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Health and Education Premiums for the Individual: Vouchers will Promote Public Services Reform - and help curb public spending, says new Politeia pamphlet

In *Towards a Low-tax Welfare State* Tim Congdon proposes a radical change to the way the welfare state provides public services. The public funding of health and education would continue, so as to achieve the important objectives of a welfare state, and yet this new plan would within a generation reduce public spending to 25 per cent of GDP. Congdon's scheme envisages the funding of health and education by vouchers or premiums for the individual, instead of the present system of funding the providers. Parents would thus be able to choose the school best for their child – including independent schools – and patients could use the hospitals or doctors who would care for their needs, without the present lottery of waiting lists and red tape.

The author, Professor Tim Congdon, one of Britain's leading economists, explains that the role of the state must change in the 21st century. While the state should continue to provide a framework for equal opportunities for all in health and education, it must recognise that times have changed since the 1940s. No longer is government the best – or most efficient – provider of such services. People themselves are the best judges of their own interests. As Congdon writes:

In 1945 it [the efficiency argument for state provision] had far more cogency than...in 2002. Experience has shown that the government is a poor provider of most goods and services... in a market economy meeting a variety of consumer needs, dispersal of control and a multiplicity of suppliers enforce competition, and the price mechanism can be harnessed to identify priorities and allocate resources.

Congdon joins to the proposal for vouchers a compelling argument for the reduction of public spending. Although the recent spiral of government promises for higher public spending imply higher levels of tax, Congdon explains that public spending remains far too high and tax cuts are still needed. Britain may have already gone far beyond the economic limits of taxation. Long ago, Keynes warned that tax should not be more than 25 per cent of GDP.

Such a figure is not, as it may seem, practically or politically impossible for a welfare state. It could be achieved, following Congdon's plan, by freezing the value of health and education vouchers in real terms. As Congdon writes:

“There would be no cuts in expenditure. There would be no renegeing on the promises currently contained in the democratic process. But – over time – extra expenditure would have to be financed by parents, patients and citizens, as they saw fit.”

Towards a Low-tax Welfare State is available from Politeia, 22 Charing Cross Road, WC2H 0QP, priced £7.00. Enquiries to Professor Tim Congdon at Lombard Street Research between Thursday and Friday at (020) 7382 5910, or to Dr S Lawlor at Politeia on (020) 7240 5070