

The Emergence of the Welfare State in Britain and Germany

1850-1950

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H.G. Hockerts

Control Commission for Germany (British Element): Export of the *Beveridge Plan* into Occupied Germany?

While the British social security system was fundamentally reformed between 1945 and 1948 on the basis of the *Beveridge Plan*,¹ the German social security system was equally on the verge of a break in continuity and of a new beginning. In 1946/7 the Manpower Directorate of the Allied Control Commission, the highest authority of the quadripartite administration, worked out a draft for a 'compulsory social insurance law for Germany' which deviated to a considerable degree from the traditional principles of the German social insurance system.² Whereas the guiding principle in Germany had hitherto been to cover only the economically weak groups in need of special protection – which as a matter of principle excluded more highly paid employees and the self-employed – the intention now was to extend the insurance to all citizens (with the exception of employers with more than five employees). The Allied draft, just as the *Beveridge Plan*, thus aimed at a social insurance model that would encompass the entire nation. And while German social insurance hitherto had been organised according to specific groups and classes of the population, the idea was now, again as with the *Beveridge Plan*, to introduce a uniform organisation structured along regional lines, rather than on the former multitude of insurance categories³ tailored to cover specific population sectors, each with different contributions and benefits.

Certain parallels to the simultaneous reforms in Britain are thus evident. This might lead to the assumption that it was the intention of the Manpower Division of the British Control Commission – CCG (BE) – to introduce the *Beveridge Plan* in Germany.⁴ This Manpower Division – in the judgement of one expert – was 'easily the best group of civil servants in the CCG and this was the direct result of Ernest Bevin's interest in its formation when he was at the Ministry of Labour'.⁵ The main criterion for recruitment was

that the person should already be an established civil servant in the Ministry of Labour. As this Ministry had a large departmental (i.e. executive grade mostly outside London) staff, it was possible to recruit able and reliable people who knew that their work in Germany, if good, would stand to their credit on their return to the United Kingdom.⁶

The first issue of the 'Arbeitsblatt für die Britische Zone' – which was controlled by the Manpower Division – opened with a report on the *Beveridge Plan*.⁷ In a later issue, the Director of the Division's Social Insurance Branch gave an account of the British reform Acts.⁸ In 1946 Lord Beveridge himself toured the British sector of occupied Germany and delivered lectures on the British reform programme in several German cities.⁹

Does this indicate that there existed some sort of missionary zeal with regard to social policy on the part of the British occupation forces? Indeed not. The British Manpower Division came to Germany with the directive to preserve as far as possible the traditional German social security system.¹⁰ The driving force behind the reform planning in the quadripartite Manpower Directorate was not the British, but the Russians and Americans, who both had German advisers steeped in the tradition of socialist and trade union demands for reform. The draft for a reform Bill, on the other hand, which the British submitted for deliberation by the Manpower Directorate, was a verbatim translation of a paper written by a former civil servant in the German Ministry of Labour.

Although exaggerating a little, one could say that the British Manpower Division always thought in financial terms at first: it wanted to cut costs and save money. That thrift was the aim can be illustrated by a number of examples, for example the fact that social insurance benefits in the British-occupied sectors were scaled down much more than in, say, the American one. During the deliberations on the Allied draft for reform, the British argued successfully in favour of lowering the established German benefit levels. In this way they intended to ensure that social insurance could be financed entirely without state funds. While the *Beveridge Plan* envisaged large public subsidies for social insurance, the British occupation forces in Germany (who were not alone in this, however) strove for total absence of subsidies from public funds and the Allied draft reform law accordingly envisaged a social insurance system financed exclusively out of contributions.¹¹ The consideration of economy was equally overriding for the British

assent to the streamlined organisational structure and the extension of insurance to wider sections of the population, which the Allied draft legislation envisaged. The one seemed a suitable method of cutting costs, the other would bring in more contributions and was thus desirable in order to compensate in some measure for the absence of state subsidies. This British policy of economy must be seen against the background of a worsening economic situation at home: to lower the costs of German social insurance would help towards making occupied Germany self-sufficient and thus relieve the British taxpayer of the responsibility of subsidising vital German imports.

German Opposition

The Allied draft legislation conflicted with the manifold interests of wide sections of the middle class, who particularly protested against the proposed extension of compulsory insurance and the streamlining of the organisation. This opposition movement was led by the private insurance companies, the medical profession, artisan and agricultural organisations, industrialists, white-collar workers and traditional insurance funds, whose existence was threatened by this reform. Sections within the German trade union movement also rejected the draft, albeit for different reasons, and most emphatic among them was the Federation of Trade Unions in the British sector.¹² Its protest was directed against the inadequacy of the proposed benefits and the envisaged abolition of all fixed subsidies from public funds.

The German opposition to the draft received ideological reinforcement from anti-Nazi arguments. The National Socialist 'Deutsche Arbeitsfront' had also endeavoured to include *all* citizens in a uniformly organised system of social security, although, because of the war, no serious attempt to put this into practice had ever been made.¹³ But the existence of such plans had been public knowledge and one may imagine with horror how their realisation would have transformed the institutions of social security into instruments of political subjugation. In a counter-move, some members of the German opposition to Hitler had demanded the retention of the traditional German social security system.¹⁴ Now, after 1945, this passionate rejection of Nazi tendencies towards centralisation and collectivism was transferred, partly out of conviction, partly for tactical reasons, to the Allied reform programme.¹⁵ A comparison of the German and British development thus shows up one important difference: in Britain the war

experience had engendered a sense of national solidarity and confidence in state intervention and had thus prepared the ground for the Beveridge reforms; in Germany, by contrast, the experience of Nazi misuse of power had provoked opposition to any form of government-imposed centralisation or collectivism.

In another respect, too, the points of departure in Germany and Britain were quite different: in Britain the reform of the social security system was seen as a national task, while in Germany it threatened to take on the guise of an imposition by the occupation forces. This, from the outset, provoked opposition, especially because of a widespread consciousness that Germany, ever since Bismarck, had been the leading nation in matters of social policy. That reform should now be dictated by the occupying forces was therefore resented all the more keenly. These sensitivities were further exacerbated by the circumstance that the tradition of social policy was virtually the only one with which Germany, defeated in war and deformed by National Socialism, could still identify, which it could refer to and be 'proud' of. It was no accident that Adenauer, in a mass rally of the Christian Democrat Union in August 1946, said emphatically:

We must hold on to this social insurance. We are proud of it. And as for the proposals Beveridge has recently made in Hamburg, I can only say that we Germans have already had such things these past thirty years.¹⁶

The Social Democrat camp was no less emphatic in its opinion 'that social insurance, which was created seventy years ago through German initiative, ought to be reformed now too by German authorities'.¹⁷ In addition there existed, particularly in the minds of leading trade unionists in the British sector, a tactical consideration: it was not inconceivable that the new system of social insurance, which the Allied Control Commission intended to implement, would, in view of Germany's ruined economy, soon run into serious financial difficulties, and they feared that this might bring sound principles of reform into lasting disrepute and thus offer a dangerous handle for nationalist agitation.¹⁸

The Failure of Allied Reform Plans

In January 1947 the Allied draft Bill was ratified (in a modified form) in the Russian sector. The three Western Allies, however, did not take

the parallel step. In July 1947 the Allied Manpower Directorate had reached agreement on virtually all points of the draft (the only question to remain a matter of controversy was whether civil servants should be included or not); yet early in 1948 the draft legislation failed to pass the Allied Control Council. The American and British military governors, Lucius D. Clay and Brian H. Robertson, declined to give their assent. An examination of the reasons for this failure leads to three conclusions which, from the angle of a particular field of research, supplement and modify historiographical attempts to formulate a paradigm of Anglo-American policies during the period of occupation.

