

Creation of the Welfare State: goodbye philanthropy?

The creation of a full-blown welfare state following the Second World War marked a moment of great significance and prompted something of an identity crisis for philanthropy. What was to be its role in this brave new world where the government aimed to meet all the welfare needs of its people? Of course, as we have already noted, many had been writing the obituaries for philanthropy since the start of the 20th century on the basis that the failure of the great Victorian project “*to create by private effort a series of universal social services*” was “*beyond doubt... a failure, however magnificent.*”¹ They argued that “*it grew obvious that the major social tasks lay well beyond the resources of private charity, however ambitious its aspirations and devoted its performance,*” and concluded that “*it became only a matter of time until the state would move, cautiously or decisively into areas previously occupied by voluntary agencies.*”²

Most acknowledged the importance of the role that philanthropy had played in laying the groundwork for the welfare state. For example, in 1937, the think tank Political and Economic Planning (PEP) which played a key role in the development of the ideas behind the NHS and welfare state, said in a report on British Social Services that, “[p]ractically every public social service in operation today has its roots in some form of voluntary provision.”³ But many thought that this would come to an end, and that the welfare state would “crowd out” philanthropy. This view could be found across the political spectrum, as it was the case that “[both] *laissez-faire libertarians and anarchist critics of social policy argue that the welfare state discourages private giving. They agree that state help replaces private help, and that the more the state helps people, the less people help one another.*”⁴ There is a reasonable amount of evidence to suggest that this proved to be the case, and that philanthropy did suffer, because “*the growth of the welfare state caused uncertainty for established voluntary organizations, who wondered whether they were still needed. Donations began to dry up due to high taxes and as donors came to believe that the state had taken over responsibility for eliminating need.*”⁵

The key difference of opinion was between those who thought that this crowding out was a problem, because they believed that philanthropy and voluntary action had a continuing role to play; and those who believed that crowding out was an inevitable and desirable process. Those of this latter view believed that philanthropy was an anachronism, which had served its purpose in

¹ Owen, *English Philanthropy 1660-1960*, Harvard University Press (1964)

² *Ibid.*

³ Quoted in Owen D, *Op. Cit.*, p.6

⁴ Obler J, “Private Giving in the Welfare State”, *British Journal of Political Science*, Vol. 11, No. 1, Cambridge University Press, (Jan 1981), pp. 17-48

⁵ Thane P, “[There Has Always Been a ‘Big Society’](http://www.historyworkshop.org.uk)”, published on www.historyworkshop.org.uk, April 30th 2011

laying the foundations for the welfare state, but could be discarded now that the goal of a state-run system of universal welfare had been realised. At least at first, it seemed as though those of the latter view may have won the battle of ideas, and that philanthropy and voluntary action was to be consigned to the dustbin of history. In fact, *“a common expectation in those years at the end of the war was that the voluntary sector would just wither away.”*⁶

As we have noted, this was largely due to the fact that some of the major figures of left-wing politics had a distinctly negative attitude to philanthropy. They thought that the crowding out of philanthropy by state action was an inevitable and desirable consequence of progress, because philanthropy was seen by them as an outmoded and archaic model for dealing with society's problems. For instance, Labour Prime Minister Aneurin Bevan, *“diplomatically accepted that the Labour government should make full use of the voluntary organizations, but he was no friend to charity.”* And he was far from alone in this, as, *“many other Labour politicians, civil servants and students of social policy, transfixed by state social action and their part in its promotion, shared the view that charity was demeaning. As government would attend to everyone's needs from the cradle to the grave, what was the point of it? For those who took this view, Victorian traditions of parochial service and self-help were repugnant, remnants of a tribal past.”*⁷ Bevan went so far as to paint philanthropy as not just irrelevant, but malign, claiming that *“a ‘patch-quilt of local paternalisms’ is the ‘enemy of intelligent planning’”*.⁸ It seems as though many in the grassroots Labour movement shared Bevan's distaste too: one contributor to the 1947 Mass Observation Directive on voluntary work was recorded as saying that *“I detest charity... Being a socialist I simply feel that all the talk about ‘sweet charity’ aside, pretty well all such work should be done by the state...I have no sympathy with the ramshackle condition of charity... and all the lazy, thoughtless humbug that takes the place of real socialism.”*⁹

