**Welfare in a market state**

**The challenge of poverty in a market economy**

**A British perspective**

**Note**

*The origin of this paper was a ‘Spirited Conversation’ held on February 17th in Dunedin in New Zealand. The references to the Labour Party are within the local context).*

**Introduction**

The challenge of identifying appropriate responses to poverty in an industrialized and market based economy are many. In particular the rising cost of financial benefits to the poorest is being challenged in the United Kingdom by a coalition government that seems to be intent on penalizing the poorest. The changes to State benefits that are introduced in April of this year will have an increasing detrimental effect on those individuals and families who are caught in the poverty trap.

It is interesting to note that the changes are far more radical than those implemented in the years that Mrs Thatcher was prime Minister even though she is seen to be the most radical of recent Prime Ministers.

In addressing these issues in Dunedin I’m very aware that I come from the UK and what I can offer is a perspective from within that context. I hope that this might contribute to the debate in New Zealand. I have noticed in the three weeks that I’ve been here that very similar debates to those in the UK are going on in both your parliament and wider society.

In particular the proposal by the Labour Party for a new housing programme and in this last week the proposal for a Living Wage. In both cases the arguments reported in the *Otago Daily Times* mirror image those in the UK. In the case of the Living Wage it is interesting to note that in London the Mayor Boris Johnson (hardly a politician of the left) has supported its implementation.

The foundation of the Welfare State in the UK came out of the thinking of Archbishop William Temple and the Christian socialist philosopher R H Tawney. The intention was to:

1. Create a mechanism for addressing social inequality
2. Put in place a remedy for addressing the negative consequences of the market capitalism
3. Put in place a financial safety net from cradle to grave, that ensured support in times of unemployment, sickness and retirement

Underpinning the development of the Welfare State was a theology of equality and fellowship that was based on mutual interdependence.

In the 21st century any discussion of equality is all too often sidelined into a focus on fairness. I want to say that no one is against fairness and that equality must remain our ultimate goal.

The three principles outlined above that were seen to underpin the formation of the Welfare State in the UK are in my view as important today as they were in the 1940’s.

**The Challenge**

In what follows it is important to remember that I’m speaking out of a UK perspective and in particular London. The challenges we face are possibility not dissimilar to those in New Zealand I will leave that with others to decide.

The changes that are being introduced in April contain a fundamental attack on those who rely on State Benefits for their day-to-day survival. The unemployed, the long term sick and those with low incomes.

It is important to note that there is also an argument that there is now a squeezed middle between the wealthy and the poorest, this the average family whose everyday costs are increasing whilst their income is static or in decline. The problem with this argument is that it very easily becomes a stick to beat the poor, why should the hardworking family be penalized whilst the ‘feckless’ poor are living on benefits?

In the Observer newspaper on Sunday February 10th a report was published that the top 10% of income earners have 10% more income per annum than the rest of the population. The article went on to suggest that perhaps the squeezed middle is the squeezed majority.

The reality is of course far more complex than a newspaper headline and the cuts in benefits will have a profound effect on those most at risk from poverty. The key elements are:

*(Drawn form ‘Am I Brothers Keeper’ A Christian Overview of Welfare Reform and Cuts in Public Spending)*

* A switch of the indexing of benefits to the Consumer Price Index as benefits fail to keep place with retail price inflation.
* The narrowing of the process for claims for incapacity and Disability Benefits. (This is particularly important in areas of industrial decline with high levels of unemployment)
* Cuts in Child Benefit.
* The creation of a Universal Credit (UC) that is intended to cover all the main areas of financial support. A particular problem is that it absorbs Housing Benefit and reduces the actual financial payment to cover this key element of support.
* The new UC also favors couples with children and leaves lone parents in a more vulnerable position. In addition workless families are likely to experience substantial losses in benefit under the new system.
* The raising of the age for receiving the state pension form 2016 will add large number to the job market at a time when unemployment in many areas is endemic.

The changes outlined above will create major problems for those most at risk form poverty and in particular individuals with long term sickness. Over the past two years this group in particular have faced what seem to have been draconian measures to prove availability for work. In many cases the decision of the Advisers who undertook the investigation being overturned on legal appeal.

**Working for the common good**

It is important to note that many of the changes that are being proposed are based on the recognition that the Welfare State is overstretched financially. Whoever is in government faces a problem of finding sufficient long term funding to maintain an equitable state that supports the poorest within our communities?

In article published in the *Guardian Weekly* of January 25th John Harris suggests that it may be necessary to return to first principles. If this was taken as a way forward it would mean a clear overall of the principles of taxation to ensure that the wealthiest pay an equal share and do not receive tax cuts that will have a detrimental effect on the governments income.

