Funding the Future

The threat to the NHS

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We have another NHS crisis. It will cost lives, unnecessarily. It will cause untold long term harm as staff give up, voluntarily or otherwise, under the pressure brought to bear on them. And nothing about this crisis is made up: this is the real thing, resulting from real demand, and no edict from Westminster will solve that.

I am not claiming medical expertise. Nor am I suggesting that I can solve all the problems of the NHS overnight. But I do know that the NHS need not suffer a cash shortage. What it is, instead, suffering is a political crisis. I explained why in an article I was asked to write for the British Medical Journal last summer, which did not get published as there simply wasn't time to deal with the shortening in length that the editor requested from me before publication was planned. I share it here instead:

The threat from and to the NHS

There is a widespread belief that the NHS is under threat. A recent conference at the Royal Society of Medicine, which attracted considerable media attention as a result of the exchanges it generated between Jeremy Hunt and Prof Stephen Hawking, was premised on the assumption that this was the case. If this is true it is, however, important to understand why the NHS is itself threatening to some and why those threatened wish to threaten the NHS as a consequence. Without that understanding the threat to the NHS cannot be appraised.

Who and what the NHS threatens

The creation of the NHS has to be seen as the consequence of a circumstance of chance that occurred at a particular point in history. But for the Second World War, the concept of the welfare state to which it gave rise, the election of a Labour government in 1945, the creation of Keynesian economic thinking during the recession of the 1930s and the willingness of that 1945 Labour government to spend despite the massive accumulation of debt that the war gave rise to there would have been no NHS. That this coincidence happened indicates something deeper, which was the creation of a post-war political consensus that meant that the founding principles of the NHS

continued in existence after Labour fell from power.

Those three principles were clearly stated in July 1948 when the NHS began to operate. They were[i], ***in the words of Nye Bevan, that the NHS would meet the needs of everyone; that it would be free at the point of delivery and that its services would be supplied based on clinical need and not ability to pay. The survival of the NHS suggests that these principles resonated across political boundaries. The evidence is that they still do: if the UK has anything close to a national religion in the twenty-first century, it is faith in the NHS.***

That faith does, however, reflect a very particular worldview. It assumes that there is a state. Quiet explicitly, it suggests that the state has a role in people's lives. In saying so it explicitly rejects the notion that the market can meet all need. In its place it substitutes central direction of the supply of at least some services and it assumes that hey will be paid for by taxation. Implicitly this assumes that the price signalling mechanism of the market is an unsuitable indicator for allocating resources with regard to health: explicitly need is substituted instead.

This worldview was predominant in 1948, and for a long time thereafter. But this does not mean that there was no other worldview at the time that the NHS was created. In the year before it was founded Frederik von Hayek founded the Mont Pelerin Society[ii]. To do so, he brought together thirty-six academics, journalists, financiers and other interested parties to discuss how their alternative vision of society might be promoted in the face of what they perceived as the threat of socialism, which would lead, as Hayek put it, to 'The Road to Serfdom'[iii]. With the creation of the Mont Pelerin Society, the political-economic philosophy of neoliberalism was born.

The defining principle of neoliberalism is that it is competition for resources that defines their optimal allocation within a society. Alternatively, as William Davies has argued[iv] neoliberalism is hostile to what it sees as political discourse and it seeks to put in its place explicit economic indicators for which the market price system is the model. It does not allow for any alternative: it is this principle that dictates optimal solutions, it says.

A number of obvious conclusions follow from this logic in the context being discussed here. The first is that it is markets that should allocate resources. The second is that the only role of the state is to underpin the smooth functioning of markets. The third is that taxes must be minimal to allow individuals to engage to the maximum possible degree within the market. Fourth, this requires that those engaged in the supply of any service must be capable of failing or the pressure of competition cannot be brought to bear upon them. And, since this pressure is also only possible if the capital available to any provider is limited it also follows that suppliers must either

be in the private sector or, at least, be removed from government control and access to its capital.

What this analysis makes clear is that the culture of the NHS, based as it is upon universal state provision that has sought to minimise cost by seeking to supply consistent, high quality care in a non-competitive environment, guaranteed by medical ethics rather than by market imperatives, is very different to neoliberal thinking. This would not matter to neoliberal thinkers if the NHS did not work, but it very obviously does. Both its popularity and the success of the NHS in rankings, such as that of the Commonwealth Fund [v], where in 2017 it was found to be the overall most effective health care system in the eleven advanced economies subject to appraisal, spreads this perception that there is an alternative to the neoliberal model. Unsurprisingly those who promote neoliberalism as threatened as a result. Their response is to threaten the NHS.

