Latin America, and it is largely from thinkers, activists and communities in these continents that I have learnt my craft, and I think what I have learnt has wider application. I also think our modern social challenges – the questions of how to live well, how to create good work, how to create resource on a fragile planet, how to care for one another – transcend national borders. The British welfare state was emulated globally. Reinventing this original and brilliant experiment in our times is a project that similarly reaches beyond national borders.

The Welfare State

how it happened and why it's not working

On a cold and wet November night in 1942, Londoners formed a queue. Huddled under umbrellas in a line that stretched around a block of government offices, they waited to see a report that civil servants had at first tried to suppress, and then to amend. The publication of this report marked the beginning of one the biggest social transformations the world has ever seen.

The report, with its pale blue covers and cumbersome official title, *Social Insurance and Allied Services*, was known from the outset as the Beveridge Report, after its author Sir William Beveridge. It was a technical blueprint for the modern welfare state. Beveridge set out plans for a free national health service, policies for full employment, family allowances and the abolition of poverty through a comprehensive system of social insurance. The new welfare state was for everyone, and it would be universal in scope.

Half a million copies of the report were sold within three days, and the first edition sold out in a matter of weeks. So intense was the national interest in what Beveridge had proposed that the report was continually reprinted over many

months and years. I own a copy from the 1960s. Although aimed at a British audience, the report rapidly attracted international attention, and Beveridge immediately left on a speaking tour of the United States, where he met with Franklin Roosevelt. The Beveridge Report was translated into twenty-two languages shaping not just the British welfare state, but the very idea of welfare across the world.

'A revolutionary moment in the world's history is a time for revolutions, not for patching,' Beveridge grandly declared in the Report's opening pages. Beveridge, who had studied law, worked as a civil servant and would later become a Liberal member of the House of Lords, had led a government commission as part of the report process. He had travelled up and down the country, and everywhere he went he'd heard an almost universal desire for radical, even utopian, social change and he wanted to meet public expectations.

The Beveridge Report changed the lives of British people. It led to an unprecedented programme of public investment and construction: the provision of new services, the training of professionals and the building of new homes. Existing clinics and schools were swept up into new services and transformed in the process. A Dickensian Britain where most people died in their sixties, where many families had to choose between spending money on food or on a new pair of school shoes and where heating was a luxury – this world was swept away. The nation's health improved, life spans lengthened, there was access to good education and security for those who were temporarily out of work.[1]

But it almost didn't happen. The history of the welfare state is usually told as if the new services and institutions grew organically, somehow predestined to follow the Great Depression and the Second World War. The reality was a little different.

The ideas had been long in the making. Beveridge and his contemporaries were born in the reign of Queen Victoria. They were children of the Empire and of their class, but they were also interested in the thinking and activism of the new labour unions, the co-operative movement and the many community organisations that grew in response to the social challenges of the early twentieth century.

These social reformers and grass-roots activists were convinced that simply doing good here and there was not enough. As Beatrice Webb put it, the 'benevolent philanthropy' of the Victorian era had had its day and systemic reform was needed. An increasingly influential group of thinkers gathered around her and her husband Sidney at the London School of Economics. This group included Beveridge, and R. H. Tawney, the historian, social critic and campaigner. They dedicated themselves to community work and to academic study, developing ideas and debating the merits of potential new systems.

War had revealed the defects of existing services, which could not cope with the disruption. Just as importantly, Britons had got to know each other across the divides of class and geography. The arrival of thin and hungry children sewn into the one pair of clothes they owned shocked people who had taken evacuees from the cities into their homes. Meanwhile those who shared shifts on the front line, or worked in war shelters at home, heard terrible stories of hardship and cruelty, of avaricious landlords and ruthless employers. The middle and upper classes, many of whom had been brought up to think of poverty as something brought on by laziness, something that only happened to the feckless few, realised they had not seen the full picture. There was a new awareness of social realities, and a broader conviction that previous inequalities were no longer acceptable.

Yet still the birth of the welfare state was a struggle. The scale of the reforms was always controversial, and many tried to resist. Civil servants and prominent politicians saw the organisational and institutional changes as 'too revolutionary'.[2] Doctors were largely suspicious of the designs for a national health service in which they thought they would lose their independence and professional standing. Economists argued that the post-war recovery would be derailed by the levels of investment needed, and philosophers such as Friedrich Hayek – who also taught at the LSE and in 1944 had published his own best-seller, *The Road to Serfdom* – argued that the role of the state should be reduced following the war, rather than put to social purpose.