The prominence of these sorts of views among senior figures in the post-war Labour government may give the impression that they were the accepted orthodoxy of the time, but that is not strictly true. Most notably, William Beveridge - seen by many as the intellectual father of the modern welfare state - was very much of the view that philanthropy was still highly relevant. Despite the fact that his highly influential report of 1942 *“put forward universalist, statutory solutions to social problems?”* it was in fact the case that *“voluntarist assumptions about the desirability of individual*

⁶ Brenton M, *The Voluntary Sector in British Social Services*, Longman (1985), p. 21

⁷ Prochaska F, *The Voluntary Impulse: Philanthropy in Modern Britain*, Faber & Faber (1988)

⁸ *Ibid.*

⁹ Quoted in Davis Smith J & Oppenheimer M, “The Labour Movement and Voluntary Action in the UK and Australia: A Comparative Perspective”, *Labour History*, No. 88, Australian Society for the Study of Labour History, Inc. (May 2005), p. 110

*effort in building on the still fairly minimal state provision permeated Beveridge's thinking.”¹⁰ He subsequently clarified his views in his 1948 book *Voluntary Action*, which makes it clear that, “to regard Beveridge as an arch-collectivist, responsible for sponsoring massive Welfare State provision... is to misrepresent him, and to ignore the plea for a continuing role for voluntary social action which [he] made in 1948 in *Voluntary Action*.”¹¹*

Unfortunately, much of Beveridge's original thought on the importance of philanthropy and voluntary action was lost in the process of implementing his vision of state-provided social security. There was resistance to his ideas within the wider Labour movement, where, “...*there was a strong and understandable strain of hostility to what was seen as ‘charity’, which many working people had experienced as demeaning, and a growing feeling that voluntary action belonged to the past, and was no part of the new, post-war world order.*”¹² In practical terms this meant that, “[t]he post-1945 Labour government was less influenced by Beveridge than is often thought. It greatly expanded the welfare role of the state in some ways at the expense of voluntary action.”¹³

Beveridge, however, was not alone in maintaining that philanthropy had an important role to play in the new welfare state. Since the beginning of the 20th century, there had been a clear school of thought which believed that greater state involvement in welfare would require philanthropy to adapt, but would not make it redundant. This was evident under the Liberal governments of the early century, and “*as the sphere of state welfare grew in the early years of the twentieth century, the state and voluntary organizations worked closely together. Pioneering state measures, such as old age pensions (introduced in 1908 and long campaigned for by voluntary organizations), national health and unemployment insurance (introduced 1911) were administered mainly by voluntary organizations, the non-profit, working-class mutual associations: Friendly Societies and trade unions.... This was partly because it was cheaper for the state to build on their experience in these fields and on pre-existing administrative structures than to create a new bureaucracy, and it mollified the antagonism of some of them towards state action in these fields.*”¹⁴

Even as the state became involved in meeting more and more social needs, and the early incarnation of the welfare state was introduced, philanthropic organisations continued to play a vital role. The Nathan Committee, a parliamentary committee established ostensibly to consider “the law and practice relating to charitable trusts” but which in reality took a far more wide-

¹⁰ Finlayson, *Citizen, State and Social Welfare in Britain, 1830-1990*, Oxford University Press, (1994), p. 420

¹¹ *Ibid.*

¹² Thane P, *Op. Cit.*

¹³ *Ibid.*

¹⁴ Thane P, “[There Has Always Been a ‘Big Society’](http://www.historyworkshop.org.uk)”, published on www.historyworkshop.org.uk, April 30th 2011

ranging look at the role of voluntary action within the nascent welfare state, acknowledged in its 1952 report that “*certain growing pains have been evident in the years during which this change [the introduction of the welfare state] has come about.*” The committee suggested that this might be because “*large claims to superior performance have been made by both statutory authorities and voluntary agencies and each has sometimes felt the other debarred by its very nature from doing a good job.*”¹⁵ But it went on to declare that “*this immature attitude was... far from universal and in its doctrinaire forms it is now virtually dead,*” and attributed this success to “*those wise provisions as to grant-aid and agency service in much modern legislation, which have in fact resulted in a statutory-voluntary partnership.*”¹⁶

