its fault at not establishing a formal committee.
\textsuperscript{48} This paragraph is mostly based on Harris (1997 pp. 432-434).
\textsuperscript{49} PRO, T 247/101, “Mr E F Schumacher’s paper on multilateral clearing”, 1943. Schumacher was in the camp as an enemy alien, yet later he worked also for the government, thanks to Keynes’s introduction. Since meeting him for the first time in November 1929, Keynes had lauded Schumacher’s capability. See his daughter’s biography, Wood (1984 p. 20, p. 135).

17
became a Labour M. P. He had already joined in writing Appendix F (comparisons with other countries) of the Beveridge Report. Carlill, Beveridge’s colleague in the Board of Trade, was an active member of the Water Power Resources Committee (1919) and the Bankruptcy Committee (1924–1925). He had by then retired from that office. Mair was Lady Beveridge’s youngest daughter. Schumacher, Robinson and Kaldor, having a thorough knowledge of Keynesian Economics, had a great influence on Beveridge, although the seven had various backgrounds and opinions. Beveridge and Keynes relied most deeply upon Schumacher\(^{50}\) out of the seven.

The third stage was to contact with high-ranking officers\(^{51}\). Beveridge had a number of friends in Whitehall, some of whom had influenced decision processes in their own ministry. For instance, G. L. Watkinson (the Board of Trade) and Wilfrid Eady (1880–1962, Treasury) were important. The former worked with Beveridge on fuel rationing. He attended the Technical Committee of Economists, set up by Beveridge, because he had formal permission by the ministry to discuss an employment problem\(^{52}\). According to an inside memorandum of the Board of Trade, he was eager about the exchange of opinions, and attended some meetings with his five colleagues\(^{53}\). Beveridge, in turn, sent letters announcing the opening of a new office to make an investigation into Assumption C\(^{54}\), adding that “if you care to sit in with us at any time, we

\(^{50}\) Beveridge “is influenced by the views of a young economist named Schumacher”, PRO, BT 64/3393, a memorandum of Watkinson, 17 September 1943. “Beveridge was won over to his way of thinking and accepted Fritz’s [Schumacher’s] draft as the basis of his report”, Wood (1984 p. 162). However, “Beveridge’s compassion ... had a profound effect on Fritz’s own thoughts”, Wood (1984 p. 164).

\(^{51}\) This paragraph is generally dependent on Beveridge (1955 p. 329).

\(^{52}\) As a result of Pakenham’s conversation with the President, Watkinson was permitted to continue to go to the meetings held by Beveridge; it came to be possible to give him “some factual information about export trade”, PRO, BT 64/3393, a memorandum of Watkinson, 23 October 1943.

\(^{53}\) PRO, BT 64/3393, Watkinson to Beveridge’s secretary, 30 June 1943.

\(^{54}\) PRO, BT 64/3393, Beveridge’s secretary to Watkinson, 10 April 1943.
shall be delighted”\textsuperscript{55}. Eady had been in the Ministry of Labour, and was promoted at last to Joint Second Secretary in the Treasury. He worked on unemployment during World War I. Beveridge’s influence upon Whitehall had still been in operation.

The fourth aspect was a ban on exchanging opinions with Beveridge by the government. He was more ambitious than expected to map out a policy plan when he was Chairman of the Unemployment Insurance Statutory Committee (1934–1944). That aspiration stemmed from his conviction of applying professional knowledge of economics to policy-making. On the other hand, the true decision-makers were infuriated at the way of formulating the Beveridge Report. Consequently, Prime Minister Churchill, Exchequer Anderson and Paymaster General Cherwell had a common hatred for Beveridge’s arrogance. In November 1943, Hopkins, the permanent Secretary of the Treasury, circulated a letter that prohibited any exchange of views on unemployment with Beveridge\textsuperscript{56}. Watkinson and Eady were compelled to obey the decision. When one of Beveridge’s old friends became a Privy Councillor, saying in a reply, “I almost hesitate to communicate with you in any form lest I should find myself on the mat” (Beveridge 1955 pp. 329–330). Keynes also answered that he was himself in the Treasury and under the ban. He had been an advisor to the Treasury and was deeply involved with government plans for employment. Watkinson was strongly offended by the ban and recorded his memorandum in the following manner, though Beveridge had no way of knowing it:

I must add that I have the strongest personal objection to treating Sir William Beveridge with discourtesy, for that is how he will undoubtedly regard continued refusal of his invitations without any reasonable explanation. ... I will see him from time to time privately ... \textsuperscript{57}.