- (1) As far as the reform of the social insurance system was concerned, the frequently employed historical paradigm that 'the British were prevented by the Americans from introducing reforms' does not apply.¹⁹ The British withdrawal from the Allied reform project was due to growing doubts within the British military government. A letter which the Social Insurance Branch of the British Manpower Division wrote to the Finance Division in February 1948 may be regarded as symptomatic:

'In short, it has to be admitted that we have unfortunately been manoeuvred into a false position on agreeing to the reform of social insurance in the quadripartite machine and shall be grateful for anything you can do to frustrate or delay the course of this highly controversial measure in the Finance Directorate'.²⁰

- (2) The Cold War changed the framework of the reform project: to the degree that the East-West conflict escalated and the creation of a West German state thus assumed political priority, it became more important for the Western powers to come to an understanding with the prevailing West German views than to reach an accord with the Soviet Union, which could only be achieved on the basis of the quadripartite draft law.
- (3) The historical paradigm of a 'prevented new order', according to which the American occupation forces and the German bourgeoisie, in a tacit coalition of capitalist interests, prevented progressive reforms,²¹ does not apply to the social insurance policies. In this area, the German opposition gained in effectiveness and strength precisely because it had the support of important sections of the trade unions.

The Frankfurt Economic Council: the Postponement of Decisions on Principle (1948/9)

In the context of the currency reform, the British and American military governments in June 1949 transferred the matter of social insurance reform into German hands. This brought the bipartite Economic Council, i.e. the German legislative body in the American and British sectors of occupation, into play. The Economic Council's *Sozialversicherungs-Anpassungsgesetz* (SVAG) raised the benefits considerably beyond the level envisaged in the Allied draft law, but dispensed with a structural reform of social insurance, since such fundamental decisions were to be reserved to the parliament of the new West German state which was about to come into being. An increase in benefits was indeed a priority, since those sections of the population who depended on such payments, especially the pensioners, had sunk into deep poverty: if one takes the cost of living index of 1938 as 100, this had gone up by 73 points by the end of 1948, while the average old age pension for workers had only risen by 35 points.²²

German resentment was thus all the greater when in December 1948 the bipartite Control Office of the Anglo-American military governments prevented the SVAG from taking effect. For a further year the pensioners had to suffer the effects of the surge in inflation which followed the currency reform and the liberalisation of the economy, without receiving any compensatory allowances.

The First Bundestag (1949-53): Specific Post-war Problems and the Reconstruction of the Traditional Social Insurance System

The Social Democrat Party (SPD), which inclined towards the model of the British welfare state, was in opposition for the duration of the first Bundestag (and until 1966). The Christian Democrat Union (CDU), the leading party in government – in coalition with the liberal Free Democrats (FDP) and the conservative German Party (DP) – had nailed the defence of the traditional German social insurance system to its mast. It was of course not social insurance on which the social policies of the first German Bundestag were focused, but on the management of the specific problems brought about by the war. The *Lastenausgleichsgesetz* (Equalisation of Burdens Act) of 1952 set in motion a programme of massive redistribution that was to benefit more than 10 million refugees and people who had been bombed out.

Several Acts were passed to look after the 4 million people who had been invalided, widowed or orphaned by the war. As about a third of the necessary housing was lacking, a building programme with massive subsidies from public funds was initiated, the efficiency of which, incidentally, greatly impressed Lord Beveridge.²³ As far as social insurance was concerned, the traditional structures were – almost – completely reinstated. While the German Trade Union Federation and the SPD aimed at a standardised insurance structure as a matter of principle, the parliamentary majority re-established the traditional diversity of insurance funds. It should be noted in this connection that leading officials of these institutions held important positions in all three governing coalition parties. Yet even the SPD agreed to splitting super-annuation insurance into two, one for workers, the other for white-collar employees, and shortly before the parliamentary elections of 1953, the Bundestag voted *unanimously* for the reintroduction of a special *Bundesversicherungsanstalt für Angestellte* (a federal institution for the insurance of white-collar employees). The only explanation for the SPD's consent must be the fact that a few months earlier, during elections to the self-governing bodies of the social insurance system, an overwhelming majority of employees had voted for electoral lists advocating a separate insurance for white-collar workers. This result so clearly demonstrated the wishes of sought-after voters that in a parliamentary election year no party dared to vote against hiving off once more the insurance for white-collar employees. Despite the existence of the two separate institutions, in 1957 uniform norms of contributions and benefits for both insurance branches were established.

The Position in 1953: a Need for Comprehensive Reform?

At the end of the first legislative period in 1953, the rate of social expenditure in the Federal Republic (defined as the share in the net national product at factor costs) stood at 19.4 per cent and was thus higher than in all other comparable countries. In the same year the figure for Britain was 12.5 per cent and for Sweden 13.5 per cent.²⁴ The high German rate reflects the ratio between a large number of beneficiaries – due to the war – and a comparatively low national product and was thus not the result of a particularly high level of social benefits; on the contrary: no one denied that many of the benefits were inadequate and that considerable lacunae also existed.

So it had been hoped in vain that the first Bundestag would introduce a system of family allowances. No one denied, moreover, that the system of social security was very fragmented, badly co-ordinated and to most people quite incomprehensible. With a certain time-lag attempts were therefore made in 1952/3 to institute comprehensive reforms and in this the example of the *Beveridge Plan* exercised – positively and negatively – considerable influence. This will be illustrated in the next three sections.

British Impulses for Academic Discussion in Germany

The *Beveridge Plan* and the British reforms based on it received very careful attention in Germany. In this connection a study visit to London by 19 German experts in January 1953 was indicative. Some of them were scholars (Prof. Hans Achinger, Prof. Gerhard Mackenroth), others worked in the field (the chairmen both of the social policy committee of the SPD, Prof. Ludwig Preller, and of the CDU, Heinrich Lünendonk). For two weeks they conferred with leading British experts (such as Christine Cockburn, Richard M. Titmuss and Alan T. Peacock)²⁵ and while they did not hesitate to criticise the British system,²⁶ most of them seem to have been 'impressed by its uniformity, clarity and its basic conception'.²⁷

Some of the British concepts had an immediate effect on German scientific discussion. This was particularly true of the willingness to work towards a systematically and comprehensively conceived plan for reform, and to regard economic, financial and social policies as one conceptual entity. It is thus no accident that the first German 'models for a social plan' came from authors who had observed the British development with particular involvement.²⁸ Alan T. Peacock's analysis of redistribution²⁹ provided the direct impulse for Hartmut Hensen's pioneer work in Germany, *Die Finanzen der sozialen Sicherung im Kreislauf der Wirtschaft (The Finances of Social Security in the Economic Cycle)*.³⁰ Significant, too, was how readily during the 1950s English terms such as 'prevention' and 'rehabilitation' were received into the German vocabulary. Preventive health care and measures for the reintegration of the physically handicapped into the work process had not been unknown to the German social security tradition but the fact that this aspect was stressed in German discussions after the war much more than before has largely been due to the British model.