Despite the negativity of some within the Labour movement, the belief that welfare provision was not a zero-sum game, and that greater involvement of the state need not mean a reduced role for voluntary organisations, was actually fairly widespread in the first half of the twentieth century. One might suppose that the introduction of the NHS and the wider elements of the welfare state in the middle of the 20th century eventually put paid to this point of view as it became clear that the presumption of state provision had won out. However, this was not the case at all, and “*it would... be quite mistaken to believe that the creation of the Welfare State introduced a monopolistic statutory system of social welfare in all areas.*” In many areas, “*the mixed economy was still amply evident*”, but it was still clear that “*the predominance of the statutory involvement within the mixed economy did pose problems of adjustment.*”¹⁷ A number of individuals and organisations dedicated a great deal of thought to the role of philanthropy in this new context.

Interestingly, the idea that there was now a presumption in favour of state provision and that this meant a vastly reduced role for philanthropy was largely based on a misunderstanding of how the welfare state was supposed to function. In the case of the NHS, for example, the responsibility of government was not necessarily to provide services directly, but merely “to secure the provision of services”, which left open the possibility that voluntary agencies might actually deliver the relevant services. Furthermore, NHS provision was only ever intended to meet the core requirements of patients, and it was acknowledged that there would be many additional, desirable elements of service that could be added to this core, and which therefore left ample room for the involvement of charities and philanthropists. As the Nathan Committee report explained “*under part I of the National Health Service Act, 1946, the Minister of Health has an obligation to*

¹⁵ Nathan Committee Report, (§ 49)

¹⁶ *Ibid.*

¹⁷ Finlayson, *Citizen, State and Social Welfare*, p. 297

provide hospital accommodation and services 'to such an extent as he considers necessary to meet all reasonable requirements'. Who can say that this obligation extends to providing everything which might conceivably make for the cure, comfort or happiness of a patient or that the Minister's obligation does not leave ample room for any other effort, whether by way of voluntary funds or voluntary services?"¹⁸

The Nathan Committee concluded that the choice between state and philanthropy was a false one, and that *"while a society is alive and growing it will not make rigid choices between state action and voluntary action, but both alike will expand as the common expression of its vitality."* This, the Committee believed, meant that *"the democratic state, as we know it, could hardly function effectively... without such channels for, and demands upon, voluntary service."*¹⁹ Many were inclined to agree with this assessment and put forward arguments as to why philanthropic activity would continue to be a vital part of society despite the presence of a framework of universal state welfare. These arguments more often than not rested on characterising the features that were claimed to be particular or unique to philanthropic endeavours, in order to identify ways in which voluntary action could supplement or add value to state provision, and hence carve itself a distinct niche. Broadly these unique features began to crystallise into two distinct themes: one was the ability of philanthropic organisations to drive social progress through campaigning (which we will consider further in the next chapter), and the other was their ability to innovate.

Although Beveridge was absolutely clear that society needed to move away from the Victorian-era reliance on philanthropy for welfare provision, arguing that *"[t]he democracy can and should learn to do what used to be done for public good by the wealthy,"* he acknowledged from the outset that innovation would present a significant challenge within a framework of state-provided services, where *"the problem is that of getting the democracy to give for new things, and unfamiliar needs."*²⁰ In contrast, the ability to experiment and innovate has usually been seen as one of the defining characteristics of philanthropy.

Many over the years have identified the ability to innovate as one of the key advantages that philanthropy has over state provision, and therefore the crux of what philanthropy has to offer within the framework of a welfare state. Some have expressed this view in fairly strong terms. For instance, the historian Betsy Rodgers claimed that *"voluntary societies can venture and experiment where a government department will only prevaricate and elude,"* and this meant that *"[while] the early*

¹⁸ Nathan Committee report, §632

¹⁹ *Committee of Enquiry into the Law and Practice Relating to Charitable Trusts* (Nathan Committee): Evidence and Final Report, (1952)

²⁰ Beveridge W, *Voluntary Action: A Report on Methods of Social Advance*, George, Allen & Unwin (1948)

