



GRESHAM COLLEGE
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The National Health Service Crisis, 1951 Transcript

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The Crisis of the National Health Service, 1951

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Ladies and gentlemen, this is the first of a series of six lectures on post-War political crises. The remaining five lectures will be on: the Suez Crisis of 1956; the economic crisis in 1976, which led to borrowing from the International Monetary Fund; the Falklands War in 1982; the exit from the European Monetary System in 1992; and of course the Iraq War in 2003. I should add perhaps that I shall be delivering the lecture on the Iraq War whether or not the Chilcot Report has appeared by the time of the lecture.

Today's lecture is on a crisis in the National Health Service in 1951, and the crisis was on what might seem a trivial matter, on whether charges should be imposed on false teeth and spectacles so that patients should have to pay half of the cost, and you may well ask "why waste time on such a trivial issue?", but it led to the resignation of two Cabinet Ministers and began a running battle between left and right in the Labour Party, which probably kept it out of office in the 1950s, and perhaps continued until the time that Tony Blair became Leader of the Party in 1994, and perhaps even beyond. Some would say this battle continues even today. So, it had huge consequences for the Labour Party, and I think it also had huge consequences for the National Health Service, and the problems which were raised in 1951, I believe, have not yet been resolved.

The National Health Service Act was passed in 1946 and the Service came into existence in 1948. Here is a short film showing the Government's view of the Health Service, followed by a disillusioned General Practitioner talking about it.

[Recording Plays]

"This leaflet is coming through your letterbox one day soon, or maybe you have already had your copy. Read it carefully. It tells you what the new National Health Service is and how you can use what it offers: hospitals and specialist services, medicines, drugs and appliances, care of the teeth, care of the eyes, maternity services, home health services. The new scheme starts on July 5th, but there is one you should do at once: choose your doctor now. That is most important. Study the leaflet and then keep it by you – you will need it for reference."

"The new National Health Service starts, providing hospital and specialist services, medicines, drugs and appliances, care of the teeth and eyes, maternity services... Ask your doctor now if he will look after you under the new scheme. If he cannot accept you, ask at the post office for the address of the Executive Council, where you will be given the names of other doctors in your area who are taking part in the new service. Ask the doctor you choose for an application form for each member of your family. One form has to be filled in for each member of the family and then handed over to your doctor. Now, do not forget, choose your doctor now!"

"Our plan is a service which will provide the best medical advice and treatment for everyone, every man, woman and child in this country. It will cover any medicines you may need, specialist advice, and of course hospital treatment, whatever the illness, special care for mothers and children, and a lot of other things besides – in fact, every kind of advice and treatment you may need. Now, all the details are set out in this White Paper and in a shorter pamphlet and you will find there the arrangement the Government proposed for the doctors, the hospitals, the local authorities and so on."

"Dr, how do you feel about this personally?"

Well, my own feeling, and I think the feeling of most General Practitioners, is one of frustration and disillusionment. We just feel let down. Certain promises were made to us when we came into the National Health Service in 1948, and they simply have not been kept. We are going to have to limit the developments in the way of extra stuff, extra equipment, improving our premises, which has been going on steadily since the Health Service began, and in addition, many of the...particularly the younger General Practitioners are beginning to think about emigrating to other countries, and I think this process will continue, which is bound to affect the service."

Well, you can see that disillusionment with the National Health Service is nothing new. It was there very early on.

Now, the Minister who legislated for a National Health Service was Aneurin Bevan, a man of the left, and here, about ten years after the Health Service was introduced, in the late-'50s, we can hear him speaking, explaining his vision of the National Health Service, a vision that remains powerful even today.

[Recording plays]

"I am proud about the National Health Service. It is a piece of real socialism. It is a piece of real Christianity too. We had to wait a long time for it. What I had in mind when we organised the National Health Service in 1946 to 1958, and remember, when we did it, you know, you younger ones, this is immediately after the end of Second World War, when we were, as Sir Winston Churchill then said, "a bankrupt nation", but nevertheless, we did these things, and there is nowhere in any nation in the world, communist or capitalist, any health service to compare with it."

