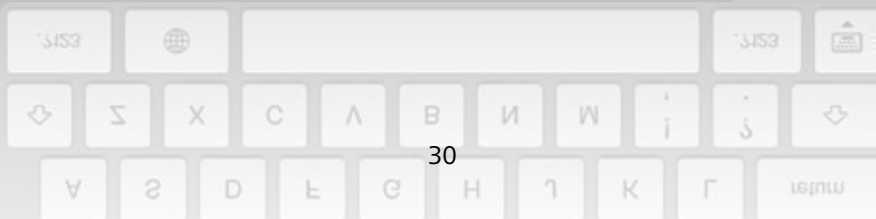


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A CRUEL CHOICE for politicians: How to fund care for the elderly



The sight of politicians being forced to make tough decisions and frantically trying to do so in a way that upsets nobody would be grimly entertaining if the consequences were not so frequently disastrous. A case in point is the current anguish over the funding of care for the elderly.

In 2011, Andrew Dilnot recommended that a cap be placed on the amount retired people with assets over a given threshold would have to pay towards care. He suggested £35,000 with an estimated cost of at least £1.7 billion as the taxpayer picked up care costs above that. Initially the government seemed to have rejected this but now it appears they will implement it, but with a higher cap and a higher threshold, leaving the total bill about the same.

So, how to pay? One suggestion is to means test Winter Fuel Allowance to save £1.5 billion. This of course has provoked furious responses from the recipients, who are typically also opposed to having to cash in their assets over a certain limit to fund care.

The basic problem is simple. We

have an ageing population and a welfare system that is not based on a contributory principle where payment of tax gives entitlement to benefits. As the relative numbers of old people increase and the costs of care increase,

people those costs are containable while for others (about 10 per cent) they are large – and nobody can be sure if they will fall into that 10 per cent. The long-term solution should be some kind of insurance. However,

THE POINT OF INVESTING IN A HOUSE OR OTHER ASSETS SHOULD BE PRECISELY TO RELEASE THEM AS CASH TO MEET THE NEEDS OF OLD AGE

so the charge to the working taxpayer must increase unless older people also make a contribution.

The obvious way to do this, in the case of social care, is to use savings and assets above a certain limit, built up over a working life, to offset those costs. Why should this be thought morally questionable? The point of investing in a house or other assets should be precisely to release them as cash to meet the needs of old age.

The real problem is that for some

given that policymakers did not set such a system up thirty or forty years ago, we now have the choice of asking the current generation of retirees to make a contribution (as at present) or dividing that cost between some retirees and the general taxpaying population. Somebody's ox will be gored, hence the unhappiness of the current generation of politicians.

Dr Steve Davies
IEA Education Director

Full version at: www.iea.org.uk/blog/a-cruel-choice-for-politicians-%E2%80%93-how-to-fund-care-for-the-elderly

CHRISTIAN objections to the NHS

Nigel Lawson once said that the NHS is the closest thing the English have to a religion. Of course, we also have the established church. And, indeed, the established church seems to see the NHS as part of its theology. Archbishop Welby, at his enthronement, said: “Slaves were freed, Factory Acts passed, and the NHS and social care established through Christ-liberated courage.” In their response to the Mid Staffordshire NHS scandal the local bishops of Lichfield and Stafford said: “We have now seen what many of us suspected – that the marketisation of the health service has gone too far...This Christian basis has been weakened in recent years and covering the bottom line has become all important.”

This is a totally inappropriate response to the deaths of 1,200 people in a state-run health system. By almost every measure, the UK has amongst the least marketised health systems in the world. For example, 4 per cent of UK hospitals are not publicly owned compared with 51 per cent in Germany. If the Bishops were right, surely France and Germany should be experiencing a Mid Staffs scandal each week.

If you look at mortality amenable to healthcare, the UK has one of the worst records in the EU, some way behind countries with more marketised health systems.

Indeed, calling the NHS a creation of Christ-inspired courage is stretching things beyond credulity. Beveridge was a Christian and a friend of Archbishop

William Temple who was certainly a supporter of the welfare state. But Beveridge did not propose the NHS as we see it today. He probably favoured state-finance and state direction in a mixed system of provision. He did not propose that all the charitable

more seriously about Christian objections to the NHS, such as:

- Was it appropriate for the state to sweep away charitable, mutual and commercial provision where this met people’s needs?
- Is it more noble for health care to be provided and funded via a bureaucracy and compulsory taxation or by commercial, reciprocal and charitable endeavour?
- Is it appropriate for the state to be providing healthcare for all rather than ensuring that all can have healthcare by supporting families, charities and the community in obtaining healthcare from a plurality of sources?
- Is coercive state finance and provision a higher value than personal concern motivated by charity?

Beveridge would probably have answered “no” to those questions – as might Attlee. The person who answered “yes” and created the NHS as we know it was Bevan – an atheist. A man about whom George

THIS IS A TOTALLY INAPPROPRIATE RESPONSE TO THE DEATHS OF 1,200 PEOPLE IN A STATE-RUN HEALTH SYSTEM



hospitals, mutual aid societies and so on should be nationalised by the state as happened in practice. He almost certainly had in mind something much closer to the marketised models criticised by the bishops.

Indeed, perhaps we should think

Brown wrote: “He had a burning faith in whatever seemed good to him at the time but, outside politics, had no personal faith at all.”

Professor Philip Booth

IEA Editorial and Programme Director

Read the full version at: www.iea.org.uk/blog/some-christian-objections-to-the-nhs



TURNING UP the HEAT

Government's energy tariff regulations will exacerbate fuel poverty

The government is regulating the domestic energy market to restrict the number of available tariffs to four per supplier. Energy firms will also be forced to tell customers about the cheapest available deal on the market. David Cameron described the new regulations as 'a huge step towards energy bills that are more fair for everyone.' The prime minister's optimism is misplaced, however. In fact the measures will exacerbate fuel poverty rather than alleviate it. The new rules will increase energy prices and hence fuel bills, rather than reduce them.

As a result of the tariff restrictions, some of the best offers in the market will be withdrawn. In addition, the limits will prevent innovation by making it too risky for a supplier to

give up an existing profitable tariff in order to introduce a new one whose appeal would be uncertain. And because the lowest price offers will no longer be available, and there will be less innovation, there will be less competitive pressure on all other prices. The rules on tariff simplification will also encourage coordinated effects by suppliers and lead to narrower price differentials and again less competitive pressure.

The reduced availability of significant price reductions will in turn lead to less customer interest in switching between suppliers. (Ofgem claims that simpler tariffs would increase customer engagement, but Ofgem's own research shows that the availability of savings opportunities outweighs simplicity of information as a determinant of customer switching.)

All these factors leading to a

reduction in competitive pressure would lead to further increases in prices and retail profits. Indeed, there is evidence that Ofgem's retail energy policies have already had this effect. Its restrictions on tariff pricing, and its pressure on suppliers to cease doorstep selling and to simplify tariffs, seem cumulatively to have led to an increase in retail profits margins totalling some £10bn over the last four years.

In sum, the government's tariff controls will increase energy prices and make all customers worse off. This will have a particularly adverse impact on vulnerable customers in or near fuel poverty.

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Full version at: www.iea.org.uk/blog/governments-energy-tariff-plans-will-exacerbate-fuel-poverty

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