\textsuperscript{55} PRO, BT 64/3393, Beveridge to Watkinson, 11 October 1943.

\textsuperscript{56} PRO, BT 64/3393, Hopkins to Overtone (permanent secretary of the Board of Trade), 2 November 1943.

\textsuperscript{57} PRO, BT 64/3393, Watkinson’s memo, 9 November 1943.
The ban had leaked out. Members in the Houses of Commons and Lords, as well as the mass media, blamed the government. The government defended the ban desperately. At the House of Commons on 7 December 1943, Exchequer Anderson, in charge of the circular letter, indicated his intention not to withdraw the ban at all, stating that this ban was merely to reconfirm a rule of government officers. At the House of Lords on 10 December, several members took up the topic and criticized the government attitude. A member declared that it was a great pity that the government decided the ban and pointed out that it was undesirable not to talk with Lord Keynes and Lord Catto on full employment on the grounds that they were technically civil servants, though temporarily. Another acclaimed that the prohibition violated rules of freedom and democracy. The mass media criticized the government altogether. Above all, *The Economist* maintained that the “prohibitions... is a ridiculous example of an official attitude” and it “is the strength of democratic communities that official and non-official views can be combined in free discussion to produce the right answers to the right questions”.

The fifth position was a White Paper Chase. The government not

---

58 *The Times*, “The House of Commons, Beveridge Inquiry, the Letter to Civil Servants”, 8 December 1943.
60 *The Times*, “Planning after the War, House of Lords, Task for Sir William Beveridge”, 11 December 1943.
63 Beveridge’s own expression, Beveridge (1955 p. 330). According to Robbins (1971 p. 189), Meade and Robbins first gave oral evidence on employment, then Beveridge at once pounced on their paper. To be precise, the Labour Party also proposed a plan for full employment. Furthermore, Hugh Dalton, a leading economist of the Party, was very proud of priority, stating that we “were in print first, with His Majesty’s Government second and Beveridge third. We were much the shortest and most condensed of the
only prohibited exchanging views with Beveridge, but also drew up a report on full employment by itself and hurriedly tried to publish it. Beveridge in turn tried to accomplish a second Report, without being discouraged by adversity. The government published a White Paper, *Employment Policy*, on 26 May 1944, just eight days after Beveridge had sent the Report, *Full Employment in a Free Society*, for printing. Because of the “slower process of private publication in war time” (Beveridge 1955 p. 330), it was November 1944 before his Report was circulated. He felt that he was being victimized. Nevertheless, the White Paper Chase had an accelerative effect on both sides. The British government had to have accountability for its stance on the post-war employment policy. Beveridge, on the other hand, was able to formulate better and more efficient countermeasures in the area of full employment.

3-2. Keynesian Contents

Previous studies had regarded this Report as proof that indicated that Beveridge finally accepted Keynesian economics. This section will argue that the view was half of the truth: we will claim that the Report also contained his original analysis of unemployment. First of all, we enumerate Keynesian contents from theoretical and policy-making points. Then, we point out his original elements. Finally, we summarize a social view that penetrated the Report and connect it with the Beveridge Report (1942).

Above all, Beveridge understood Keynesian economics deeply when he wrote the second Report. We are able to confirm this fact in three ways. First, a key word when analysing unemployment was effective demand. In addition, an important concept was a tendency towards insufficient effective demand. “There will be unemployment if effective demand is not three” (Dalton 1957 p. 423). See also Durbin (1985 p. 262).

64 See the following comment: “ministers wanted to know about the long-term problem of unemployment before committing themselves to the Beveridge Report”, (Peden 2004 p. 308).