Out of a great number of possible examples of the close links between British and German discussions, I just want to mention one more: under the influence of Beveridge and Keynes the German dogma that the long-term funding of superannuation insurance requires large capital reserves was severely shaken. Beveridge, on the contrary, had emphasised that 'a state with the power to compel successive generations of subjects to insure themselves, and to levy taxes, is freed from the obligation to accumulate reserves for statistical purposes.'³¹ Gerhard Mackenroth, in his now famous lecture of 1952, took up this thought,³² and it was against this background that in 1955 Wilfrid Schreiber formulated the concept of the 'contract between generations': in order to fund the payment of social provisions, the generation in work at any given moment cedes certain of its rights to consumption to those not yet or no longer working; whereas the accumulation of large capital reserves to cover such entitlements made no sense in terms of the national economy: if one were to run down such reserves in times of crisis, this would merely have an aggravating, pro-cyclical effect. In a crisis, Schreiber went on with Keynesian arguments, help could only come from the state's responsibility 'to provide subsidies through an autonomous creation of purchasing power, in order to compensate for the crisis-induced decrease in contributions.'³³ The turn away from the principle of funding pensions out of capital reserves, and towards the idea of covering them by transfer payments instead, was an important pre-condition for the great Pensions Reform Act of 1957, which I shall return to below.

SPD: Reform Planning in Approximation to the *Beveridge Plan*

The SPD was considerably influenced by the *Beveridge Plan* and this was in no small measure due to the great efforts by Walter Auerbach. A Social Democrat emigrant, Auerbach had worked from 1939 to 1946 in the London Secretariat of the International Transport Federation and had taken an indirect part in the preparation of the *Beveridge Plan*.³⁴ From 1946 to 1948 he was Vice-President of the *Zentralamt für Arbeit* (Central Labour Office) in the British-occupied sector and has since been one of the leading influences in the social policy committee of the SPD party executive.

On his initiative the SPD in 1952 put forward a motion in the Bundestag – without success – to appoint a 'kind of German Beveridge Committee', in order to prepare a comprehensive programme of social

reform.³⁵ He also had an important hand in preparing a plan for reform within the party. The first interim result of this work was published by the SPD party executive under the title *Basic Principles for an Overall Social Plan of the SPD*.³⁶ It was a very brief document which merely outlined certain ground rules, but it contained certain significant parallels to the *Beveridge Plan*. Some of the tendencies common to both will be briefly sketched. It must be noted, though, that the Social Democrat plans for reform were not influenced by the British model alone. The Swedish example as well as the general stage of discussion within the International Labour Organisation played an important part too. Of particular significance were the results arrived at during the International Labour Conference of 1944 in Philadelphia, which in turn had largely been based on the recommendations contained in the Beveridge Report.

The functions which the *Beveridge Plan* envisaged for social insurance — i.e. the abolition of poverty by ensuring an income in case of unemployment, illness, accident, old age or the death of the breadwinner — was by no means a novelty in German eyes. What was new, at least in this systematic and theoretically well conceived form, was the recognition that social insurance can only successfully fulfil its function of alleviating poverty if three pre-conditions are met: (1) avoidance of mass unemployment through economic policies aimed at full employment; (2) comprehensive health care and a service for work rehabilitation; (3) family allowances.

The SPD plan recognised these three pre-conditions. (1) Just as the Beveridge Report had done, the Social Democrat authors of this plan also emphasised that social security cannot be divorced from a policy of full employment and that, conversely, full employment would only be possible with an effective social security system. Here the authors were thinking particularly of the productive effect of safeguarding health and the capacity to work, and of the stabilising effects certain monetary benefits would have on the economic cycle. (2) Just as with Beveridge, the Social Democrat authors also envisaged the establishment of a kind of 'National Health Service' which would integrate all health care services and benefits and be financed largely out of taxes.³⁷ Yet in contrast to the British plan, and following the German tradition, they laid great stress on the principle of a decentralised, participative administration. (3) Just like Beveridge, the SPD also demanded child allowances for each second and subsequent child, payable out of public funds.

As far as the cash benefits of social insurance were concerned,

the SPD favoured a uniform, non-contributory, tax-financed basic pension for every citizen either permanently disabled or of pensionable age. This corresponded to Beveridge's concept of a 'flat-rate national minimum' for every disabled or pensionable citizen. But unlike Beveridge, the SPD further envisaged additional earnings-related pensions, financed through contributions from wages. This more markedly individualistic principle was deeply rooted in the German social insurance tradition, whereas in Britain the basic National Insurance Act of 1912 had already followed the principle of flat rates for both pensions and contributions.

The SPD plan deviated from the traditional German social security system in that it aimed at including *all* citizens, and at shifting the emphasis on finance through taxes instead of contributions. Coupled with a demand for a reform of the tax system (less indirect and more direct progressive taxation) this shift — just as in Britain — was to achieve greater vertical redistribution. The SPD, again like Beveridge, nevertheless respected the principle of encouraging achievement and individual initiative. 'In establishing a national *minimum*, it should leave room and encouragement for voluntary action by each individual to provide more than that minimum for himself and his family,' Beveridge had written.³⁸ Similar views came from the SPD: the citizen was to receive only 'certain basic rates more or less as of right', since in this way 'the interest of the individual to look after his own security and his active participation would be aroused and encouraged.'³⁹

The Federal Government: Reform Planning Independent of the Beveridge Plan

If one leaves out of account certain not unimportant internal differences, the position of the leading government party after 1949 can be summed up as follows: the CDU, much more than the SPD, stressed the need for private initiative, for incentives and the individual's responsibility for his own security,⁴⁰ and therefore sought to limit more narrowly the extent of government intervention. In its first party programmes it rejected the idea of extending compulsory insurance to the self-employed and employees in higher wage brackets. It emphasised the importance of financing social insurance as far as possible through contributions for specific purposes (insurance principle) and less through taxes (state maintenance principle). This aimed at correlating as closely as possible personal (earnings-related) contribu-

tions to (equally earnings-related) insurance benefits and thus at bringing the distributive mechanisms of the market to bear on the benefit structure of social insurance. Seen in this light, social benefits are not purely and simply an attribute of citizenship, but the equivalent of individual contributions made. The guarantee of a minimum income for all, in this conception, is only envisaged in the form of means-tested public assistance, with the possible associated stigma of personal failure. The fact that Christian Democrats in the fifties treated the term 'welfare state' either with scepticism, or rejected it altogether, is a consequence of this bias in their programme.