Beveridge, however, was adept at keeping his revolutionary social ambitions at the heart of public debate. He airily dismissed discussions about existing systems, organisational structures or cost as 'marginal matters'. And he met tirelessly with the public, writing newspaper articles and recording radio interviews in which he painted a compelling vision of a better, fairer nation. He appealed to the poor, writing about 'the scandal of physical want', while also assuring those who

Beveridge slaying the Five Giant Evils, 1942

were more sceptical that 'the plan is not one for giving to everybody something for nothing'.[3] His arresting image of a war on the five giant evils – want, ignorance, disease, squalor and idleness – was widely depicted in cartoons.

The government had simply asked Beveridge to chair an inquiry. He had not been given a mandate to design the welfare state, and many of his colleagues in government regarded his behaviour as that of an unseemly self-publicist, but 'the people's William', as he became known, ignored the sniping and continued to cement the support of an affectionate public. The general public may not always have understood the complexity of what Beveridge was proposing, much less his grander ideas of building a new Athenian democracy, but most believed in and wanted a fairer Britain and they thought he would ensure it was delivered. Just as the public had been central to the development of the ideas that informed the Beveridge proposals, so it was ordinary citizens who ensured implementation. The people were ready to hold the politicians to account, and it was this knowledge that ultimately galvanised action and brought the welfare state into being.[4]

Change, controversy and crisis

Fortuitously, in the early years the economic doubts proved unfounded. The welfare state did not scupper the nation's economic growth: in fact, the opposite happened. A well-housed, healthy, educated workforce, protected by social insurance from the worst vicissitudes of poverty, contributed to the post-war recovery and enjoyed the decades of prosperity that followed.

But even so, the critics were not convinced by the success of the welfare state, nor were they seduced by the international emulation and replication of the British model.

Opposition, then as now, focused on two issues: cost and the role of the state.

In 1950, barely a decade after the reforms had started and only two years after the National Health Act was passed, Nye Bevan, the Labour Minister of Health, was called to Parliament to justify and explain the spiralling operational costs of the new health service. A year later Bevan resigned from the Cabinet in protest at the introduction of charges for dental care and for glasses – charges that had been introduced by his fellow Labour minister, the Chancellor Hugh Gaitskell, in an early effort to manage costs.

The rapid growth of state institutions alarmed many. In the 1930s, the state accounted for 20 per cent of national economic activity (GDP). By 1945, this figure had risen to 45 per cent. Some of those who argued that this expansion of the state must be controlled were, like Hayek, ideologues implacably opposed to the state per se. Others were what I would call improvers; their positions were more nuanced and their concern was simply to find the best way to provide welfare services.

Beveridge became increasingly ambivalent about his own reforms. He had envisaged both a strong role for the state and for volunteer organisations, and he was alarmed to see the state increasingly taking over. 'It did frankly send a chill to my heart,' Beveridge complained when he learnt that all services would in future be administered by civil servants, with sickness benefits being sent by post.[5] He had suggested that the Victorian friendly societies could play a role in delivering benefits, but he was overruled by the post-war Labour government. Despite these rumblings, broad support for the welfare state continued.

Crisis and division came in the 1970s, when economic growth stumbled and unemployment rose. Strikes provoked

debate about the real needs of workers who had never had it so good, while demands from the International Monetary Fund that Britain decrease its spending on the welfare state in return for an international loan seeded doubts about the merits of state-run services. Public support – always the bedrock of the welfare state – started to unravel.

The welfare state had been a cross-party project, but economic crisis forced the polarisation of views. On the right, neoliberals emphasised the financial cost of welfare systems and argued for the creation of privatised markets that might deliver a reduced welfare state more efficiently. On the left, the socialists dug in, continuing to believe in the transformative power of the state and the potential of a neutral bureaucracy to serve everyone, regardless of their starting point in life.

By 1980, with Margaret Thatcher in power in Britain and Ronald Reagan President of the United States, the neoliberals were in the ascendant and they were the ones framing the terms of the welfare debate. They advocated a more 'business-like' approach, which they called new public management.[6] This was, as the name implies, a set of theories on public administration, developed and shared internationally. The belief was that large and expensive state bureaucracies would be brought under control through the introduction of commercial management practices: competition, audit, continuous cycles of innovation, numerical targets and stringent cost controls.

