

[Take care before rushing into government action](#) [1]

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I can't decide whether news this weekend, that British ministers are expected to introduce a cap on the amount that individuals pay for care during their lives, is welcome common sense or yet another smash and grab raid by the middle class.

The plan, based on proposals by economist Andrew Dilnot, would be to cap the costs that people in England pay for care at £35,000 over their lifetimes. Pensioners would be expected to insure themselves at that level, then the state would pay any further expenses.

The Adam Smith Institute looked at this idea of sharing the costs of care between the individual and the state back in the 1980s and '90s. There were heartbreaking cases of people whose funds had simply run out, leaving them with nowhere to go. And the cost of providing the residential care of an ageing population was starting to cripple local authorities. In answer to the first problem, many analysts proposed that social care should be provided free under the NHS, just as medical care is. That seemed to us to be a fate well worth avoiding, not least because it would make the second problem even deeper.

We looked instead around the world and found some places that had innovative solutions: that people were expected to provide, or insure for, their own care for a couple of years (around the average time that people tend to spend in residential years), and then the state would pay anything beyond that. The logic was the residential care was becoming uninsurable. With such large rises in longevity, no underwriter knew exactly how long people might spend in care: it was an almost open commitment which no private firm could sign up to. So the idea of an individual/state partnership seemed logical: insure what is insurable, and have the state provide the rest.

Public policy development is all about starting from where you are, and we were (and are) starting from a wonderland in which healthcare is provided free at the point of use, while social care is not. If you can work out whether an elderly person's bath is 'medical' and should be paid for by the state, or 'social' which should be paid for by the individual, you are brainier than I am. And if you can work out how to restrict state spending on care to the people who really need it, ditto. The partnership plan seemed the best of a bad set of options.

But those downsides remain in the policies that will be announced in detail this week. A cap of £35,000 on care spending will certainly make long-term care insurable. So that is a gain. But equally, plenty of people who could afford to pay for their own social care will find themselves being subsidised by taxpayers. The average house price in the UK is £226,887 (even higher in England, where the new policy will apply), and many of those in need of residential care at the end of their lives have already paid off their mortgage.

The argument is that elderly people have to sell their homes to afford their time in care, leaving less or nothing left for their children to inherit. But should taxpayers really be subsidising the care of well-off home owners? Remember that most tax is actually paid by the poor ? simply because there are more of them. Should a cleaner in Cleethorpes really pay higher taxes to fund carers for the wealthy of Wokingham?

We are used to the middle and indeed upper classes doing well out of the welfare state, of course. Being

moneyed, educated, confident and pushy, they can barge to the front of the queue for medical care, buy homes in the catchment areas of the better schools and bully officials to maximise their benefit entitlements. Does this sound much different? Precisely why should people with large assets not be obliged to sell them to provide for a lifetime need like social care, rather than expecting other people to bail them out?

It may sound harsh in the individual case, but remember the hardship done to others through the higher taxes that are required for it. Taxes that just make the difference between whether a firm succeeds or fails, and whether people keep or lose their jobs. The fact that the hardships caused are more diffused and harder to identify than the evident hardship of those forced to dip into their wealth stockpile does not make them any less real. And don't people save in things like property supposed to be for a 'rainy day' anyway?

The other interesting feature of this proposed policy, we now learn, is that nobody has the faintest idea how the government might pay for it. The cost has been put at £1.7 billion a year. In other words, ministers are committing to an expenditure that is not only massive but will fall, year after year, on future generations who do not even get a vote in the matter because they are as yet under the age of majority or indeed yet unborn. But how the tax will be levied is anyone's guess.

This again is typical of how the middle-class representatives of the middle-class population expand government programmes for their own benefit. Instead of working out how much tax people are willing to bear and then deciding what can be afforded within that budget, our politicians promise expansive benefits from now to eternity: only once we have started to enjoy them do we get the bill. But by then it is impossible, politically, to prize them off their beneficiaries. It's the old public choice problem again: the beneficiaries have a concentrated interest in keeping their benefit, while for taxpayers it is just one extra tax among many. But those many taxes add up.

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