65 For instance, see Harris (1997 p. 434) and Jinushi (1995 p. 39).
sufficient at total to require use of the whole labour force” (Beveridge 1945/1944 p. 26, para.24). Here, he defined it in popular terms, not as Keynes did with more difficult terms⁶⁶: “desire for goods or services backed by willingness to pay the price” (Beveridge 1945/1944 p. 404). He saw labour problems in a fresh light after the First World War. Now, of “the various factors ... deficiency of total demand is the most important” (Beveridge 1945/1944 p. 404). Second, employment “depends on outlay” (Beveridge 1945/1944 p. 131, para.175). Outlay meant aggregate demand because outlay was equal to consumption plus investment. “Full employment cannot be attained unless outlay in total is sufficient to set up a demand for the whole of the labour” (Beveridge 1945/1944 p. 134, para.180). Along with Keynes⁶⁷, Beveridge was aware that income as a whole (GDP) relied on aggregate demand, which regulated employment. Thus, the core of the Report was causality that effective demand was the starting point and employment was the ending. Third, he recognized that the economy had no propensity to automatically recover any equilibrium. He denied that the rate of interest would equilibrate savings with investment⁶⁸, and that the rate of wages would balance demand for labour against the supply of labour. Similarly, unlike A. C. Pigou’s books of 1913 and 1927, the rate of wages showed incompetence in adjusting supply to demand. Here, it was obvious that the rate of interest or wages no longer had the function of achieving any equilibrium. There was no adjusting variable, or if any, that variable did not function well to accomplish full employment. The above three points indicated that Beveridge fully accepted the central propositions of Keynes’s *General Theory*.

---

⁶⁶ "The value of $D$ at the point of the aggregate demand function, where it is intersected by the aggregate supply function, will be called the *effective demand*” (Keynes 1973/1936 p. 25, emphasis in original). $D$ represents the proceeds that entrepreneurs expect to receive from the employment of $N$ workers.

⁶⁷ Variables, such as the propensity to consume, the attitude to liquidity, the expectation of future yield from capital-assets, the wage-unit, and the quantity of money, determine the national income and the quantity of employment. See Keynes (1973/1936 p. 247).

⁶⁸ According to Keynes, the classical theory had the creed that “a higher rate of interest will restore equilibrium by checking investment ... and stimulating savings” (Keynes
Then, Beveridge understood not only Keynesian theories but also its policies. Again, we offer three points. First:

It must be function of the State\textsuperscript{69} in future to ensure adequate total outlay and by consequence to protect its citizens against mass unemployment. (Beveridge 1945/1944 p. 29, para.31).

Second, Beveridge advocated ‘socialization of effective demand’. Keynes had said that “the only way to secure full employment is socialisation of investment” (Keynes 1973/1936 p. 378). In the General Theory, he preferred “stabilisation of long-run investment” to public works. His claim here is not clear in detail, but it seems to combine interference of the state with originalities in the private sector. By concentrating information and later releasing it openly, the state must induce investors to behave well. In this aspect, Beveridge and Keynes held similar views. The former hoped to establish a National Investment Board, which had “powers of obtaining intelligence, of giving assistance and of regulating investment by public and private enterprise alike” (Beveridge 1945/1944 p. 177, para.241). In other words, apart from public works, which the state controlled directly, it was the machinery that regulated and induced private investment. ‘Giving assistance’ meant for instance that borrowers could obtain funds on terms at which they were otherwise unobtainable, by pledging the credit of the state (Beveridge 1945/1944 p. 178, para.241). Third, a new budget account was idealized. Beveridge proposed a ‘double budget’, to distinguish the ordinary and extraordinary budgets. The former covered standing expenditures. The latter covered normal capital expenditures and emergency measures in a depression. The principle of the former was that expenditures should be met annually out of current revenue. However, the latter should be met only in times of prosperity. Deficit was allowed in

\textsuperscript{69}“I expect to see the State ... taking an ever greater responsibility for directly organizing investment” (Keynes 1973/1936 p. 164).
times of depression. Indeed, Keynes frequently used the concept when he discussed the Beveridge Report and Employment Policy during 1942–1945. Keynes acclaimed “the separation between the normal Budget for expenditure out of income and the so-to-speak capital budget”\(^70\). He also maintained that “the ordinary Budget should be balanced at all times. It is the capital Budget which should fluctuate with the demand for employment”\(^71\). Accordingly, it is hasty to leap to the conclusion that Beveridge and Keynes had been led to the deficit financing doctrine. Rather, they held fast to the traditional balanced budget in the ordinary account. Hence, they had a dual standard that exhibited mobile power to combat depression and to stabilize employment. Keynes developed a concept of the capital budget when he checked Beveridge’s proposal on social security. It is quite interesting that Beveridge himself continued the concept and referred to it in his own book. The above three concepts, effective demand, socialization of investment and the double budget, were adopted and shared by the two men.