Gradually, as the practices of new public management were widely adopted, the ideas came to be seen not so much as a political theory rooted in anti-government ideology, but just common sense. Successive governments, on the left and the right, have continued to reorganise public bodies, including welfare services, along market lines. Today most public services – from bin collections to healthcare – are commissioned

(that is, bought) through private competition frameworks.[7] Many of us have forgotten that any other model existed.

Whether these arrangements have led to either improved social outcomes or cost savings is a matter of bitter debate. Those who support market-led reforms claim the introduction of numerical targets has successfully brought down hospital waiting times and driven up school exam results. Those who are more sceptical emphasise the waste endemic in these quasi market systems, where they estimate that up to 50 per cent of available public resource is absorbed by the skills, time and data required to enter the bidding processes through which contracts are won. The sceptics also point out that only large multinational corporations can afford to bid, which distances the providers of services from the communities they are serving.

These debates – about how to manage the institutions – grow more noisy with each passing year. They demand our attention, our energy and our emotions.

But, as more and more of us are coming to realise, these are the wrong debates.

While we focus narrowly on how to patch and mend our post-war welfare institutions our attention is diverted from the bigger social shifts and transitions that are taking place. The world that surrounds our welfare systems is very different. When we ask our questions and start our innovations from within – standing inside the institutions and wondering how they can be fixed – we miss the mismatch between what is on offer and what help is required. And crucially, we also overlook the potential that surrounds us: the new ideas, resources, inventions and energy that we could bring to the problems at hand.

Beveridge did not consider the nineteenth-century Poor Law to be an appropriate response to the challenges of the

twentieth century. Similarly, growing numbers today do not believe relentless attempts to fix the twentieth-century welfare state are the right response for our modern lives. We need our own revolution.

Modern troubles

There are three reasons why our welfare state cannot work for us in this century.

First, we are facing big social challenges that were not foreseen when our welfare state was designed. Challenges such as obesity, ageing and the globalised changes to work are not only new, they are *different* in nature, and need new types of response.

Second, we have a crisis of care. We cannot find ways to provide or pay for kind and human care. This challenge is not new, but as our population ages it has grown in scale, threatening to overwhelm the very possibility of a welfare state.

Third, poverty and inequality have not been adequately addressed. Over one million people in Britain today are considered to be destitute, and the inequalities between us are greater than at any point since the nineteenth century.

All three of these challenges are closely entwined, but I will look at each in turn.

(1) Twenty-first-century problems

We are facing new challenges. Global warming, mass migration, demographic changes, chronic disease epidemics, concerns about security and escalating inequality. These are the problems of our age and our existing systems cannot manage, much less solve, them.

The welfare state is an industrial system. Its institutions

and services reflect the era in which they were designed. This was the era of mass production, of hierarchy and rules, of command and control. Let's take health as an example. The National Health Service is a vertical institution with rigid hierarchies and protocols: nurses can do one thing, doctors another, and each layer of the hierarchy strictly controls access to the layer above it. Power and decision-making is concentrated at the top – this was the natural order of things in the 1950s.

The NHS functions like a factory, managing the distribution of drugs and patients. The latter move mutely through the system, like any other industrial unit: they are lined up, placed in beds and moved along the conveyor belt. Such a system worked well in the twentieth century when we suffered from episodic illnesses such as polio, pneumonia or whooping cough, diseases that responded well to medicine and, if necessary, to hospitalisation. You were ill, you took the medicine and you were cured or you died. In this century the conveyor belt still works quite well for routine maintenance: broken bones or cataract operations. The queues might be long, but we are treated and we leave repaired.

The problem is that most of us are now grappling with quite different troubles. Modern diseases are chronic – that is they last a long time, often a lifetime – and cannot be cured. Today these conditions, including diabetes and obesity, as well as many cancers and forms of mental illness, affect fifteen million people and account for 70 per cent of health expenditure.[8] Diabetes was virtually unheard of when the NHS was designed, but now someone is diagnosed with diabetes every two seconds. This condition alone costs the NHS £14 billion a year to manage, and those with diabetes-related complications occupy an estimated one in seven hospital beds.[9] Not one of these individuals can be cured. Living well

with chronic conditions is the only possible goal (aside from prevention) and this requires changes in everyday habits: a different diet, more exercise, motivation not medicine. But change is hard, and without support few can muster or sustain the motivation required. The NHS is not set up to offer this form of help.