*philanthropists had faults and weaknesses...they were pioneers who often influenced the course of history.*²¹ The Nathan Committee took a more cautious view, arguing that although *“it is the duty and privilege of charity to pioneer,”* this did not mean that *“the whole of the voluntary movement should be continually marching ahead of public services.”* Rather, the Committee, explained, it would be the case that *“some elements in [the voluntary sector] may continue for a time to carry out services as parties to arrangements with local authorities so as to give them the benefit of their experience; and yet others may rightly remain in this field indefinitely – perhaps to continue some particularly valuable tradition of service – and thus provide some healthy competition between themselves and the public authority.”*²²

Beveridge agreed strongly with this assessment about the innovative power of philanthropy. He noted with approval the role that philanthropic initiatives have long played in driving social innovation and argued that this is a role philanthropy must continue to play. He explained that, in his view:

*“Time after time philanthropy is seen breaking in on official routine, unveiling evils, finding fresh channels for service, getting things done that would not be done for pay... In the face of [enormous] changes philanthropy has shown its strength of being able perpetually to take new forms... The capacity of Voluntary Action inspired by philanthropy to do new things is beyond question. Voluntary Action is needed to do things which the state should not do, in the giving of advice, or in organizing the use of leisure. It is needed to do things which the state is most unlikely to do. It is needed to pioneer ahead of the state and make experiments. It is needed to get services rendered which cannot be got by paying for them.”*²³

The idea that philanthropic organisations could not only match state provision, but could actually bring many features to service delivery that public bodies would never be able to, proved to be quite compelling. In particular, *“the delivery of ‘personal social services’ of a specialized nature for certain groups in society was a noted feature of voluntary-sector activity in the period after the formal creation of the Welfare State – and one much praised by Beveridge.”*²⁴ For Beveridge, and other proponents of similar views, *“the sector’s characteristics of flexibility, its specialist activity, and the considerable expertise which it could bring to bear made it well suited to deliver such services.”*²⁵ And this additional value was thought to be incredibly important because, *“as material standards rise and security of subsistence income is achieved, the*

²¹ Rodgers B, *Cloak of Charity: Studies in Eighteenth Century Philanthropy*, Methuen & Co, (1949)

²² Nathan Committee Report, §641

²³ *Ibid.*

²⁴ Finlayson, *Citizen, State and Social Welfare*, p. 403

²⁵ *Ibid.*

*relatively simple task of meeting needs for money falls into the background. The new tasks of voluntary agencies then become more difficult, not less difficult: they are concerned with such tasks as the formation of the right outlook in youth, or helping to adjust personal relationships, or rescuing the handicapped physically or socially. All these things and many other things that have still to be done to make a good society need knowledge as well as goodwill in the doers.”*²⁶

This notion that philanthropic organisations and voluntary action could bring “added value” to service delivery gained traction over the course of the second half of the 20th century. As people began to get to grips with the reality of universal state welfare, there was a growing realisation that perhaps it was no more valid as a standalone solution to the problems of society than the Victorians had supposed philanthropy to be. By as early as the 1960s there was “*a growing sense of frustration at the Welfare State itself, which was felt to be too large, too impersonal, and too inaccessible to the ordinary citizen.*”²⁷ And as a consequence, “*just as it had once been felt that voluntarism alone could not cope with all the problems of society, now it was increasingly recognized that the state could not cope alone.*”²⁸ For instance, the future Conservative Chancellor of the Exchequer Geoffrey Howe argued in 1975 that, “*the welfare state does not eliminate the need for private charity; it enhances it, it releases it for those purposes to which it, and it alone can make the vital contribution....the state can do a great deal that voluntary organizations by their nature are inadequate to perform... but voluntary organizations have the ability to provide a form of service which the state is ill-fitted to provide, however dedicated its administrators.*”²⁹

At the same time as the limitations of state welfare were becoming clear, the social revolution taking place in the 1960s also brought a renewed emphasis on the idea of ‘participation’. Often we think of this simply in terms of the famous demonstrations of the time, such as the many anti-Vietnam war protests or the Aldermarston Marches in support of the Campaign for Nuclear Disarmament, but “*the voluntary sector could readily fit into this increased desire for participation; the involvement of ‘active citizens’ was, after all, its very essence.*”³⁰ Their success in enabling participation not only gave philanthropic organisations renewed relevance in a climate where people were keen to get involved with causes, but also brought many of those causes into the mainstream for the first time. This further bolstered the role of the voluntary sector, because it was able to provide “*a*

²⁶ Beveridge W, *op cit.*, pp. 150-151.