It must be said, though, that between 1953 and 1955 the Federal government – to whom the CDU largely ceded the initiative in this matter – made serious attempts to work out a comprehensive plan for the reform of the social security system. Chancellor Adenauer in particular was for a time greatly interested in such a plan, which would 'not superimpose the thousandth or elevenhundredth amendment to Bismarck's laws', but represent 'a thorough overhaul of social legislation to meet modern needs'.⁴¹ In order to achieve this, he wanted to see the appointment of a government commission, under the chairmanship of an independent academic or an elder statesman; to justify this – for Germany – unusual step he referred to the British practice of appointing Royal Commissions.⁴² After two years of internal government wrangles, with endless inter-departmental rivalries and conflicts as to aims, the project got stuck and no commission was ever set up. In his search for an alternative, Adenauer took the initiative himself and asked four social scientists whom he trusted to work out 'a comprehensive concept for a reorganisation of the social security system'. The result of this endeavour was published in 1955 and has since become known as the 'Rothenfels Memorandum' (*Rothenfelser Denkschrift*).⁴³

This memorandum is particularly interesting in that it illustrates the evolution of socio-political thinking in Germany. It took for granted that companies, in a capitalist economic system, generate more costs than they contribute, as they do not have to pay for large portions of the 'social costs'. While the welfare state may be said to nationalise these externalised costs, the Rothenfels Memorandum now argued that those who create them should also pay for them, i.e. the companies themselves. Organised into federations, the employers were to compensate the loss of income in case of accident, illness, rehabilitation and seasonal unemployment. In some ways this meant the resuscitation of certain elements of pre-industrial workers' legisla-

tion (which placed the onus for the care of workers on employers). Not only were the employers to be responsible for direct labour costs, but for most of the reproduction costs of labour as well.

The memorandum sought to inject a whole hierarchy of social agencies (family, firm, insurance funds) between state and individual and to allocate many of the social security functions to the lower levels, in order to ensure a correspondingly strict limitation of costs payable by the state. The liberal principle of limiting state intervention and Catholic sociology's 'subsidiary principle' ('Subsidiaritätsprinzip') — according to which the larger social units, especially the state, ought to take over only those functions which lesser social units cannot perform equally well — formed the background for this concept.

The memorandum did, however, argue that it was the state's responsibility to create the *pre-conditions* which would allow the individual and the smaller social units to develop their resources effectively and fully. It was, for instance, to be the state's role to ensure 'a normal degree of chances of development' for all young people, to compensate for differences between town and country, and to ensure for all those able to work also 'the right to work', through appropriate economic and employment policies. It was also recognised that social benefits cannot be considered merely as a burden on the economy, but must be seen as a 'pre-condition for the productive employment of resources'. It is thus not possible to define the memorandum as being 'for' or 'against' the welfare state, since it links a number of heterogeneous conceptual elements.

Although the concrete proposals for reform contained in the Rothenfels Memorandum were by and large not put into practice, the attempt to design an alternative to the British welfare state model was quite characteristic of the prevailing thinking within the CDU. This is most clearly illustrated by the example of the Child Allowance Law of 1954, the first step in German post-war child allowance legislation. These allowances — even in international comparison — represented the latest form of benefits within the social security system. Internationally its take-off point must be dated as late as the Second World War or immediately after. It did not have its roots in the traditional 'workers' problem', for it is not concerned with a particular section of society, but with questions that touch all of modern society; yet their nature is such that the traditional German 'insurance principle', for technical reasons, if for no others, hardly provides an adequate instrument.

It thus seemed reasonable to place the responsibility for this provision on the state and to finance it out of general taxes. (SPD and

Beveridge both made the same demand.) But it was precisely this which the CDU rejected. It transferred this responsibility to the employers who, in order to finance it (the employers' contribution was fixed at a certain percentage of the total payroll), had to create special insurance funds (*Ausgleichskassen*); each professional branch, meanwhile, was to pay for the cost of child allowances for its members out of its own funds. The CDU pushed this arrangement through, against the opposition of both SPD and its own coalition partners, and against many sceptical voices from among employers. All that has come to light so far indicates that the CDU did not arrive at this decision under pressure from interest groups, but for reasons of principle, especially because of its adherence to the 'subsidiary principle'.⁴⁴

Dynamische Rente (1957) v. Flat-rate Subsistence Pension: was the Beveridge Plan Overtaken?

While a comprehensively conceived reform of social insurance did not get off the ground during the Adenauer era, certain important partial reforms did come about. The most important of these was the structural reform of the compulsory superannuation system in 1957. In this reform three separate aspects must be distinguished.

- (1) The levels of the then paid pensions were raised by about 60 per cent.⁴⁵ For the pensioners at the time, who had until then lived in the shadow of economic revival, this meant an instance of overdue justice: a belated compensation, facilitated by the boom, for their enforced renunciation of consumption, whereby they had contributed to the national economy's creation of capital after 1948/9.
- (2) More important in the long term was the attempt to find a fundamental solution to the traditional problem of the discrepancy between the benefits provided by a statically conceived social insurance – based on the premiss of wages and prices remaining stable over a long period – on the one hand, and a rapid rise in production, wages and prices on the other. This was resolved by introducing 'dynamic' pensions. This represented an innovation in two respects: the initial pension rate was now arrived at by not only taking into account all contributions paid throughout a working life, which may have been overtaken by movements in prices and wages since, but

by computing them at current gross wage levels; and secondly, the stipulation of an annual adjustment of pensions payable, without clearly defining the points of reference by law, but which in practice so far (until 1978) has meant their being related to gross wages. In other words the guiding principle was to be that the earnings of workers still engaged in the production process and the pensions of those who have retired from it should develop on parallel lines, and that workers should participate in economic growth not only during their working life (by way of wages), but in retirement (by way of pensions) as well.

- (3) In addition, the fundamental decision was taken to establish a relation between workers' pensions and former earnings: the pension was to be of a level which would ensure that the standard of living earned by work should be maintained in old age. Retirement from work was no longer to lead to a sudden reduction in living standards; on the contrary, the 'wages replacement function' of pensions was designed to ensure that in retirement the individual's position within the social structure corresponds to that of his former working life.⁴⁶ To give a quantitative example: a person who has been insured for forty years and has always earned the average wage of all insured receives a (net) pension of 60 per cent of the current (gross) average wages of those working and insured.⁴⁷

This reform must thus be seen as an attempt once and for all to achieve a break with the traditional cycle of old age and poverty. Opinion polls at the time showed that the response was overwhelming. The Allensbach Institut für Demoskopie summed it up as follows: 'To our knowledge there has been no other case where a measure, an institution or even the constitution and symbols of state have evoked as positive an echo as this pension reform.'⁴⁸ The reform not only had a material and socio-psychological effect on recipients of superannuation, disability and widows' pensions, but also on the attitudes and expectations of those still working, since it promised to prolong the benefits of economic growth into the retirement period and to provide more equitable norms for the distribution of the national product between generations. The pension reform of 1957 thus had a strengthening and consolidating effect on the young Federal Republic that cannot be overestimated.