Many are searching for a different way forward. Over a decade ago, I went to Bolton, to visit one of the best diabetes networks in the country. Here a group of visionary leaders had developed an innovative approach bringing together a range of previously disparate services to work in a coordinated way.

I arrived and took my seat in the doctor's waiting room. Spotting that I was new, a patient came over. 'Just get on to the stabbing,' he advised me in a conspiratorial whisper. This patient assumed I was also waiting for the diabetes nurse and was kindly trying to help me circumvent the tiresome health messages so I could more quickly access insulin injections. Here was part of the challenge that faced the Bolton network: despite re-organising their services and diagnosing diabetes earlier, they weren't able to change patient behaviours. The social glue between patients was stronger than any relationship between the patient and the professional and the consequences could be dire, and also expensive.[10] To make change in the lives of their patients, this exemplary group knew that somehow they had to change the relationships between clinicians and patients, and harness these networks between patients in different ways.

I could make a similar point about many other areas of welfare. Schools are also vertical organisations where pupils move along from form to form and year to year, sitting in rows as chunks of knowledge are dispensed and then tested. Again, such systems were appropriate in the 1950s. Schools were preparing pupils for a life within similar hierarchies. Today,

these same methods can be intensified to raise performance in standardised tests – an improvement in the production line.[11] But modern life requires a broader range of skills, including the ability to collaborate, create and think laterally. In this century our most important skill is our ability to continually learn, and this cannot be acquired simply by adding more subjects to the curriculum or making the existing school day more efficient. A different model of education is required.

Creating and finding good work is a challenge I consider in experiment #3. It is not a new concern, but again the nature of the problem has changed. Beveridge designed a system to manage what were expected to be temporary disruptions in the pattern of a job for life. But today work is not stable and periods out of work are normal as we move between jobs. We are told to expect an average of eleven jobs in a lifetime, and for many of us there is no binary division between being in work and being out of work, as we juggle different hats, roles and contracts. There are large areas of the country where there is no good work to be found, and technology is making increasing numbers of roles redundant at high speed. At the same time, more and more of us are creating our own jobs: by 2020 half of Britons will be sole traders. The careers adviser has little to offer those creating their own work. And there is another, bigger shift: most new jobs are not advertised. It turns out that your friends are more likely to know about new openings than the expert advisers.

The challenges we face today – whether new challenges like chronic disease or older challenges that have taken on new form, such as finding good work – are long-term and continuous. These are not one-off events that can be cured by an expert or a process that is done to us. What is common to these modern problems is that the solutions require our participation. Whether we think about diabetes or climate

change, good ageing or good education, we have to be active agents of change. Solutions require us – communities, the state, business and citizens – to work together, drawing on new ideas and above all on each other to create change. But our post-war institutions were not designed to help us collaborate or to come together to sustain changed ways of living. In fact, they were more often designed to keep us out, at arm's length, where we could be managed.

(2) Who cares?

Care is the problem that has always been with us: the fault line in our current systems, the fracture that we can't quite resolve. The challenge of care – for the old, the young and the unwell or less able – is not new, but with demographic change, it has intensified. Today the challenge of how to care for one another and how to pay for this care seems so acute it threatens the very possibility of a welfare system.

Beveridge and his contemporaries decided that care would be unpaid, domestic, women's work. They assumed a white male breadwinner and a tidy housewife who would be there with the tea on the table, ready to care for children, older relatives and, if necessary, the neighbours. Care was tidied away and swept out of view behind our front doors.

For a while this fragile, almost non-arrangement worked. But by the 1960s seismic social change was under way and the cracks were beginning to show. In *The Feminine Mystique* (1963), Betty Friedan likened the home to a 'comfortable concentration camp'. She was not alone in feeling trapped. Women wanted to study, to work, to have the same opportunities as their husbands, or better still to have sex and be single girls.[12] Women were not going to be at home, and it could no longer be assumed that they would do the caring.