Finally, although previous studies have slighted its importance, Beveridge also conceptualized his own standpoint on unemployment, in addition to Keynesian theories and policies. The original point of Beveridge’s was a combination of Keynesian economics with his earlier diagnoses: controlled location of industry and organized mobility of labour (Beveridge 1945/1944 p. 24, para.20). The former meant that, although sufficient in total, effective demand was misdirected because of overpopulation or depopulation and centralized or decentralized industry. Spotty demand for labour pertained area by area. To mitigate the situation, a Minister of National Development had to carry out a plan for land, housing and transport (Beveridge 1945/1944 p. 170, para.228). Beveridge approached effective demand with vectorial eyes (size and direction), whereas Keynes only paid attention to its size. The latter (mobility) indicated that unemployment depended on “the way in which industries are

\(^{70}\) Keynes (1980 p. 275), Keynes to Hopkins, 15 April 1942.

organized to meet demand, in particular from their methods for engaging” workers (Beveridge 1945/1944 p. 170, para.229). Modern industry always held excess reserves of labour to meet local and individual variations of demand. The labour market should be organized well to secure flexibility of the labour supply to avoid the circumstance. Sometimes the market should have increased fluidity of labour and sometimes a fixed stream of labour. In Britain, labour exchanges had already been established. Nonetheless, they were insufficient. The state was particularly compelled to provide job training for younger workers. The state had to stiffen “the conditions of unemployment benefit as regards individuals whose unemployment continues for any length of time” (Beveridge 1945/1944 p. 173, para.232). The two points above related to labour supply. More important, controlled location of industry and organization of the labour market were “subsidiary but independent, necessary to make victory complete” (Beveridge 1945/1944 p. 125, para.165). The main target was to stimulate aggregate demand. However, it was not the end. Full employment was to be accomplished only after adding the second and the third targets. Beveridge was sufficiently well acquainted with the characteristics of the labour market that he was able to form a complete set of remedies for unemployment: not only Keynesian macroeconomic analysis of raising effective demand, but also labour supply-side diagnosis in microeconomics. That set was his unique facet.

3-3. Free Society, Social Security and Full Employment

It is of great significance to point out his basic idea, underneath a diagnosis of unemployment, which penetrated the book as a whole:

---

72 There “is no inherent mechanism in our present system, which can ... prevent competitive sectional bargaining for wages from setting up a vicious spiral of rising prices under full employment” (Beveridge, 1945/1944 p. 199, para. 285). Although Keynes also assumed a further rise of prices after full employment has been reached (Keynes 1973/1936 p. 290), Beveridge expressed his anxiety about inflation more intensely than Keynes.
protection of fundamental liberties. The title of the book was changed from *Full Employment in a Progressive Society* to *Full Employment in a Free Society*. It remains unclear why Beveridge changed the title in that way, but we can draw some inferences. On the one hand, Beveridge, who had declared not to join the controversy surrounding the conflict capitalism versus socialism, seemed to avoid a misunderstanding that ‘progressive’ meant socialism. On the other hand, Beveridge, who was banned from exchanging views with top government officials, felt himself unjustly oppressed and selected the word ‘free’ on purpose to mount a stiff protest against those in power. Indeed, a free society was “subject to the proviso that all essential citizen liberties are preserved” (Beveridge 1945/1944 p. 21, para.11). Furthermore, detailed items of liberties were brought into question. He strove to rank various rights of liberties in order. Above all, the following were nonaggressive: freedom of worship, speech, writing, study and teaching. Next, four topics were the target of examination: a peaceful change of the governing authority, “freedom of assembly and of association for political and other purposes, ... freedom in choice of occupation [,] and freedom in the management of a personal income” (Beveridge 1945/1944 p. 21, para.11). First, there must have been reasonable continuity of economic policy in spite of changes of government. Second, consideration had to be given to preventing a rising spiral of wages and prices and whether the right to strike could be limited. Third, freedom of choice in occupation made it harder to ensure that all workers were employed continuously. Fourth, free disposal would sometimes engender under-consumption. Beveridge acclaimed that full employment could be achieved by restricting some of those rights temporarily to accomplish permanent benefits in a society. “All liberties carry their responsibilities” (Beveridge 1945/1944 p. 23, para.16). It was not an abolition of rights of freedom, but their restriction for a higher purpose. However, stating that “society exists for the individual”,

73 PRO, BT 64/3393, Beveridge to Watkinson, 11 October 1943.
74 Beveridge (1945/1944 p. 191, para. 272; p. 206, para. 300; p. 252, para. 373).
Beveridge judged his own view as individualistic liberalism, therefore advocating that “with a restoration of all essential citizen liberties ... is the essence of what is proposed here” (Beveridge 1945/1944 p. 191, para.271).