It must be stressed, though, that while the new pension system

did effect a marked horizontal redistribution (the working generation, by way of high contributions, ceding a relatively large portion of its claim to consumption to the generation in retirement), it had little effect on vertical redistribution.⁴⁹ Pension insurance was now even more strictly oriented on the principle of a direct correlation between individual earnings-related contributions and the size of the pension. It thus projected the differentiation of earnings, and with it the distributive effects of market mechanisms, into pensions as well. It was consequently a non-levelling system, but one which put a premium on achievement and maintained individual status.

The situation of pensioners in Britain at the same time was highly unsatisfactory. Roughly 25 per cent of pensioners depended on (means-tested) supplementary benefits.⁵⁰ (Even *before* the pension reform only 2-3 per cent in Germany had depended on supplementary public assistance.⁵¹) The flat rate barely covered the minimum subsistence level. In addition it created – for all its egalitarian appearance – great inequalities of income: (a) between recipients of low pensions and those still at work, and (b) between that third of the British work-force employed by companies which provided private occupational pension schemes (three-quarters of such benefits not being financed by the companies, but through tax concessions, in other words by the taxpayers at large⁵²) and those less fortunate who depended solely on a small state pension.⁵³

The low level of the flat rate was no accident, for a system of a uniform pension for all citizens can 'for financial reasons, but also for reasons of work ethics, only envisage relatively small benefits, which will just maintain a bare subsistence level, but not a well-earned standard of living'.⁵⁴ To that extent the – apparently – egalitarian flat rate left a lot of room for – differentiating – private insurance business, and it is interesting in this connection that in 1956/7 the private insurance companies in Germany argued in favour of introducing a minimum flat-rate state pension for all citizens,⁵⁵ while the SPD had meanwhile abandoned this demand. At the back of it there must certainly have been the thought that 'dynamic pensions', with the function of replacing wages, would leave much less scope for private insurance business than a flat-rate system; the latter would greatly enhance an interest in securing additional private benefits and thus, despite its roots in British and Swedish welfare-state concepts, be far less of a welfare-state measure than the reform prepared by the Bundestag.

'The Flat-Rate Subsistence Pension – a Fading Hope' was how

the Labour Party summed it up in 1957.⁵⁶ Indeed, the central concept of the *Beveridge Plan* – the abolition of poverty through a guaranteed minimum income for all – had been overtaken by history, through the concepts of the new German pension system, i.e. the preservation of the relative social status. The former had fitted an impoverished war and post-war economy, but the new scheme was commensurate with a prospering industrial society.⁵⁷ It appears almost symbolic that in the general Bundestag elections of 1957, the German pensioners helped to secure the triumphal return of the governing party, while in the same year British pensioners mounted a protest march through the streets of London.⁵⁸ Whereas in 1953 German experts had visited London to study the British system, it could be reported in 1957 that ‘the English are studying the German pension reform.’⁵⁹

Taking some cues from the German system – although it would be erroneous to assume a simple and direct causal connection – the British National Insurance Act of 1959 amended the concept of a minimum flat rate: it introduced a supplementary, earnings-related pension system, which took effect in 1961. Conversely, the ‘dynamic pension’ concept in Germany was amended in 1972 by the introduction of a sort of ‘minimum ceiling’: since then the pension has been calculated as if the recipient throughout his working life had always received at least 75 per cent of the average earnings of all the insured. Thus, in the longer term, one can observe a certain convergence of the two, initially extremely different, superannuation systems: the British now includes elements of earnings-related differentiation, while in the German scheme the links with individual earnings have been loosened, in order to guarantee adequate minimum security for all insured persons.

The Federal Republic in the Adenauer Era: an Unwilling Welfare State?

When the Labour Party took office in 1945 it was with the declared aim of turning Britain into a welfare state (and when the Conservatives returned to power they did at least not reverse the reforms of 1945/8). The leading government party in the Adenauer era (1949-63), by contrast, had an *a priori* sceptical attitude towards any increase in state intervention in order to promote a welfare state. ‘In spite of its neo-liberal leanings’, as Gaston V. Rimlinger so accurately put it, the Federal Republic at the end of the Adenauer era ‘was in reality

an advanced welfare state'. For corroboration, Rimlinger refers to 'the nearly universal coverage of employed persons and the relatively high levels of contributions and pensions'.⁶⁰ The fact particularly worth mentioning in this context is that all German workers, in case of illness, have been entitled to 90 per cent since 1957, and 100 per cent since 1961, of their net earnings for the first six weeks. (The *Beveridge Plan* and the National Insurance Act of 1946 also envisaged a flat rate for sick pay, which was supplemented in 1966 by a system of earnings-related additions.) In 1963 public social expenditure stood at 17.1 per cent of GNP in Germany, 13.8 per cent in Sweden and 11.8 per cent in Britain.⁶¹ In Germany, at the end of the 1950s, between 12 and 13 per cent of average earnings were deducted for social security; in Britain that figure was 4 per cent; even including tax payments, the contributions made by the average British worker were considerably lower than those of his West German colleague.⁶²

Given the 'neo-liberal leanings' of the ruling political forces, how can this development towards a welfare state in Germany be explained? Out of a welter of political and structural factors I shall here list only the nine probably most significant: (1) the growing quota of employed persons⁶³ automatically raised the number of insured and thus (2) increased the political weight of voters with an interest in state social benefits, which (3), given a parliamentary democracy, competing political parties and periodic general elections, gained a relatively strong influence. (Major reforms were, in the main, passed just prior to general elections.) (4) The demographic development (an increase in the ratio of old people) automatically raised the costs of the social security system.⁶⁴ (5) Specific post-war problems necessitated increased state intervention. (6) Continuing economic growth left more scope for distribution, so that an increase in social demands could be met out of current revenues. (7) Against the background of crises and catastrophes in German history, groups within the governing party considered active social policies a pre-condition for the internal stabilisation of the new liberal-democratic state. (8) In view of the division of Germany, this motive of stabilisation gained an added dimension through a sense of threat from the Communists: West Germany's social policy aimed in no small measure at making the population 'socially resistant' and thereby 'to engender greater immunity against Communist influence and infiltration'.⁶⁵ Conversely, the Adenauer governments were intent on creating a social order in West Germany which would be attractive also to the East Germans, in order to counteract the solidification of the German partition. (9) A further

factor was that one wing of the leading government party belonged to the open-minded social traditions of the Christian social movement, while the decidedly neo-liberal wing was being reconciled by the non-levelling structure of the German social security system.

Some Unresolved Problems at the End of the Adenauer Era

Probably the greatest success in the field of social policy of the Adenauer era was to secure the economic status of those who either temporarily (through sickness) or permanently (through old age) have ceased to be wage-earners. Measured against the awareness of problems and the catalogue of demands contained in the Beveridge Report, a number of important questions remained unresolved. Here I can cite only a few.