Now, the National Health Service had two main principles underlying it: one, that the medical arts of science and of healing should be made available to people where they needed them, irrespective of whether they could afford to pay for them or not – that was the first principle; the second was that this should be done not at the expense of the poorer members of the community but the well-to-do. In short, I refuse to accept the insurance principle. I refuse to accept the principle that the National Health Service should be paid by contributions. I refuse to accept that. I refused to accept it because I thought it was nonsense. If you had not fully paid-up, you could not have a second-class operation because your card was not full of stamps, could you?"

The main principles, as you can see from what he said, was that there should be free medical care to the entire population, and it was the first such scheme in any Western country, and as he said, it was not to be based on the insurance principle but to be funded by the taxpayer and from no other source, and Bevan, as you see from that, was very hostile to any contributory principle. The reason for that was, as is implied by what he said, that the Health Service was in-part intended as a redistributive scheme, to redistribute benefits from the better-off to the less well-off. He said that the redistributive element was as important as the health element. He said, in a debate in the House of Commons in 1958: "The redistributive element of the scheme was one which attracted me almost as much as the therapeutical." One Conservative MP shouted out "More!" but Bevan said "I am more civilised than that." So, free healthcare, for Bevan, was a basic right, but in his view, it also gave rise to duties on the part of those using the Service, those who benefited from the Health Service also had duties towards it: to use the service responsibly, not to abuse proprietary medicines, to look after their health, not to make extravagant demands on the service, or overwhelm it with trivial and artificial complaints. So this is also a fundamental part of the system for him, that it should be used responsibly.

Now, the obvious problem with the Health Service, from the time it was inaugurated, was this: that if it is free, it is very difficult to control costs. Indeed, you may say, for something that is free, demand is almost infinite. But after all, there have to be some budgetary constraints. The Health Minister could not simply claim as much money as he wanted. If the National Health Service were to be given a blank cheque, other Departments of Government would suffer, but they also had legitimate claims on the public purse – education, for example. But as soon as the National Health Service came into operation, there were problems over health spending because costs escalated more rapidly than expected. In the first year, there was a supplementary estimate for a National Health Service of £59 million, which was nearly 30% of the original estimate, and in March 1949, just a few months after the Service began, the Chancellor of the Exchequer, Sir Stafford Cripps warned that supplementaries must be rare and should only occur when there was a change of policy. Now, Bevan said, with some reason I think, that the extra costs were a result of catch-up, a result of the situation before the Health Service came into existence, when many ill people had been unable to afford healthcare. That was proved to be correct because spending on healthcare did stabilise during the 1950s. Nevertheless, Cabinet colleagues were understandably worried that their budgets were being squeezed and Health seemed exempt.

Now, in March 1950, just 18 months after the Health Service began, Bevan pressed for £100 million supplementary estimate, 37% of the original estimate for the Health Service, and that £100 million was around half of the education budget. The Public Accounts Committee said that the free Health Service was leading to what it called "a serious impairment of the system of parliamentary control". Cripps' Junior Minister, Hugh Gaitskell, urged him to put National Health spending, like other spending, under Treasury control, with a limit, and that meant either economies in the Service or charges to patients, but Gaitskell did not get his way. There was a policy compromise because Bevan threatened resignation if there were any incursions in the free Health Service, and the Cabinet was not willing to accept the principle of charging. Gaitskell complained about that and said he thought, politically, cuts would have done us a lot of good. Now, a compromise was agreed, that there should be a ceiling on National Health spending, but a very generous one, and that the idea of charges for the Health Service should be deferred. Now, in his Budget of 1950, Sir Stafford Cripps said that there was "...no excuse for exceeding the estimate in the coming 12 months, that further measures of control must be exercised, that any expansion in one part of the Health Service must in future be met by economies or, if necessary, by contraction in other parts of the Service," so there was a ceiling on spending.