The underlying principles that led to the foundation of the welfare state need to be recovered, to ensure that the poorest and most excluded are given support that will help them contribute to the good of the wider society. The concept of the common good comes into play in this context because it offers a theological underpinning for the creation of a more equal society.

In considering how we can work to create a society where the common good is seen to be a central concept it is important that Christians work in partnership with others to develop a vision of the kind of society we want to live in.

An example of how policies in the UK are counter to this vision is seen in the problems being created by the changes that are being introduced. In London they are encapsulated where there has been a movement of Housing Benefit recipients out of more costly areas into outlying boroughs.

The contradiction in this shift is that in many cases the recipients of Housing Benefit are low paid workers, who work as cleaners and in similar posts in offices in Central London. Moving them out of the communities in which they are settled into new areas increase their costs and personal pressures due to the hours and increased costs of travelling to their workplace.

The self regarding argument that only those who can afford to live in areas of high cost housing is profoundly wrong because it leads to the creation of closed communities for the few. It also fails to recognise that the ancillary workers that assist in maintaining the life style of the wealthiest are no longer easily available.

The introduction of Universal Credit also leads to a real reduction on top of housing costs for the recipient. The reduction in financial support means that the poorest will be become more reliant on the traditional charitable handouts. In the words of John Harris:

*“The idea that you can hack back the welfare state and everyone will altruistically pay to help the poorest is an idiotic fantasy. History shows us that what really happens: increasingly, even the most basic programmes come to depend on the rattle of tins”.*

An example of the rattle of tins in the Diocese of Southwark where I work as across the whole of the UK is the setting up of Food Banks. In the past these were small very local and served a minority within a community.

In the past 6 months in the UK the setting up of Food Banks under a franchise ran by the Trussel Trust have been opened in a number of communities including many which can be described as being reasonably well off. It is important to note that in London many areas and communities contain a mix of individuals and families who can be described as wealthy living in close proximity with the less well off.

The advent of Food Banks is both a response to the growing number of families who need practical assistance and support and I think a response of local churches that see the giving of food in this way as being an act of discipleship. It may well be the case that the local church that is active in this way is making a valuable contribution to meeting the needs of the poorest.

It may also be the case that it is a return to finding a simplistic response to what is a systemic problem of reduced benefits and low income. To follow the argument of John Harris on the rattle of charity tins, in this case the rattle may be of tins of soup as a practical way of giving money.

It is important to note that Food Banks do make a contribution to meeting the needs of the poorest but they can never replace critical analysis of government policies that lead to the poorest requiring food handouts.

The welfare state was established to support the whole community and in the 21st century it is important to work for policies that support the poorest and gives the appropriate assistance to break out of the poverty trap. Investment in job creation and skills training is a more effective way of building a just and equal society that will lead individuals into a more financially sustainable future.

**Welfare state to market state**

I this paper I have tried to show that the changes in welfare benefits are a counter productive approach to meeting the needs of the poorest. The changes represent an assault on the common good and are based on a philosophy that the market can meet all of societies needs. The reality is that the most excluded are worse off and what has been called the squeezed middle are in addition facing problems with making financial ends meet.

The inequality that underpins this process is reinforced by the wealth becoming wealthier and increasing the gap between themselves and the rest of society. The only beneficiaries of the market-based state are those who are already able to make best use of its mechanisms to create more wealth for themselves to the detriment of everyone else.

The market state may be a reality that we have to live with but it is not beyond criticism and Christians should be among those who work for a better and more equal society for all.

**Conclusion**

In looking to the future I want to suggest that Christians have five specific tasks that they can take forward:

1. Develop and articulate a theological vision for society that is based on an understanding of the common good.
2. Promote a better understanding of the importance of mutuality and challenge the philosophy of possessive individualism in which the winner takes all.
3. Focus on promoting a better understanding of citizenship and the importance of sharing in building the common good.
4. Challenge changes in welfare benefits that penalize the poorest and work for policies that assist the poorest to gain skills that lead to employability.
5. Stand up for the victims of poverty and speak out against policies that are a denial of the vision of Isaiah 61 that was articulated by Jesus in the Synagogue in Nazareth with its vision of good news for the poor, sight for the blind, hearing for the deaf and release for prisoners.

I address these issues form within a UK context with the belief that all citizens have a right to speak. To those who say why should Christians have a voice in the public square on these issues we need to remind them that in a free society we are all entitled to speak.

In addition we can also point out that the Churches are at the forefront of offering practical support for the poorest. It is a part of our call to discipleship and an out working of the parable of Jesus in Matthew 25 where he called for all those with special needs to be given support and help. For the simple reason that in doing it for them we are doing it for him. It is a counter cultural approach to the market state and it is important that we make our stand in working together for the common good of all.

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February 12th 2013

With special thanks to the Churches Regional Commission for Yorkshire and Humberside for the report ‘Am I Brother’s Keeper’ Published in November 2012