Most women and men in this century want to work and to share their caring roles, but balancing the competing demands of love and work is hard to do. Long and unpredictable working hours, often for low wages, leaves us little time to organise the basic stuff of living. Negotiating the logistics of childcare in particular puts a strain on our relationships. Almost half of British children are no longer living with both their parents by their teenage years, as the challenge of trying to balance too many competing demands and desires forces parents apart. When our relationships fracture, finding time to care becomes even harder. For single parents, 90 per cent of whom are women, the juggling intensifies.[13]

Modern work also demands greater geographic mobility. Some of us are happy, eager even, to move in search of new opportunities and experiences. Others move more reluctantly, forced to migrate from communities where social bonds are strong but good work can no longer be found, or where housing has become unaffordable. This leaves us living at greater distance from our families, a particular challenge when elderly relatives may need many years of support.[14]

The post-war model of care organised around women's unpaid work was never satisfactory and today it cannot hold. As the fractures deepen, neither the state nor the market has been able to provide adequate alternatives and the result has been a painful mess.

The lack of care available to us as we age is a story that hits newspaper headlines with deadening regularity. There are more pensioners in Britain today than young people under the age of sixteen. The oldest old – those of us who are over the age of eighty – are the fastest-growing population group in the country. One in five of us will live to be a hundred, and the Queen has expanded the team that sends centenarians a birthday telegram. Our longevity is in good part due to

the welfare state. Improved living and working conditions, and most of all a free health service, have enabled us to live healthier and longer lives. This should be a cause for celebration. But while our existing arrangements have helped us to live longer, they can no longer help us live better. Our pension system is not fit for purpose, our health services are struggling to cope and adult social care services are in crisis.

Beveridge did not design with older people in mind. He assumed, based on the data for his own time, that few would be lucky enough to enjoy even ten years of retirement (the average is now twenty-two years, and rising). He also assumed that most of us would die before we needed the now commonplace maintenance arrangements of hip replacements and heart surgery. He certainly had no experience of the complications that can typify later life in this century, where memory loss can coincide with both the newer lifestyle diseases and the more traditional ailments of older age.

Beveridge's original designs emphasised the National Health Service, which is both national – hence its name – and free to patients. Social services had a more precarious and arbitrary status: they were never expected to be free, and they were devolved to local governments, who had some latitude in what could be provided. Few people understand this division until they or a family member are in need of services, and for most, what they discover is a rude shock.

Local governments preside over shrinking budgets and growing numbers of elderly residents. They face almost impossible choices and have attempted to manage the ensuing crisis according to orthodox common sense. Firstly they have tightened the criteria that older people must meet in order to receive help. It is estimated that only half as many older people are currently eligible for support in comparison with the 1990s, and charities claim that there are now well over one million people

every year who need support but who do not meet the criteria.[15] Secondly, in a desperate search for efficiency, local authorities have opened up the provision of services to the market.

Ninety per cent of care in Britain is provided by nineteen thousand private sector organisations that cannot deliver what they promise on the budgets provided. Teams of well-intentioned but often poorly trained and badly paid care workers are allotted ten- to fifteen-minute slots to make home visits in which they are expected to bathe, dress and feed an older person. This is the system in which 'personal care' means a note by the front door reminding the care worker – who is unlikely to always be the same individual – that the white flannel in the bathroom is for the face, the blue flannel for the bottom. The strain and distress this way of working places on the carer thickens the crisis.

Reducing the provision of social care does not save money. Instead, it has terrible repercussions on our health services. Without support at home older people increasingly find themselves in hospital, often languishing as 'bed blockers'. It is estimated that up to 40 per cent of hospital beds are occupied by older people who do not need to be in hospital, at an annual cost of £900 million.[16] Successive Health Ministers have promised that the two systems – the NHS and adult social care – will be brought together. But a clash of culture and a tussle over budgets have meant that government plans have stalled at the implementation stage. The commands of Health Ministers, like those of the highly regarded leaders of the NHS, have not made a difference. As so often, the more we focus on the top-down reorganisation of institutions, the more the answers seem to elude us.

The result is that ageing has become a conversation about scarcity: what can we do about so many people, and with so little money. Age UK estimate that public spending on

social care would need to increase by a minimum of £1.65 billion, to a total of almost £10 billion, by 2020–21 in order to manage what they refer to as 'unit' cost pressures.[17] In the game of pass-the-parcel it is as if the music has speeded up and the game has become more frenzied. No institution wants to be left holding these expensive 'units' when the music stops. In fact, the challenge of caring for an elderly population within our current systems and services seems so huge and so expensive we appear to be paralysed: frozen in the headlights and unable to make change. I consider this particular challenge in depth in experiment #5.