There had been a further move: in the autumn of 1949, Bevan had been forced to agree to legislation giving the Government authority to impose charges for prescriptions, with pensioners exempted. Now, Bevan argued against this, saying that prescriptions had been free for insured workers since 1911, so those paying National Insurance would now pay twice. But he did pilot the enabling bill through the Commons, and he admitted that there had been some abuse of the Health Service. He said in the Commons: "I shudder to think of the ceaseless cascades of medicine pouring down British throats and there not even bringing the bottles back." The charges were intended to suppress unnecessary demand, but with the exemption for pensioners, they would actually yield a small sum, and in fact, the Labour Government did not impose the charges – they had authority to impose them they were not imposed, but they were imposed by the Conservatives after their 1951 General Election. They imposed them in June 1952. So, Bevan could still say there were in fact no charges, but of course, his opponents could say: if you are prepared to accept prescription charges, why will you not accept charges for false teeth and spectacles, because, after all, most of those who need false teeth and spectacles, by contrast with those who need medicines on prescription, were not ill – they were not patients, they were not sick necessarily.

But Bevan said that charges were a matter of principle for him, and in June 1950, he wrote the following letter to Cripps. He said: "I have it clear to you, the Prime Minister and Gaitskell that I consider the imposition of charges

on any part of the Health Service raises issues of such seriousness and fundamental importance that I could never agree to it. If it were decided by the Government to impose them, my resignation would immediately follow. Despite this, spokesmen of the Treasury and you have not hesitated to press this so-called solution upon the Government." Bevan had the point that the yield from charges, given the administrative costs and exemptions, would be very small, and the exemptions he particularly disliked because they reminded him of the hated means-tests of the 1930s when you had to prove that your income was below a certain level to get a benefit.

But still, this does raise the question of what you mean by a free Health Service, in the sense that spectacles and false teeth are not linked to illness.

Now, at first, it seemed that all this could be contained. There was a good relationship between Bevan and Cripps because both had been left-wingers from the 1930s, and Cripps was known as "the austerity Chancellor". He was a teetotaler and vegetarian, well suited to the age of rationing. Hugh Gaitskell, in his diary, writes about a New Year party in 1949 at Cripps' house - he said there was no drink except sherry and apple juice and the meal was pretty foul.

It is possible that there was a tacit bargain between Cripps and Bevan, that Cripps would leave the Health Service alone if Bevan ensured that the left supported his austerity policies. There is no evidence of that, but it is possible. Anyway, they were close, from their struggles. They were both on the left in the 1930s, though Cripps had moved to the right and Bevan had not.

Herbert Morrison, who was the Deputy Prime Minister, wrote in his autobiography later on: "Possibly for the sake of past loyalties, Cripps had been so tolerant of Bevan's demands that his reaction was one of weakness, especially as he had been promised in Parliament to put a ceiling on the health expenditure. "Nye is getting away with murder" was the general feeling of my colleagues."

Now, Cripps' Junior Minister, Gaitskell, kept pressing for the Health Service to be brought under proper control, and Bevan had to endure a humiliation in April 1950, when a Cabinet Committee was set up, chaired by the Prime Minister, to control spending. Bevan said, with some reason no doubt, that the needs of the National Health Service were too great for economies, that there was gross overcrowding in hospitals, particularly in mental hospitals, maternity patients were discharged too early, there were long waiting lists and congested outpatient departments, long waits for appointments, and that more money was needed for all these things.

In fact, when the Health Service finances were investigated by a committee set up by the Conservatives in the 1950s, it concluded that the cost of the hospital service, which was by far the largest share at that time of the NHS, and far larger than teeth and spectacles, was basically stable and was not really out of control, but that was not the Labour Government's view.

Now, Gaitskell pressed Cripps in 1950 for something that even Margaret Thatcher did not dare to press for, at least in public. He pressed for there to be hotel charges, for hospital patients, as I say something that even Margaret Thatcher did not dare to propose. That, incidentally, had been supported by Beveridge in his famous wartime report, on the characteristic grounds for him that you should not be able to make a profit by being in hospital because, in hospital, your food was free, but of course, if you were out of hospital, you would be paying for your food. So that was pressed on Cripps by Gaitskell, but unsuccessfully. As I say, even Margaret Thatcher dare not propose that in public.