More importantly, it is worth noting that the second Report (1944) was linked tightly with the previous, first, Report (1942). The two Reports were interdependent. The two worlds were mutually reinforcing, creating a spiral effect. Beveridge was clearly conscious of their interdependence. The plan for social security would help towards the maintenance of employment by expanding private consumption and investment. The effects of the plan would be achieved through redistribution of income both horizontally and vertically. As the redistribution advanced, even those who were sick, unemployed, injured, retired could spend more than in if they had no social security system. The “scheme will bring about a general increase of private outlay” (Beveridge 1945/1944 p. 160, para.213). In turn, a full employment policy would reduce funds for unemployment insurance. The Beveridge Report (1942) assumed 8.5 per cent as the unemployment rate. The second Report assumed less than 3 per cent. Funds for social security would be needed less and less if full employment were established. “The decision to destroy Want [to establish social insurance] ... would deliver at the same time the first blow in the war against Idleness [unemployment]” (Beveridge 1945/1944 p. 255, para.379). Beveridge concluded:

The redistribution of income that is involved in abolishing Want by Social Insurance and children’s allowances will of itself be a potent force in helping to maintain demand for the products of industry, and so in preventing unemployment.

(Beveridge 1945/1944 pp. 255–256, para.379)

We summarize the arguments above. Beveridge, in Full Employment in a Free Society, accepted the core of Keynes’s theories and policies (especially of the General Theory). In other words, he advocated the socialization of investment, based on the theory of effective demand. He
had no elaborate theories as Keynes did: there were no user costs or own-rates of interest; nor were there essential analytical devices such as a multiplier or liquidity preference. Beveridge’s insight was not in common with Keynes’s conception that love for money should lead to unemployment after all. However, very simplistically, they shared that same view that investment managed by the state was indispensable for full employment. Keynes wrote a letter to Beveridge, relating his very “warm congratulations on it. I thought it extremely good and found myself in general agreement with by far the greater part of it”.

Moreover, diagnoses and remedies for unemployment were unique again. The main prescription was sufficient effective demand; the subordinate prescription was the controlled location of industry; the complement was organization of the labour market. Beveridge addressed the demand side (size as effective demand, and direction as locality of industry) and supply side (mobility of labour) simultaneously. Then, the basic presupposition was respect for a free society. That way of thinking can be labelled as ‘three different weighed components from a broader viewpoint, one penetrating consistent thought’. Finally, he was conscious of the interdependence and circulation in social security and full employment. Beveridge surely acceded to Keynes’s economics. Although not a surrender, it was a full acknowledgement that Keynes’s economics should strengthen the social insurance system and serve as a measure of the protection of a free society.

In this sense, Beveridge brought a unique doctrine of unemployment to completion. The following interpretation that Hayek made was entirely wrong and superficial:

He [Kaldor] wrote Beveridge’s book on employment. That’s quite a well-known fact. What economics is there is purely Kaldor’s. Beveridge

---

75 This fact, in turn, is supporting evidence that Robinson, Kaldor and Schumacher, who had best knowledge of Keynesian economics, had a restricted influence on Beveridge.

76 Keynes (1980 p. 380), Keynes to Beveridge, 16 December 1944.

77 The third was the main prescription in Unemployment (1909). Beveridge was aware of the shift of emphasis. See Beveridge (1945/1944 p. 86, para. 111; p. 90, para. 115).
would have been entirely unable to write such a book. (Kresge & Wenar 1994 p. 86)

4 Voluntary Action

The last book of the trilogy, Voluntary Action: A Report on Methods of Social Advance, was published in April 1948. A private committee was organized as before, with internal debates and external evidence. Unlike previous reports, the book did not arouse a public response and was neglected by the government (Harris 1997 p. 460). This section deals with the Report by associating it with the previous two Reports.