How we can care for our small children is no less of a dilemma. There are parents who need or want to work. There are others who want to care for their children and feel bewildered that this fundamental role no longer appears to have any value, as if they somehow have a societal duty to go out to work rather than look after their very little children. There are still others who perhaps were not well cared for when they were young and now find themselves as mothers or fathers with little idea of what to do and desperately in need of support. In some communities, a third of children are not ready to come to school: they are not potty trained; they cannot put on their own shoes; they do not have the basic social skills that would enable them to start learning or mixing with other children.[18]

Governments on the left and right have promised to increase the hours of childcare available and decrease the cost for 'hard-working' parents. Once again an industrial mindset is brought to bear as attempts are made to lower the unit cost in order to increase the scale of production. The answers proposed are always based on low wages for carers and as many little children as possible allocated to each carer.

It is currently legal to leave six children under the age of

two with one carer. Childcare experts question the wisdom of such a ratio. Policy-makers respond by pointing to the increased levels of training that carers must undergo (improving the mechanics and management of the system). Good care, however, is emotional labour: it is intensive, exhausting, sometimes lonely and boring, but always about deep human connection and relationships. No adult, however well qualified, can take six children under two on a walk, nor can they make something with so many small hands all at once. What is on offer is not an early experience of human flourishing, but a sort of warehousing.

Our current welfare institutions cannot provide care. Worse, they cannot even speak a language with which we might begin to think warmly and humanly about what is needed. Caring for each other is not about efficiency or units of production. It is about human connection, our development, and at the end our comfort and dignity. As I will show, we can find affordable solutions to these challenges, but not if we start within the narrow confines of current debates and existing institutions, borrowing a bit here and patching a bit there.

(3) Modern poverty

The welfare state has not eradicated poverty. At the beginning of this century a million people were dependent on food banks.[19] Many more can't afford basic possessions or furnishing for their homes. A third of British children grow up in poor households, most of them in families where someone is in work, earning wages that are too low to lift the family out of poverty.[20] In fact, poverty in Britain is persistent and growing. Researchers predict this pattern will continue for the foreseeable future.[21]

Poverty is also deepening. In 2016 the Joseph Rowntree

Foundation, who have been collecting poverty data for over a hundred years, were forced to add a new category to their research: that of destitution. Shockingly, in Britain, the fifth-largest economy in the world, 1.25 million people, including more than three hundred thousand children are struggling to eat, keep warm and clean, and find a bed for the night.[22]

It might feel as if we have gone a full circle, that our world is very similar to the one that Beveridge confronted, but there is a striking and fundamental difference between the poverty of the post-war world and poverty today. Today, most people who are poor are in work. Nearly half of all working families in Britain are supported by benefits as the welfare state is forced to subsidise the private sector by topping up wages that are too low to live on.[23] Contrary to widespread perceptions, 1 per cent of the welfare bill goes to support the unemployed (£3 billion a year) and over 30 per cent (almost £70 billion a year) goes to support those who are in work but who are paid too little to survive.[24] The fundamental contract on which our welfare state is based – that work is always a route out of poverty – is broken.

In this new world there is a yawning gap between the rich and the rest. The real value of wages has fallen for professional groups and for the low-paid.[25] But the dramatic and growing gulf is between a small elite pulling away at the top and an increasingly isolated and marginal group to be found at the bottom, the so-called precariat. A survey of British class, the largest ever undertaken, has been analysed in detail by Mike Savage, a professor of sociology at the London School of Economics. Savage and his colleagues have found that spiralling inequality is transforming the nature of British poverty. An increasing gulf in incomes and wealth correlates with a gulf in experience and possibility.[26]

The elite not only enjoy high incomes, they are further cushioned by high savings and high house prices. Their lives are distant, not just in terms of wealth, but also in terms of who they know, the things they enjoy and where they live (mostly in the Home Counties and certain parts of London). The elite are a tight social grouping of chief executives, judges and leaders: people with connections and social standing. The precariat – about 15 per cent of the population – live on incomes of less than £13,000 a year. For this group, saving money is impossible and housing costs are rising. The precariat are also geographically concentrated in the old industrial heartlands and socially insulated: their friendships and connections rarely extend beyond their immediate circle.

