

# Commentary

THE BUFFIN FOUNDATION

SOCIAL AND ECONOMIC DEVELOPMENT ISSUES

## Britain's Post WW2 Economic Recovery Profiles in Leadership: William Beveridge

William Beveridge provided the creative thought-leadership for the social development policies that contributed to the economic recovery of Britain in the postwar period. Early in his career, Beveridge had served as an advisor to Prime Minister David Lloyd George on pensions and insurance and had gained recognition as the nation's leading expert on unemployment insurance. Beveridge believed that objective socio-economic laws could solve the country's problems and create a new ideal society. The Fabian Society, founder of the London School of Economics and Political Science, influenced Beveridge's views on social and economic reform. The Society's objectives include the advocacy of: greater equality of power, wealth and opportunity; the value of collective action and public service; an accountable, tolerant and active democracy; citizenship, liberty and human rights; sustainable development; and multilateral international cooperation. The Fabian Society's belief in creating a democratic socialist state through a process of gradual change became a major tenet of Beveridge's approach to addressing the nation's economic and social situation.

Beveridge advocated old age pensions, free school meals, and a national system of labor exchanges where job-seekers could be matched to prospective employers. In November of 1942, he released his groundbreaking report *Social Insurance and Allied Services* also known as the *Beveridge Report*. Based on surveys that had been taken in the period between the two world wars, the *Beveridge Report* studied the nation's poverty, employment, health, and demographics. Beveridge identified five great challenges to the nation's task of post-war reconstruction, referred to as the Five Giants: Want, Disease, Ignorance, Squalor, and Idleness. Want referred to the nation's poverty and the lack of resources available to meet the bare minimum needs of citizens. Disease and squalor resulted in increased health risks in poor neighborhoods which

already experienced inadequate, dilapidated housing conditions, and a lack of access to proper healthcare. According to Beveridge, the nation was also particularly vulnerable to ignorance and idleness. Perhaps the most severe of Beveridge's five giants, was the challenge of relieving the economic effect of the vast spread of unemployment in Britain while maintaining the motivation and productivity of the working-age population.

The Beveridge Report proposed a system of social insurance requiring all people of working age to pay a weekly national insurance contribution. Employees and employers alike paid a single flat rate, eliminating problems caused by gaps in income distribution. The flat rate allowed for the state to provide benefits for the sick, unemployed, retired, and widowed, creating a minimum standard of living for the country. The Report mainly focused its efforts on combating "Want" through providing benefits and mitigating unemployment, but Beveridge also pushed for coherent government policies that tackled the remaining four Giants on the road to British reconstruction.

In order to overcome all five Giants, Beveridge suggested three "Guiding Principles." The first Principle emphasized that reform should not be limited by "sectional interests," and transformational events in history should be met with equally transformational actions. The second Principle predicted that the efforts to overcome "Want" by establishing welfare would eventually blend into the other four Giants. By regulating employment and erasing the cost of healthcare through universal national insurance, citizens would be able to consume more freely, thus revitalizing the economy and gradually posing a challenge to disease, poverty, and so on. The final Principle contained Beveridge's warning that his policies for social security must be achieved through mutual cooperation between the State and the individual. By establishing a national minimum on security, the State leaves room for the individual to act on their own initiative

and seek opportunity beyond that minimum.

The war-weary British public, eager for economic and social reforms after the war, reacted to the Report's findings with overwhelming support. The Labour Party acted on this response and centered its 1945 election campaign on the recommendations proposed in the Beveridge Report, winning the general election in a landslide and allowing Clement Attlee to serve as Prime Minister. Beveridge's recommendations founded the modern British welfare state through a series of Acts implemented during Attlee's tenure. The Acts gradually mandated workers' benefits, pensions for the elderly, assistance to parents and guardians, and controlled rent. Under the leadership of Health Minister Aneurin Bevan, the National Health Service was established in 1948 and provided universal medical treatment throughout the United Kingdom. Beveridge's Keynesian beliefs – restoring the nation's economy through implementing a new national system of benefits, universal healthcare, and government intervention in employment – allowed Attlee, the Labour Party, and other leaders to bolster the nation's post war economy. The resulting economic growth and near full employment lasted until the late 70s, and the widely-praised National Health Service remains in place today. William Beveridge's groundbreaking economic reform blended capitalist and socialist values in order to gradually work toward his vision of an ideal society where every citizen has the resources available to meet their needs and responsibilities.

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