4-1. Realm of Voluntary Action

The title itself reveals its contents. The term ‘voluntary action’ meant private action, not that performed under the direction of any authority. It was independence from public control, regardless of whether it was paid or unpaid. “Co-operation between public and voluntary agencies was one of the special features of British public life” (Beveridge 1948 p. 8). The Report excluded the business motive and personal thrift, however voluntary they were, because the study was confined to voluntary action for a public purpose. Moreover, it was concerned specifically with action inspired by two main motives: mutual aid and philanthropy. The first meant that all might have helped themselves because they had their own need for security against misfortune. The second arose from “the feeling which makes men who are materially comfortable, mentally uncomfortable so long as their neighbours are materially uncomfortable” (Beveridge 1948 p. 9). It can be called social conscience.

78 The internal group consisted of Norman Chester, formerly of the Economic Section of the Cabinet and Secretary to the Beveridge Committee of social insurance, B. Wooton, B. Seebohm Rowntree, and so on. Karl Mannheim (1893–1947), who fled a Hungary centre for refugees and subsequently worked at the LSE, also joined as secretary. For detailed points, see Harris (1997 p. 454).
Agencies based on mutual aid were trade unions, co-operative unions, housing unions and private savings companies. Among them, friendly societies were representative. Friendly societies were established as early as the middle of the seventeenth century. The Rose Act (1793) regulated them in detail and encouraged them to work well. The societies were voluntary agencies to save funds against various misfortunes. In 1911, when the National Insurance bill was passed, “the State made the fatal decision of using existing friendly societies to administer the new benefits and of avoiding any direct State administration” (Beveridge 1948 p. 74). However, in 1946, unlike a proposal in the Beveridge Report, friendly societies and the state were split. Beveridge judged the divorce undesirable and was on the side of the friendly societies, which adhered to the contribution principle. Namely, there was a minimum duty of contributions and a right to provide benefits from pooled funds. Beveridge submitted a proposal to the Labour government to expand the functions of friendly societies. That proposal was turned down. He was financially supported by the National Deposit Friendly Society and could complete his composition of the third Report (Beveridge 1948 p. 16). His inclination to the friendly societies was backed up mentally and practically.

Philanthropic agencies were classified into 17 groups as the Royal Commission of 1871–74 did: for children, youths, old people, homeless, socially handicapped, promotion of the arts, urban and rural amenities, residential settlements, and so on. Specifically, the organizations were the National Institute for the Blind, Mental After-Care Association, Toynbee Hall, Salvation Army, British Red Cross Society, etc. Of them, Toynbee Hall is particularly noteworthy. Beveridge asked himself: “Why, with so much and increasing wealth, does so much poverty persist?” The answer lay in residential settlements. The movement was an attempt “to counteract the break-up of cities into preserves of the rich and leisured, and warrens of the poor and labouring” (Beveridge 1948 p. 130). Toynbee Hall was a

79 After leaving Oxford, Beveridge was Sub-warden at Toynbee Hall for two years from 1903. The Hall, founded by Barnett, was a university settlement where university
centre of social activities. These were, however, simply a consequence. The essence of the settlement was “means of conducting a continual survey of economic and social conditions through the eyes of those who live there” (Beveridge 1948 p. 132). Beveridge had remained cool to settlement movements since the 1900s, when he served Toynbee Hall as sub-warden.

Subsequently, Beveridge referred to pioneers of the agencies above: William Booth, Octavia Hill, Charles Booth, the Barnetts, the Webbs, and so forth. We take up only the Webbs. One of the great achievements, as voluntary action, was the invention and founding of the London School of Economics and Political Science. Their initial intention was to promote socialism, but they showed outstanding generosity towards impartial scientific study. Of the first four directors, two were Conservatives. Sidney Webb never interfered in any way with the direction of the School. Beatrice Webb, a daughter of a wealthy industrialist, had enormous inheritances. They applied them to public purposes (Beveridge 1948 p. 184).

4-2. Three Phased Understanding

Beveridge grasped the realms that remained even after the social service state was established, as three phases, as well as he did in previous Reports. First, his main counsel was to meet the general needs that remained. The remedies were for all citizens, to tackle the need for good use of growing leisure and for guidance in the complexities of modern life. Industrialization made it possible to shorten daily working hours by two hours. Accordingly, commercial activities cut into workers’ use of leisure

students and poor workers co-lived and were expected to inspire themselves each other. Beveridge did not mention to B. Seebohm Rowntree (1871–1954). Probably, he was alive then. Their friendship was found in a letter of 1917, which related that Rowntree was in high spirits to persuade Lloyd George and Churchill to take up the problem on casual labour. BP, 2b-13, Rowntree to Beveridge, 17 November 1917.