- (1) Expansion and effective co-ordination of benefits in kind, i.e. especially of social services. This task – which the *Beveridge Plan* had particularly emphasised – gained urgency to the degree that in the area of (monetary) security of income, social insurance was attaining its major objectives. Yet in the early 1970s it could still be said that ‘the economic-monetary bias of West German social policy contrasts with a general reluctance to provide services.’⁶⁶
- (2) The development of a comprehensive social budget, oriented in the medium term on the extent, structure and probable development of social expenditure, and a clarification of its position within the overall framework of national accounts. The first attempt to arrive at this type of social budget was presented by the Federal government in 1969.⁶⁷
- (3) The codification of social legislation, gathering all social security provisions in a lucid, non-contradictory and complete code of law. The first part of a – still unfinished – code of social law came into force in 1976.
- (4) The question of pensions for non-earning housewives is at present at the centre of social policy debates in Germany. Virtually all participants are in favour of giving housewives independent security, instead of the current system which grants them only an indirect share in pension provisions, with less rights than their husbands.⁶⁸ A concept has thus become topical once more which Beveridge had expressed in his demand

to treat women 'not as persons dependent on their husbands, but as partners' and to grant 'housewives independent insurance status'.⁶⁹

For the instances cited here, the *Beveridge Plan* had provided some important initial ground work. Even if some of the proposals no longer seem to provide entirely convincing solutions, hindsight nevertheless shows how momentous the new ideas generated by his plan have proved to be, for 'in the context of economic policy and an integrated theory of social needs, he showed a comprehensiveness that at the time had not been achieved in any other country'.⁷⁰

Notes

1. *The Beveridge Plan. Social Insurance and Related Benefits*, Report by Sir William Beveridge presented to the British Parliament in November 1942 (Zürich/New York, 1943).

2. Regarding the following, cf. generally: Hans Günter Hockerts, *Sozialpolitische Entscheidungen im Nachkriegsdeutschland, Alliierte und deutsche Sozialversicherungspolitik 1945 bis 1957* (Stuttgart, 1980).

3. Re pension insurance example: separate pension schemes for workers, miners and white-collar employees; for health insurance: independent company, regional, craft guild and employee insurance funds, etc.

4. Cf. Horst Peters, *Die Geschichte der sozialen Versicherung*, 2nd edn (Bonn/Bad Godesberg, 1973), p. 130.

5. Austen Albu, *Memories*, Ch. III, p. 13 (as yet unpublished).

6. Alun M. Morgan in a letter to the author of 8 Aug. 1978.

7. *Arbeitsblatt für die Britische Zone*, vol. 1 (1947), pp. 28-30. The first article in the editorial section of the first issue.

8. T.J. Beatty, 'Soziale Sicherheit in Grossbritannien', *Arbeitsblatt für die Britische Zone*, vol. 2 (1948), pp. 338-40, 419-22. Cf. also C.W. Cole, 'Staatliche Fürsorge in Grossbritannien', *ibid.*, pp. 293-5.

9. Text of a lecture: William H. Beveridge, *Soziale Sicherheit und Vollbeschäftigung* (Hamburg, 1946).

10. Cf. George Foggon, 'Alliierte Sozialpolitik in Berlin', in Reinhard Bartholomäi *et al.* (eds.), *Sozialpolitik nach 1945. Geschichte und Analysen* (Bonn/Bad Godesberg, 1977), pp. 33-6. The British military government's social insurance directive no. 1 of 18 August 1945, reprinted in *Arbeitsblatt für die Britische Zone*, vol. 1 (1947), p. 10 f., was thus correspondingly 'conservative'.

11. A German trade unionist in a discussion with the deputy military governor argued therefore quite skilfully that 'state subsidies were an absolute necessity': 'that this is true can be deduced from the fact that according to the Beveridge Plan approximately 50% of the cost of pensions will be borne by the state.' Cf. Minutes of a meeting of the *Zonenbeirat* of the British sector 14/15 August 1946, reprinted in Walter Vogel and Christoph Weisz (eds.), *Akten zur Vorgeschichte der Bundesrepublik Deutschland 1945-1949* (Munich/Vienna, 1967), vol. 1, p. 673.

12. Cf. Die Gewerkschaftsbewegung in der britischen Besatzungszone,

Geschäftsbericht des Deutschen Gewerkschaftsbundes (Britische Zone) 1947-1949 (Cologne, 1949), p. 320f.: it had been 'due to the energetic representations made by the German Trade Union Federation that both the British and American military governments decided not to implement the completed draft law in their areas of occupation'.

13. Karl Teppe, 'Zur Sozialpolitik des Dritten Reiches am Beispiel der Sozialversicherung', *Archiv für Sozialgeschichte*, vol. 17 (1977), pp. 195-250; Florian Tennstedt, *Geschichte der Selbstverwaltung in der Krankenversicherung von der Mitte des 19. Jahrhunderts bis zur Gründung der Bundesrepublik Deutschland* (Bonn, 1977), pp. 219-25. The Reichsarbeitsministerium (Ministry of Labour), incidentally, had the Beveridge Report translated 'for departmental use only' immediately after its publication.

14. Cf. Wilhelm Ritter von Schramm (ed.), *Beck und Goerdeler, Gemeinschaftsdokumente für den Frieden 1941-4* (Munich, 1965), p. 127f.

15. Cf. for instance a statement on the reform of social insurance by the Ärztekammern (Associations of the Medical Profession) in the three Western sectors of occupation, of 3 November 1946: 'The medical profession is against the idea of a uniform insurance and a uniform administration, since this might imply the threat of political mis-use.' They found it 'hard to understand that a dangerous political aim, which the Nazis, after 1933, had tried to achieve, should now, after their elimination, be put into practice' (documents in private hands).

16. Speech in Essen on 24 August 1946 (Archiv der Stiftung Bundeskanzler-Adenauer-Haus, Rhöndorf). Adenauer referred to a speech (cf. note 9) which Beveridge had made in Hamburg and elsewhere during a visit to Germany.

17. Declaration by the SPD parliamentary advisory council at the Stuttgart *Länderrat* Meeting, 7 October 1947 (Protokoll der 25. Tagung des Länderrats; Parlamentsarchiv des Deutschen Bundestags, Bonn).

18. Walter Auerbach's verbal communications to the author.

19. Thus, for instance, Lutz Niethammer, 'Zum Verhältnis von Reform und Rekonstruktion in der US-Zone am Beispiel der Neuordnung des öffentlichen Dienstes', *VjhZG*, vol. 21 (1973), pp. 177-88; quotation p. 177.

20. Social Insurance Branch to Finance Division, 10 Feb. 1948 (Bundesarchiv, Koblenz, Z40/27).

21. Cf., for instance, Eberhard Schmidt, *Die verhinderte Neuordnung 1945-1952. Zur Auseinandersetzung um die Demokratisierung der Wirtschaft in den westlichen Besatzungszonen und in der Bundesrepublik Deutschland* (Frankfurt, 1970).