Living in this unequal world makes all of us anxious. There are those who are not 'poor', but whose incomes are declining. They look around at the lifestyles and consumption habits portrayed in the media and exhibited by their neighbours and they worry about their futures and those of their children.[27] The rich also develop their own neuroses as they look furtively over their shoulders and try to keep up with their peers. As incomes rise, aspirations rise to match. The well-off find themselves trapped, in the words of the economic historian Avner Offer, on the 'hedonic treadmill': they are rich but they don't feel better.[28] Money does not equate to the good life, as Aristotle told us thousands of years ago, and in this increasingly unequal world it seems that even the well-off do not feel that they have enough.

Of course, it is the poor who are affected most by inequality and the decline in incomes. Once again, as in Beveridge's time, decent housing and food are beyond the reach of many. Just as importantly, dignity is damaged. There is the psychic

pain of feeling inferior, the frustration at not being able to stand on one's own feet, the lack of autonomy endemic in modern low-wage work. All of these exert physical effects: they lower the immune system, make us feel ill and lead to shorter lives.[29] And the ante keeps rising: the need for the right phone, the right suit, the right teeth, in order to take part socially or to succeed at a job interview.[30] And while the welfare state can hand out money, it has little help to offer those facing the increasingly complex social and emotional effects of modern poverty.

One of my first projects in Britain was with schools. I worked with one then notorious school in South London on a building design project. The school's original building, designed by Sir Leslie Martin, the architect of the Royal Festival Hall, was an iconic post-war building, a model of the welfare state's school-building programme. But it had never worked: too hot in summer, too cold in winter, it was also a place of dark and frightening corridors where bullying and worse could take place. To architects, this school was a place of beauty. To the children inside, it was a hated place, a symbol of their 'bog-standard' lives and lack of future.

I started making collages with the pupils. Using a huge pile of magazines, I asked a group of teenagers to cut out pictures and show me what they wanted their school to be like. To my surprise they produced great quantities of swimming pools. What was this about, I wondered, remembering my own adolescence where, rather podgy and lacking in self-confidence, I had done everything possible to avoid swimming and the public changing it entailed, and I know I am not alone. We talked about the collages. This particular school shared a boundary wall with one of London's top prep schools. On the prep-school side of the wall was a swimming pool. The longing, it turned out, was not so much for a pool,

but to belong on the other side of the wall. To be one of those expensive-looking pupils with expensive-looking lives full of hope and promise.

Modern poverty is about money *and* about a breakdown in our social fabric, a rent in our relationships and our shared experience. As the work of Savage and his colleagues shows, we don't know each other any more. This paucity of relationships affects our understanding of the world, our rich enjoyment and our material chances since now, more than ever, whom we know affects who we can be and what we can do.

In the face of these challenges, the welfare state is impotent. However good our schools, for example, study after study shows us that education can no longer compete with the structural transfers of wealth between generations.[31] It is the wealth and social position of our parents that will largely determine if or where we go to university, not our own hard work. Income transfers – the benefits paid to working families – might prevent starvation, but they also build resentment. A negligible few want to actually depend on handouts. And our health services in particular are strained by the effects of our anxiety, poor diets and stress-induced disease: all exacerbated by poverty. The welfare state can do little to ease either the anxiety or the material effects that modern poverty produces in our lives.

The fatal flaw

Our welfare state might still catch us when we fall, but it cannot help us take flight. It cannot support us to confront the challenges we face today and it cannot change the direction of our lives. Those who find themselves tangled in its safety nets feel rage and despair that they must live in such

circumstances, propped up by benefits and condescending advice. Just as importantly, many more feel overlooked: their incomes are declining and they feel less secure. They are angry that their taxes contribute to a system that no longer seems open and available. We had hoped for safety nets that would give us the weft and propulsion of a trampoline but instead we find we are woven into a tight trap.

The insight that our welfare state is struggling in the modern era is not new. Welfare reform has been on the political agenda for almost four decades. But the reforms on offer have not changed lives, nor have they changed the welfare model. There have been expert advisers, investment in management and heated debate, but a time traveller from the 1950s would still probably recognise most of the services on offer. We have tried to change our industrial systems with hierarchical commands and mechanical processes of efficiency, but the former Prime Minister Tony Blair is not the only one to have noticed with frustration that pulling the industrial levers of power seems to make very little difference. These methods of change no longer work. Certainly the reforms have not given us the radical new approaches to health, care or to work that we need.

