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CABINET

SOCIAL SERVICES: THE NEXT FIVE YEARS

MEMORANDUM BY CHANCELLOR OF THE EXCHEQUER

When we came into office in November 1951, we took over the expanded social services which had been provided by the war-time and post-war legislation. We successfully rode through the financial crisis without set-back to these services which have continued to develop.

2. The cost has grown formidably. As the appended table shows, from 1951-52 to the current year, Government expenditure on the social services, plus the expenditure of the national insurance funds, has grown by about 35 per cent. This may be contrasted with an increase of about 25 per cent. in the gross national product. The cost of the social services has been rising faster than the national income.

3. There will be substantial further growth of social service expenditure in the next five years. The increase in the number of old age pensioners will cost the Exchequer extra annual amounts rising to £100 millions a year in five years' time; the growing number of children of secondary school age will call for more educational expenditure, and so will the claims for more and better technical education and higher education generally; the hospital-building programme will be an increasing burden itself and will also involve increased running costs; slum clearance will swell the annual housing subsidy bill.

4. Against this background, it will be seen that there is danger that our social service commitments may run ahead much faster than our resources. The result of this in the end is continuing balance-of-payments trouble and a further fall in the value of our money.

5. In my view this is the right moment to look ahead, and to try to avoid future trouble. We should be wise to get the best measure we can of the increased Exchequer burden, in five years' time, which may be involved thanks to our present commitments and existing policies in the social services.

6. If my colleagues agree, I will accordingly instruct the Treasury to carry out a survey of the future cost, on existing policy, of the services indicated in the appended table, and I will submit the results of this survey after the Recess.

R. A. B.

Treasury Chambers, S.W. 1,

30th June, 1955.