22. Cf. Georg Tietz, 'Die Entwicklung der Durchschnittsrenten in der Invalidenversicherung und der Angestelltenversicherung seit 1938', *Bundesarbeitsblatt*, vol. 6 (1955), p. 1087.

23. Cf. José Harris, *William Beveridge, a Biography* (Oxford, 1977), p. 465.

24. *The Cost of Social Security 1949-1957* (International Labour Office, Geneva, 1961). A tabulated summary in Detlev Zöllner, *Öffentliche Sozialleistungen und wirtschaftliche Entwicklung. Ein zeitlicher und internationaler Vergleich* (Berlin, 1963), p. 29.

25. A selection of conference reports by some participants: Walter Auerbach, 'Beveridge-Plan - 10 Jahre danach. Erfahrungen und Lehren', *Soziale Sicherheit*, vol. 2 (1953), pp. 134-73; Heinrich Lünendonk, 'Soziale Sicherung in England', *Sozialer Fortschritt*, vol. 2 (1953), pp. 59-63, 85-8; correspondence between Ludwig Preller and Heinrich Lünendonk, reprinted in *Sozialer Fortschritt*, vol. 2 (1953), pp. 102-6; Karl Osterkamp, 'Soziale Sicherung in England', *Gewerkschaftliche Monatshefte*, vol. 4 (1953), pp. 179-82.

26. Preller, for instance, saw the following *disadvantages* in the British system: (1) the low level of social benefits (such as sick pay and old age pensions); (2)

the absence of a special disability pension (which the Beveridge Plan had proposed, but which had not been introduced; until 1971 disabled persons in Britain received only sick pay); (3) financial contributions of employees to accident insurance (which in Germany was paid by the employer alone); (4) the fact that medical specialists worked almost exclusively within hospitals; (5) the absence of self-administration. What Preller considered *problematical* was, amongst other things, the principle of a flat rate pension, since it did not allow a relation between benefits and earnings. The overcrowding of hospitals and consulting rooms in Britain was, in his view, due to 'the still inadequately solved problem of providing a free service'.

27. Cf. Ludwig Preller (as note 25), p. 103f. Preller stressed, amongst others, the following *advantages* of the British system: (1) the simple and comprehensible structure of its organisation, contributions and benefits; (2) the principle of universality; (3) the conceptual linking of a social benefits system with a policy of full employment; (4) the emphasis on social services, e.g. preventive health care and rehabilitation, which in its systematic 'linking of curative, re-training and labour-market services, was a particularly valuable fruit of the recognition that health care is a public responsibility'.

28. Walter Auerbach, 'Modell eines Sozialplans', *Die Krankenversicherung* (1952), reprinted in idem, *Beiträge zur Sozialpolitik* (Neuwied-Berlin, 1971), pp. 23-32; Gerhard Mackenroth, *Die Reform der Sozialpolitik durch einen deutschen Sozialplan* (Schriften des Vereins für Sozialpolitik NF, vol. 4) (Berlin, 1952).

29. Alan T. Peacock (ed.), *Income Redistribution and Social Policy. A Set of Studies* (London, 1954). Peacock endeavoured to include a report on the Federal Republic in this omnibus edition; but he stated that the German statistical material available had been insufficient. The pioneer character of Peacock's studies was duly appreciated in Hans Achinger, 'Wer bezahlt die soziale Sicherung?', *Deutsche Zeitung und Wirtschaftszeitung*, 4 Aug. 1954.

30. Hartmut Hensen, *Die Finanzen der Sozialen Sicherung in Kreislauf der Wirtschaft. Versuch einer ökonomischen Analyse* (Kiel, 1955). This was a dissertation written under Mackenroth. Later Elisabeth Liefmann-Keil, during the preparation of her standard work, *Ökonomische Theorie der Sozialpolitik* (Berlin/Göttingen/Heidelberg, 1961) had conversations with Peacock, Titmuss and others.

31. *Beveridge Plan*, para. 24.

32. Cf. note 28.

33. Wilfrid Schreiber, *Existenzsicherheit in der industriellen Gesellschaft* (Cologne, 1955); quotation from an (unpublished) memorandum by Schreiber to the German Federal government, dated 31 Dec. 1955.

34. Cf. Gerd Muhr's obituary of Walter Auerbach in *Soziale Sicherheit*, vol. 24 (1975), p. 131.

35. Cf. Protokoll der Tagung des sozialpolitischen Ausschusses beim Parteivorstand der SPD of 17/18 Nov. 1951 (unpublished).

36. The text published in 1952 was reprinted with an explanatory contribution by Ludwig Preller in the brochure *Die Grundlagen des sozialen Gesamtplans der SPD. Unsere Forderung auf soziale Sicherung* (Bonn, 1953). More comprehensive and detailed was the 'social plan for Germany' which the SPD party executive published in 1957. However, this plan (partly because the traditional social insurance structure had been consolidated in the meantime) no longer referred back to all ideas contained in the preliminary plan of 1952. For instance, the demand for a flat basic rate for every citizen had been dropped.

37. On the question of organisation and finance the published plan did not go into definite proposals, but merely spoke of an 'effective amalgamation'.

In the SPD party executive's social policy committee the view that the health service should be financed out of public funds existed side by side with another which was in favour of raising part of the money from insurance contributions (Preller suggested 20 per cent). Moreover, within the SPD, Preller advocated the adoption of the British model of a family doctor (and of periodically entering all citizens on general practitioners' lists; GPs receiving a *per capita* fee for this responsibility; encouraging the system of one doctor being responsible for the entire family). A proposal on these lines was incorporated into the 'social plan for Germany', but was never put into practice in the Federal Republic.

38. *Beveridge Plan*, para. 9.

39. Ludwig Preller (as note 36), p. 27 f.

40. A comparison of attitudes on social policies on the part of CDU and SPD has been outlined by Gaston V. Rimlinger, *Welfare Policy and Industrialization in Europe, America, and Russia* (New York/London/Sydney/Toronto, 1976), pp. 466-87.

41. Quotation from an (unprinted) Adenauer speech on 3 February 1956; for details cf. Hans Günter Hockerts, 'Adenauer als Sozialpolitiker', in Dieter Blumenwitz *et al.* (eds.), *Konrad Adenauer und seine Zeit. Politik und Persönlichkeit des ersten Bundeskanzlers* (Stuttgart 1976), vol. 2, pp. 466-87.

42. In the Federal Cabinet on 6 April 1954 (unpublished minutes) the Federal Minister of the Interior also argued in favour of 'creating a government commission on the lines of the English Royal Commission'; cf. an (unpublished) letter from this Minister to the Chancellor's Office, dated 16 Dec. 1953.

43. *Neuordnung der Sozialen Leistungen. Denkschrift auf Anregung des Herrn Bundeskanzlers erstattet von den Professoren Hans Achinger, Joseph Höffner, Hans Muthesius, Ludwig Neundörfer* (Cologne, 1955). Adenauer circulated this memorandum among cabinet colleagues in June 1955, with the remark 'that in line with the English example, he had asked an independent commission to investigate the question of social reform' (unpublished records).