But something else has happened, something that has both exacerbated our current difficulties and revealed a fatal flaw at the heart of the original design.

New public management has been presented as a neutral theory of administration merely concerned with efficiency and technical adjustments. But, with hindsight, we can see that this is a programme of far-reaching cultural change. The services may look the same, but our relationship to the welfare state has been profoundly altered in ways that make it much harder to confront the wider social challenges we now face.

The welfare state has been reshaped as a service industry. In the beginning, the welfare state was a shared project to build a better Britain for everyone. The services on offer were critical: they educated us so we could participate; they housed us and took care of our health. But the services were a means to an end, not the end in itself.

Today that vision has gone and in its place has grown an obsession with the business of service delivery. 'Free, perfect and now' – this is what the customer expects from a service business.[32] So it has proven with our welfare services. Now that we are the customers and the culture is one of a business, we have normalised the idea that for every problem there must be a service. And our demands are insatiable. Ironically, the very practices that were intended to rationalise the welfare state have driven up demand. Given the simultaneous pressures to reduce budgets, the result has been a mushrooming of low-cost services.[33] Those in real need reel between these services, or they fall through the cracks.[34]

For those who work within our welfare services, the shifts have been equally corrosive. We are encouraged to rate our doctors or our bin collectors much as we might rate a film or a visit to a restaurant. Nobody feels part of an important shared project. Instead, organisational cultures increasingly reflect those of the market they are part of: arm's length and transactional. In other words, at the very moment that we need to participate and draw on each other to maintain our health, to care for one another, to find work, even to make the connections that might erode the boundaries of poverty, humanity and relationships are being driven out of our services and our professional cultures. See the same doctor? Too expensive. Help another young person? Too risky. Provide solutions through a known community group? Against the rules of competition.

Not all these difficulties can be laid at the door of new public management and the market. The reforms have amplified an error that was already present, a fatal flaw that Beveridge made the subject of his third and final report.[35]

In 1946 Beveridge published a report on voluntary action, in which he voiced his concern that he had both missed and limited the power of the citizen and of communities. The people's William didn't like the way citizens were prevented from contributing time or money to the cost of services; he worried that some core groups were not benefiting from his reforms; and he was increasingly aware that communities, rather than distant, cold and hierarchical institutions, are often much better at identifying needs and designing solutions. Beveridge had designed people and their relationships out of the welfare state. He realised too late that he had made a mistake.

When the welfare state was created, the prevailing wisdom was that neutral, depersonalised transactions would be key to levelling opportunity and combating poverty. R. H. Tawney – who was married to Beveridge's sister – believed that inequality was rooted in family connections and relationships. He was influential in arguing for an impersonal bureaucracy. Beatrice and Sidney Webb similarly disparaged the 'average sensual man', extolling the virtues of the detached professional. The ideas of Beveridge and his contemporaries may have been right for their time. Bureaucracy and an arm's length culture can and have worked powerfully against prejudice. But these ideas were starting to cause concern to Beveridge, and they are certainly not right for now.

Few people read Beveridge's third report. By 1946 his patrician language seemed old-fashioned. Beveridge was also hampered by infighting among the voluntary sector committee members who cared more about lobbying to preserve

their position than contributing to ideas about future social systems. These disputes led to findings that lacked clarity. Perhaps most importantly, the British public were already enjoying the fruits of the first report and so wider interest in social policy had waned.

But today, when we face new problems, when there is a hunger for change and a widely shared view that neither our existing institutions nor our attempts at reform are working, Beveridge's third report seems far-sighted. His insight that solutions start with people and the relationships between them marks the starting point of a potential future path, a place from which we can begin to reinvent and design systems for this century.[36]

To solve today's problems we need collaboration, we need to be part of the change and we need systems that include all of us. Participation cannot be seen as something special or unusual that must be celebrated. We need to create systems that make participation easy, intuitive and natural. And to do this we need to start in people's lives. We need to stand in communities and understand both the problems and the possibilities from this everyday perspective.

This is why I am at Ella's front door.

Part II

The Experiments