The origins of the threat

The threat to the NHS has its generic root in the rise of neoliberalism, so successfully related by Nancy MacLean in her 2017 book 'Democracy in Chains'***[vi]. As she relates, the challenge to the state and its agencies, like the NHS, is organised and well funded, most especially through secretive think tanks. The Institute of Economic Affairs, the Adam Smith Institute and the Centre for Policy Studies are simultaneously at the forefront of this attack on the NHS[vii] and think tank secrecy in the UK: a 2017 study found they were almost entirely opaque about their sources of revenue[viii].***

One paper published by the Centre for Policy Studies is particularly notable in this respect. Written by John Redwood, then (as now} Conservative MP for Woking, and Oliver Letwin, who had then to start his House of Commons career, it was entitled 'Britain's Biggest Enterprise: ideas for radical reform of the NHS' and was published in 1987[ix]. In a quaint reminder of the way things once were, the very obviously type written text remains available on the web. It is laden with barely veiled attacks on the NHS, behind the usual expressions of support for the NHS's long suffering employees encumbered, as they were, by having to work in such a hostile system. But what really matters is the prescription it made for the direction of NHS reform, which it recognised could only be achieved in piecemeal fashion. The incremental goals would, it suggested, be:

* ***Establishment of the NHS as an independent trust;***
* ***Increased use of joint ventures between the NHS and private sectors;***
* ***Extending the principle of charging;***
*

A system of 'health credits';

* ***A national health insurance scheme.***

Looking at the NHS in England, it is clear that the first and second goals have largely been achieved and are now deeply embedded within its structures. In social care charging is similarly profoundly embedded. So, too, is the concept of a 'health credit' becoming more commonplace in some aspects of NHS service[x]. That said, whilst it is still appropriate to note that options three and four are far from complete, it is not unfair to say that they are works in progress. In that case, the concern that an insurance system remains the direction of travel, as expressed by Professor Stephen Hawking[xi], appears to be entirely realistic in the circumstances. The neoliberal assault on the NHS is very real.

What I would also argue is that the assault is conducted on more than one level. What might be called the Redwood / Letwin assault is explicit, and direct. It may be thirty years old and only partially successful, but it is well funded and continuing. The assault also exists at another level, for which the last decade has been little short of a gift. This second assault was accurately described by Noam Chomsky in 2011 when he said[xii]:

There is a standard technique of privatization, namely defund what you want to privatize. .... [F]irst thing to do is defund them, then they don't work and people get angry and [then] they want a change.

The threat from austerity

The political choice to pursue the policy of austerity, adopted by the incoming UK government in 2010, has resulted in very limited real-term increases in NHS funding per capita in England since then and no forecast increase at any time in the foreseeable future[xiii]. In the face of changed demographics; real cost increases as better procedures become available, and imposed costs from the reorganisation that have distracted resources from patient service provision the result has been a real reduction in resources available for patient care, a reduction in beds available for the supply of that care and enormous stress on a system that has, in the opinion of many practitioners, reached a breaking point. Many economists, myself included, have argued that none of this was necessary: austerity was a choice and not a necessity. It is indisputable that in 2017, that policy has failed to achieve its stated goal of a balanced budget: in the current financial year, the UK government deficit is expected to exceed £58 billion. The consequence has not, however, been the abandonment of austerity as a policy but is instead its promised perpetuation: the assault on the NHS budget is to continue, remorselessly. That is why the Redwood / Letwin solution has to be still be considered to be on the table.

Two other factors contribute to this assault. One is the deliberate creation of confusion

within the structure of the NHS in England. The 2012 Health and Social Care Act achieved its goal of shattering the NHS into as many parts as possible with no obvious lines of control remaining intact. This was not by chance: a private sector health service cannot be subject to central control and in England there is no effective way that it is now. In addition, neoliberal dogma demands that this service must have built into it the possibility of failure. Again, that is precisely what the 2102 Act delivered. The fragmented trusts that now make up the NHS, each with a balance sheet left fragile by under-funding, has been created to open the possibility of widespread financial failure, as Chomsky predicted. After all, how can an organisation suffer the pressure of competition if its risk of financial failure is insignificant? That patients might suffer as a consequence of that failure is inconsequential: the dogmatic goal of creating market risk is being achieved, come what may.

The illusion of patient choice is the third component in this process of undermining the NHS. Most practitioners will realise that choice is a token in many cases: in an emergency, it's far from a patient's concern. But for the neoliberal, it exists for a reason: it is there to undermine the idea that the NHS might, firstly, exist to provide universally good care and, secondly, that it is the only option that the state might fund. Choice exists to provide openings for the private sector, and not for patient benefit.

What can be done to counter the threat

The threat to the NHS is not from an ageing population, increasing costs, migration or even, ultimately, from a shortage of trained staff, because all those issues can be managed if the right political will exists. The threat to the NHS is that the political will that it succeed in the task that it has undertaken for the last near-seventy years does not now exist amongst some politicians. The fault is not that of one political party, although it is fair to note that the problem appears to be peculiar to England. The solution to the problem is, in that case, political and particular to the deeply divided English political, social and economic environment, where the relationship between London and the southeast and all remaining regions is one of deep division and significant inequality.

The solution can only be found in a willingness to accept that this division and inequality is similar in effect to the stress that, in a different way and at a different time, gave rise to the need for the NHS. This, then, requires that the founding principles of the NHS be reinstated and that their replacements, which can tolerate so many of the characteristics of the neoliberal vision of healthcare, be themselves consigned to history.