They were supported by Herbert Morrison, who thought that the free Health Service had gone too far. He said, in seeking to provide a comprehensive Health Service for all, the Government had been trying to do too much, too quickly. Now, Bevan defeated that, and he said, in rather grandiloquent terms: "The Government's abandonment of a free and comprehensive Health Service for all would be a shock to their supporters in this country and a grave disappointment to socialist opinion throughout the world."

Now, it seemed that the problem could be contained in the early-'50s because the economy was improving. Shortages were disappearing and rationing was gradually coming to an end, and in 1949, there had been a famous bonfire of controls, where ration-books had been burnt by the relevant Minister. The balance of payments was in surplus and inflation was low, due to the success of a voluntary incomes policy which had been agreed with the unions, and it is possible, if these things had continued, and if Cripps had stayed at the Exchequer, the problem might have been contained, but 1950 proved to be the year when everything went wrong.

Firstly, in February, the Labour Party went to the country and its majority, which had been 144 in 1945, was reduced to just six. Now, David Cameron has a majority of 10, but he is quite safe because there are a large number of parties against him. That was not the case in 1950. The Conservatives had all the opposition seats except for 12. There were nine Liberals, just one more than now, and three others. So, the Conservatives thought that they had the Labour Government on the run, and in Churchill's famous phrase, "one more heave would get the Socialists out". It was clear that another election could not long be delayed, and the Labour Government was in effect immobilised in the worst possible position. One of its Ministers said: "If only we had won 10 more seats, we would have had a working majority and could have gone on for five years." With 10 fewer, there would have been a Conservative Government on probation, but as it was, the Government was

immobilised. It was held responsible by the public, but could do very little, and the Conservatives harried the Government in the Commons, with snap divisions and obstructions. The Government was in great danger of being defeated constantly.

Even worse than that, the Ministers were exhausted. There were many elderly men, and they, most of them, had been in Government since 1940 in the Wartime Coalition. In the second Attlee Government after 1950, two senior figures, Cripps and Bevan, resigned due to ill-health and died shortly afterwards.

After the Election, Attlee made a typical laconic statement after the first Cabinet meeting – I have tried to get him on film but cannot. After the Election, the reports asked him what is happening, and he gave the laconic statement: "We are carrying on – that is all." But it seemed to some, particularly on the left, that the Labour Party had lost its way – where was it going? The main programme of nationalisation had been carried out. The main elements of welfare state were in place. Where should Labour go now? Perhaps Labour, some people on the left thought, needed a period in opposition to recover its energies. Very significantly, at the New Year party of Cripps, really awful drink and the awful food, Gaitskell had predicted a low majority in the Election, and Bevan significantly said: "With such a low majority, I would rather not be in power at all because Labour could make no further advances towards a socialist society – better to re-formulate socialist ideas from the opposition benches..." So, that was the first problem: the very narrow majority of the Labour Government.

The second problem was that, in June 1950, the Korean War broke out. The North Koreans attacked South Korea, we now know at Stalin's instigation, and, by chance, the Soviet Union was boycotting the United Nations at the time, so that 40 states accepted the American proposition that this required collective security and armed resistance to aggression, and, unlike the later Vietnam War, Britain, after some hesitation, sent troops to fight in Korea, their motive being in part to show they were not simply another European power but a great power, the main ally of the United States, and there was great fear at the time that the United States could revert to isolationism, and people in Britain thought we must keep America in Europe, and of course there were memories of the failure of collective security in the 1930s and of US isolationism in the 1930s. Attlee said one could not ignore the risk that the US might lose interest in the defence of Europe if her allies in NATO failed to play their proper part. People were very worried that Korea might be a feint for an attack on West Berlin or even on Yugoslavia, which had broken away from the Soviet Bloc, and the West, at that time, had very few divisions in Europe, and the Soviet Union had very many.