44. Not least at the insistence of middle-class employers, the financing of child allowances was taken over by the Federal government in 1964.

45. For a more detailed statistical breakdown cf. *Sozialbericht 1958* (Deutscher Bundestag, 3. Wahlperiode, Drucksache 568), p. 23.

46. Quotations from the explanatory part of *Regierungsentwurf des Rentenreformgesetzes*, 23 May 1956 (Deutscher Bundestag, 2. Wahlperiode, Drucksache 2314), pp. 57, 61.

47. The explanation of the pension formula in Gaston V. Rimlinger (as note 40), p. 179, does not take account of the net-gross difference.

48. Cf. a report on the observation of trends by the Institut für Demoskopie Allensbach in *Bundesarbeitsblatt*, vol. 11 (1960), p. 66. Also Gerhard Schmidchen, *Die befragte Nation* (Freiburg, 1959), p. 167.

49. Quite rightly, Gaston V. Rimlinger also emphasises this (as note 40), pp. 180, 191.

50. Cf. Brian Abel-Smith, 'Lohngebundene oder Einheitsrenten in Grossbritannien? Zur gegenwärtigen Auseinandersetzung um die Reform des Beveridge-Systems', *Sozialer Fortschritt*, vol. 5 (1956), pp. 226-8.

51. Cf. *Die öffentliche Fürsorge* (Federal Ministry of the Interior, Cologne, 1956), p. 28.

52. Richard M. Titmuss, who informed the Anglo-German conference about this in January 1953, was highly critical; cf. the conference reports by Walter Auerbach (as note 25), p. 170 and Ludwig Preller (as note 25), p. 103.

53. Brian Abel-Smith, who belonged to those members of the Fabian Society who worked for a reform of the Beveridge system, in 1956 commented on this as follows: 'the early post-war vision millions of people had of a classless retire-

ment, assured by uniform Beveridge pensions, has faded. If nothing is done, we can certainly expect to have "two nations" of the old: one nation with two pensions (state and occupational) and another with just one pension (state). The introduction of earnings-related pensions would 'bring about greater equality for old people than subsistence rates, where supplementing these through occupational pension schemes depends on luck'. Abel-Smith therefore pleaded 'for the creation of some inequality in order to avoid even greater inequalities' (as note 50).

54. Wolfram Fischer, 'Der Wandel der sozialen Frage in den fortgeschrittenen Industriegesellschaft', *Soziale Probleme der modernen Industriegesellschaft* (Schriften des Vereins für Sozialpolitik NF, vol. 92) (Berlin 1977), vol. 1, pp. 35-68, quotation p. 47.

55. Cf. a memorandum circulated in May 1956 by the Association of Life Insurance Companies: 'Die elastische Staatsbürgergrundrente als Grundlage einer echten sozialen Reform'. Partly reprinted in Max Richter (ed.), *Die Sozialreform. Dokumente und Stellungnahmen* (Bad Godesberg, n.d.) (loose leaf collection). Cf. also unsigned article, 'Die Privatversicherung nimmt das Wort', *Sozialer Fortschritt*, vol. 5 (1956), p. 113 f.

56. *National Superannuation. Labour's Policy for Security in Old Age* (London, 1957). This programmatic declaration was based on studies in which Titmuss and Abel-Smith had also participated. The programme envisaged the introduction of a wage-related superannuation scheme, as well as automatic adjustment of pensions to the cost of living index (this aimed at safeguarding the value of pensions in real terms, but not – as in Germany – at the pensioners participating in economic growth). Lord Beveridge fought against the principle of wage-related pensions and rejected particularly the idea of an automatic adjustment of pensions. Cf. José Harris (as note 23), p. 463 f.

57. That in the 'course of economic growth the crux of the "security" problem is shifted from maintaining the "subsistence level" to maintaining "relative social status"' is emphasised also by Peter Flora, Jens Alber and Jürgen Kohl, 'Zur Entwicklung der westeuropäischen Wohlfahrtsstaaten', *Politische Vierteljahresschrift*, vol. 18 (1977), pp. 707-72, quotation p. 722.

58. Cf. a photo on title page of *Welt der Arbeit*, Wochenzeitung des Deutschen Gewerkschaftsbundes, 8 Mar. 1957.

59. Thus the heading of a report in *Welt der Arbeit*, 22 Feb. 1957. 'Rarely', it went on, 'have the newspapers read by English working people followed a foreign social policy measure with as much interest as they do now in the case of the German pension reform.' The head of the social insurance department of the Federal Ministry of Labour recognised with some pride certain details in the Labour Party's National Superannuation Scheme as regulations contained in the German reform legislation: Kurt Jantz, 'Zum System der Sozialen Sicherheit in England', *Bundesarbeitsblatt*, vol. 8 (1957), pp. 480-7.

60. Gaston V. Rimlinger (as note 40), p. 184.

61. *The Cost of Social Security, 1961-1963*. A statistical summary in Ludwig Preller, *Praxis und Probleme der Sozialpolitik*, vol. 2 (Tübingen/Zurich, 1970), p. 554.

62. Cf. Andrew Shonfield, *Geplanter Kapitalismus. Wirtschaftspolitik in Westeuropa und USA* (Cologne/Berlin, 1968), p. 106.

63. Detlev Zöllner (as note 24) sees the quota of (non-agricultural) workers as the prime determining factor for the rate of social benefits.

64. Correlation analyses carried out by H.C. Wilensky regarding the size and growth of social benefits have shown that, compared internationally, 'the closest correlation' existed between 'the rate of social benefits per capita of population and the ratio of over-65s to the population as a whole'. Quoted according to

Wolfram Fischer (as note 54), p. 54.

65. From the preface by Chancellor Adenauer in *Deutschland im Wiederaufbau. Tätigkeitsbericht der Bundesregierung für das Jahr 1955* (no place, n.d.), p. IV.

66. Hans F. Zacher, 'Faktoren und Bahnen der aktuellen sozialpolitischen Diskussion', *Archiv für Wissenschaft und Praxis der sozialen Arbeit*, vol. 3 (1972), pp. 241-66, quotation p. 241.

67. Hermann Berié, 'Das Sozialbudget als Instrument der staatlichen Sozialpolitik' in *Soziale Probleme der modernen Industriegesellschaft* (Schriften des Vereins für Socialpolitik NF, vol. 92/II), Berlin, 1977, pp. 830-68.

68. As long as the husband is alive the non-earning housewife has no direct legal claim to a pension of her own. As a widow she has an indirect claim to 60 per cent of her husband's pension. Yet if the wife dies, the husband continues to receive 100 per cent of 'his' pension.

69. *Beveridge Plan*, paras. 106 and 117.

70. Hans Achinger, *Sozialpolitik als Gesellschaftspolitik. Von der Arbeiterfrage zum Wohlfahrtsstaat*, 2nd edn (Frankfurt, 1971), p. 102f.