With those principles restated what has to then be understood is that it isn't money that constrains the NHS. That is because the economic reality is that there is no limit to the amount of money a government can create if it so wishes. Money creation is, after all, costless. It is also technically limitless. That does not mean a government should be reckless. There is, of course inflation to consider. But that is what tax is for. It is

government spending that creates the ability to tax. Where else, after all, does enough government created money to pay tax come from if government does not create it in the first place? Quite emphatically, it is not tax that creates the capacity for government to spend; that capacity always exists. Instead it is taxation that limits inflation when the government is spending to meet social purpose, for example, by funding the NHS. And spending in that way is always desirable, and there is always a gain to society, until the point is reached then the economy is working at its capacity, from which point the UK as a whole has been so far adrift for so long a time. That's precisely why any constraint on NHS spending is inappropriate at present.

When this is appreciated, it also has to be understood that there is literally no shortage of capital to invest in the NHS at present. In fact there is a shortage of government bonds in issue in the UK right now. That is because government bonds underpin most private pension funds, and as more baby boomers retire, the demand for bonds is growing. In fact, people are queuing up to lend the government the money it needs to invest in the NHS. It is dogma alone that is denying people the chance to save in that way, and the economy (and NHS) the investment it needs. Poor facilities, a lack of training and failed systems all exist because of government choice as a result, and not because they need to. And since, right now the effective interest rate that has to be paid on the funds in question is near enough zero per cent, despite which the funds still roll in, it's almost scandalous not to use them for social purpose and yet that is what is happening.

This is the economic reality that we face. Money is available for the NHS if people are able to work in it. But there is a problem. Because that money would come via the state, and would require central organisation and control to ensure it was well spent (which cannot happen in the current incoherent NHS management structure) there are those who politically oppose that use, not because it is economically rational to do so, because it clearly is not, but because of dogma alone.

The NHS need not be under threat. The NHS could be and should be, well funded. It could be and should be the basis on which opportunity for new generations in need in this country could be built. But that requires a new generation of economists, politicians, healthcare professionals and others to believe, as some did in 1948, that they can make a more effective difference in people's lives through the provision of state-provided healthcare than they could by promoting a market-based system. Those who believed that in 1948 were right. The current threat to the NHS suggests that their vision is at risk. That vision of universal care for people who are, whatever their economic situation, considered to be of equal value, needs to be restored. Nothing else will tackle the threat to the NHS.

Endnotes

[i] NHS Choices http://www.nhs.uk/NHSEngland/thenhs/about/Pages/nhscoreprinciples.aspx Accessed 3 September 2017

[ii] The website of The Mont Pelerin Society https://www.montpelerin.org/about-mps/ Accessed 3 September 2017

[iii] Hayek, F.A. 'The Road to Serfdom', 1944. London: George Routledge & Sons

[iv] Davies, W. 'The Limits of Neoliberalism: Authority, Sovereignty and the Logic of Competition'. 2017. London: Sage Publications Limited. Available at https://uk.sagepub.com/sites/default/files/upm-binaries/79542_Davies___The_Limits_of_Neoliberalism___Chapter_1.pdf . Page 6. Accessed 3 September 2017.

[v] Schneider, E., Sarnak, D., Squires, D., Shah, A. and Doty, M. 'Mirror, Mirror 2017: International Comparison Reflects Flaws and Opportunities for Better U.S. Health Care'. The Commonwealth Fund. Available at http://www.commonwealthfund.org/~/media/files/publications/fund-report/2017/jul/schneider_mirror_mirror_2017.pdf Accessed 3 September 2017.

[vi] MacLean, N., 'Democracy in Chains'. London: Scribe Publications, 2017.

[vii] See, for example Niemitz, K., 'Universal healthcare without the NHS'. Lodnon: The Institute for Economic Affairs, 2016. Available at https://iea.org.uk/publications/universal-healthcare-without-the-nhs/ accessed 3 September 2017.

[viii] See the 'Who Funds You?' website http://whofundsyou.org/ accessed 3 September 2017

[ix] Available at https://www.cps.org.uk/files/reports/original/111027171245-BritainsBiggestEnterprise1988.pdf Accessed 3 September 2017

[x] See, for example, the NHS Choices web page on Personal Health Budgets. http://www.nhs.uk/NHSEngland/patient-choice/personal-health-budget/Pages/about-phb.aspx Accessed 3 September 2017

[xi] Hawking, S. 'The NHS saved me. As a scientist, I must help to save it'. London, The Guardian newspaper, 18 August 2017. https://www.theguardian.com/commentisfree/2017/aug/18/nhs-scientist-stephen-hawking Accessed 3 September 2017

[xii] Chomsky, N. 'The State-Corporate Complex: A Threat to Freedom and Survival'. Text of lecture given at the The University of Toronto, April 7, 2011 (Transcript courtesy of Yvonne Bond). Available at

https://chomsky.info/20110407-2/ Accessed 3 September 2017

[xiii] I have summarised the data at http://www.taxresearch.org.uk/Blog/2017/08/22/nhs-spending-data-necessary-spend-per-person-is-falling-and-demand-cannot-be-met-as-a-result/ Accessed 3 September 2017