Beveridge preferred this term to the welfare state (Beveridge 1948 p. 217). He did not like the word ‘welfare state’, which insinuates generous gifts from the state. See also Harris (1997 p. 452).
time: cinema, football pools and gambling became rampant. This was not a complacent use, because the attack “on wasteful or harmful use of leisure cannot, in a free society, be made by direct action of the State” (Beveridge 1948 p. 286). Voluntary action should substitute for state action. As to the guidance in modern life, establishment of Citizen’s Advice Bureaux was a necessary reaction. The idea was first mooted in the report of the National Council of Social Service for 1935–36. In September 1939, 200 bureaux were opened. In 1948, there were still about 600 functioning. Any citizen could go to a citizen’s bureau to seek information and advice related to their rights and duties. The adviser in an office should be a volunteer, paid or unpaid. The adviser should be familiar and friendly like a neighbour, not a bureaucrat. Each bureau was autonomous, dependent on local authorities, but remained linked. Members of local communities passed them up for religious organizations. There had been no way to find help and advice. Therefore, the Citizen’s Advice Bureau was intended to take their place. “A public authority may provide the material means for Citizen’s Advice Bureaux but should no more control them than it controls universities” (Beveridge 1948 p. 287). Second, the subordinate counsel was to satisfy some special needs. They had to keep watch over atypical minorities: abandoned or abused children, physically or mentally handicapped people, chronically sick people, unmarried mothers and their dependents, discharged prisoners, and so on (Beveridge 1948 p. 226). Unhappiness was not simply related to a shortage of money, but rather because of a shortage of “services of a kind which money often cannot buy” (Beveridge 1948 p. 266). It was necessary to have physical resources, such as suitable houses, hospitals and training facilities. Naturally, there had to be full use of voluntary action. Third, the complementary element was support by the state. This was not a direct control, but an indirect one: to prepare infrastructures, to subsidize, and to encourage private original ideas.

We can explicitly seize Beveridge’s view on society in the Report, although we did so merely implicitly in the previous two Reports. The view provided a twofold sense of proportion. The first balance was between state
and individual. Each person had various incentives. Although private savings and business motives were driving forces towards economic development, they were private and confined. Beveridge said:

The business motive is a good servant but a bad master, and a society which gives itself up to dominance of the business motive is a bad society. (Beveridge 1948 p. 322)

On the other hand, the state was subject to seeking centralized and unified control, democratic as it was. Individual intentions and state powers merely existed disconnectedly if there was no co-ordinate function. Personal bonds were not in a society. Therefore, voluntary action springing from individuals’ social conscience (public purposes) would be a buffer zone between the two. Friendly societies, for instance, would come to replace religious communities. Here, we redeem the balance between the state and individuals. The second balance was between the state and markets. Markets had brought people immense wealth, guided by their unique business motives. However, as was typical in the labour market, market economies had weak points such as large fluctuations of demand and supply, and unstable orbits towards any equilibrium. In due course, state interference on a massive scale was engendered in the first half of the 20th century. An introduction to social insurance and a target for full employment were great advances. Nevertheless, they were merely a first step. There remained a sphere in which neither the state nor the market could solve problems. The sphere was for voluntary action: a third way, that was neither business nor control. A society retains general or special needs, which should be covered only by voluntary action. Spontaneity connects the state and markets. Hereby, their balance is restored.

82 “It would be a pity if the whole field of security against misfortune, once the domain of voluntary Mutual Aid, became divided between the State and private business conducted for gain” (Beveridge 1948 p. 296).
5. Trilogy and Welfare Society