²⁷ Finlayson, *Op Cit.* p. 307

²⁸ *Ibid.*, p. 329

²⁹ Parker R “As the financial crisis gets tougher, it is the smaller charities that are feeling the pinch”, *The Times*, 24th December 1975

³⁰ Finlayson, *Op Cit.*, p. 307

*counterpoint to the picture given in official reports*³¹ and thus foster “*an increased, or heightened, social perception: a perception of needs which were not being met by the Welfare State.*”³² And many of those needs were ones that charities had been addressing for many years, so as a result, “*the growth of voluntary organizations catering for different needs and disabilities – some medical, some social and some psychological – was a marked feature of the period after the formal creation of the Welfare State: and the 1960s and 1970s were important decades in that respect.*”³³

The resurgence in profile of philanthropy in the 1960s and 70s was accompanied by a softening of political attitudes towards it, particularly on the left as, “*the Labour Party increasingly made its peace with the voluntary sector.*” Richard Crossman, who held various Cabinet positions in the governments of Harold Wilson in the 1960s, recalled in 1973 that in his younger days in the 1930s, “*he and his fellow left-wing associates had derided voluntarism, and in particular charity and philanthropy, as an expression of elitist do-gooding*” and “*had looked forward to the replacement of the do-gooder by a socialist Welfare State, in which trained professional administrators and experts held the key posts.*”³⁴ By the 1970s, however, Crossman had come to believe that this attitude towards philanthropy had been a mistake, and that “*the Welfare State... had cut itself adrift from the altruistic motive which had inspired the old philanthropy at its best.*”³⁵ We need to be slightly cautious in accepting Crossman’s view of things entirely at face value, as it is likely that he “*significantly overstated his case*”³⁶ about the degree of Labour antipathy to philanthropy for rhetorical purposes. However, as we have seen, despite the ameliorating influences of people like Bevan, there had been a clear thread of anti-philanthropic feeling in the Labour party and it seems safe to conclude that “*[Crossman’s] change of heart may be taken to some extent as the articulation of a wider evolution of opinion within the Labour Party.*”³⁷

A combination of softening attitudes on the political left, dissatisfaction with some of the realities of monolithic state welfare provision and increasing public demand for participation led to a revival in the fortunes of the idea of philanthropy and voluntary action. Thus, “*the voluntary sector, after a period in the doldrums in the 1950s, came to life in the decades which followed,*”³⁸ and in the 1960s a “*new, radical philanthropy*” was born which, “*gave birth to a new wave of campaigning,*

³¹ Deakin N, “The perils of partnership: The voluntary sector and the state, 1945-1992”, in Davis Smith, Rochester & Hedley (eds) *An Introduction to the Voluntary Sector*, Routledge, (1995)

³² Finlayson, *Op Cit*, p. 308

³³ *Ibid.*

³⁴ Finlayson, *Op. Cit.*, p. 318-319.

³⁵ *Ibid.*

³⁶ Davis Smith J & Oppenheimer M, “The Labour Movement and Voluntary Action in the UK and Australia: A Comparative Perspective”, *Labour History*, No. 88, Australian Society for the Study of Labour History, Inc. (May 2005), p. 108

³⁷ Brenton M, *The Voluntary Sector in British Social Services*, p. 135

³⁸ *Ibid*

*politicised organisations such as the Child Poverty Action Group and Shelter.*³⁹ The voluntary sector in this period had a “*vibrancy and vigour that gained the attention of policymakers and won [it] a new place within the welfare state.*”⁴⁰ However, there were still significant differences of opinion about what that role should be and these came to a head in the last quarter of the 20th Century.

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³⁹ Davis Smith J & Oppenheimer M, *Op. Cit.*, p. 113

⁴⁰ Brenton M, *The Voluntary Sector in British Social Services*, p. 36