Our arguments above necessarily engender reconsideration of the meanings and position of Beveridge’s later trilogy. The three Reports respectively addressed issues of social security, full employment and civil society. In the first Report (1942), Beveridge conceived a social insurance system as a duty of the state mainly and explicitly, along with a duty of citizens’ implicitly and covertly. Citizens were able to enjoy freedom from want when the state constructed a protective network of social security. Horizontal or vertical equality can be realized if a function of redistribution between the employed and the unemployed, or the rich and the poor, functions correctly. The plan consisted of three differently weighted systems: social insurance, public aid, and private savings. In spite of a perfect insurance network, there remained three presuppositions. In the second Report (1944), Beveridge came to face the most difficult presumption, full employment. Again, the matter was a duty of the state. This time, state interference was inevitable to make market function well. In particular, the purpose was to keep demand in balance with supply in the labour market. Markets sometimes lacked automatic adjustment functions, but it should not be replaced by an all-out controlled economy. Eclectically, Beveridge pursued the development of the market economy through ingenious management by the state. The programme was made up of three different-ranked means: injection of effective demand, control of industrial location, and organization of labour mobility. In the third Report (1948), Beveridge confronted a duty of citizens, which had been addressed only faintly in previous reports.

Emphasis on duty rather than assertion of rights presents itself to-day as the condition on which alone humanity can resume the progress in

---

83 In “establishing a national minimum, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family.” (Beveridge 1942 p. 7, para.9, emphasis added).
civilization which has been interrupted by two world wars. (Beveridge 1948 p. 14).

“The making of a good society depends not on the State but on the citizens” (Beveridge 1948 p. 320). Even after full employment and social security are established, civil society cannot persist only under the condition of the national minimum. Beyond that, an infinite field existed: voluntary action. The field was a tertiary element between communities or solidarities that the state could not penetrate. This is a free society. Specifically, it has general needs, special needs, and national aid. In this way, Beveridge completed the later trilogy. Each volume made a premise of the work of the others and developed new concepts based on them. They circled one another in a spiral stream of argument. Beveridge completed drawing up the duties of the state and the duties and rights of citizens’. Here, he conceptualized a grand design of welfare in a civil and free society. It was possible to birth the concept, only after integrating the three Reports as a set (economic and social thoughts). Therefore, it includes not only economic concerns (the first Report and the second), but also social commitments (the third) that are necessary for both Beveridge and us. It also became necessary to describe the collaboration between Keynes and Beveridge, to affirm their shared vision: full employment and social security with citizenship.

Beveridge’s sagacity hints at present arguments on the welfare state. From the time that a ‘cradle to grave’ system was established, numerous criticisms were aroused. A ‘benefit type’ state imposes burdens for welfare services and provides them unilaterally as rights. ‘Large government’ gives rise to irresponsible financial policies. A ‘centralized state’ provides only unified services. However, if we regard his books as unified, these criticisms were addressed in the initial presumptions. Thus, the architect

84 “By contrast, vigour and abundance of Voluntary Action outside one’s home ... for bettering one’s own life and that of one’s fellows, are the distinguishing marks of a free society.” (Beveridge 1948 p. 10).
aimed at the social service state, far better than any of the descriptions above. Each citizen had an external duty (contribution of insurance) and an internal duty (voluntary action). The state did not occupy the provision of welfare. Rather, the “State was to do that which the State alone can do: manage money so as to maintain spending. Subject to that, the State should leave as much as possible to the initiative and enterprise of the citizens” (Beveridge 1948 p. 319). The role of the state lay in the construction and maintenance of social security. The role of citizens was situated in the support of their fellows by voluntary action. The roles were sharply allotted and bilaterally complementary. Without either of them, society would not have worked. Moreover, as Keynes assumed, the structure of welfare “was by far the cheapest we ever had” (Keynes 1980 p. 263). It would not have bankrupted the budget, as far as the principle of contribution remained. We might name a situation ‘the coming of the welfare society’ in which the state, markets and citizens are mutually dependent, and continue their development. Beveridge was not only an architect of the welfare state in a narrow sense, but also a designer of the welfare society in a broader sense. We must re-think his comprehensive advice.

Ultimately, human society may become a friendly society—an Affiliated Order of branches, some large and many small, each with its own life in freedom, each linked to all the rest by common purpose and by bonds to serve that purpose. (Beveridge 1948 p. 324).

---

85 Keynes shared the same recognition: “the enlargement of the functions of government ... [is] both as the only practicable means of avoiding the destruction of existing economic forms ... and as the condition of the successful functioning of individual initiative” (Keynes 1973/1936 p. 380).
Trilogy

References

BP, the Beveridge Papers in the Archive Section, British Library of Political Science, London School of Economics and Political Science.


PRO, Public Record Office (The National Archives), Kew, London,

Trilogy