Now, all this meant a crash re-armament programme, and this was agreed at £3,400 million over three years, but raised twice in response to American argument, to £4,700 million, and defence was going to rise from 8% of GNP in 1950 to 14%, with an immediate rise of 50%.

The British hoped for American assistance, and the President and Secretary of State said that they would do their best to get it, but as so often, I think the British failed to realise that the American Government had no automatic majority in Congress and could not guarantee that. Congress, contrary to what some people in Britain think, is not a charitable institution, and said we have already given Marshall Aid, under which the British welfare state has been built, and we really cannot give any more money, and indeed, many Americans asked why they should be subsidising the British welfare state. Indeed, Marshall Aid came to an end in December 1950 because of burdens on the Americans arising from their need to re-arm and, ironically, because the British economy seemed to be improving, and it is fair to say that Britain was at that time, with American connivance, discriminating against the dollar in some areas of activity.

Now, you might imagine the left would be opposed to all this, the Korean War and re-armament, but they were not, because they too remembered what had happened in the 1930s, and Bevan said this was absolutely right, and his allies outside Parliament, like Michael Foot, said exactly the same. They said we must resist aggression in Korea and we have to accept a re-armament programme. But Bevan thought the programme was too ambitious, and he wanted his opposition to the specific proposals recorded in the Cabinet minutes. The Cabinet Secretary said he could not do that because that would undermine collective solidarity and it meant resignation, so "opposition" was replaced by the words "grave misgivings". It is fair to say that other Ministers also had grave misgivings, but felt they ought to show the Americans that Britain was pulling its weight, and the Labour Party Conference in October 1950 accepted the re-armament programme by a huge majority, by 4.75 million to 800,000.

Now, the Korean War took a turn for the worse, which really frightened people, in November 1950, when it was discovered that Chinese so-called volunteers were fighting in Korea, and there was great fear of a wider war. President Truman in America was asked about the use of the atom bomb and said, incautiously, "There has always been active consideration of its use," and the British were particularly worried about the American commander in the field, General MacArthur, who seemed to be threatening China, that the war might be carried into China. The British Secretary of State for War, John Strachey, said that war was possible in 1951 and probable in 1952. There was real fear.

When he had heard Truman's press conference, Attlee went to visit him in Washington, and on that very day, there was a clear sign of American isolationism when 24 Republican Senators said they did not want to defend Europe, and Truman told Attlee that they thought a British Prime Minister was never to be trusted, but Chiang Kai-shek, who was the ruler of Taiwan, could do no wrong.

There was a bargain, that Attlee had to reassure America of British willingness to help, and Truman said he would not use the atom bomb without consultation with Britain and that he would restrain General MacArthur, who was in fact sacked in 1951, ironically at the same time that Bevan resigned from the Government. But in return, the Government, as I have already implied, accepted the increased re-armament programme, up to £4,700 million in the next three years, which imposed a great strain on the economy, and the Cabinet accepted that completion in full and on time is dependent on an adequate supply of materials, components and machine tools, and Bevan later said these cautionary words had been added as a result of his pressure - would the machine tools and the other materials be available at a cost that the country could afford?

Now, all this obviously meant pressure on other public services, particularly the social services and the National Health Service. The left-wing Ministers in public, like Bevan, spoke in public in favour of the re-armament programme, even though in private they had these doubts, and Harold Wilson, who was to resign with Bevan, said: "Let those who profess to be united with us in their resistance to aggression recognise that this resistance involves high costs and great sacrifices to the people of this country. Let them recognise the real truth, that the high cost of living is the high cost of peace."

So, that was the second thing that went wrong. The first thing was the small majority, and then the Korean War, and then the third thing was that, in October 1950, Sir Stafford Cripps resigned, through ill-health, and was succeeded by Hugh Gaitskell.

This was resented by many of the Ministers because Gaitskell was a new figure in the House of Commons, had just come in 1945, and had been in the Cabinet only since 1947. Harold Wilson, who was younger than Gaitskell, had nevertheless been in the Cabinet from the beginning, from 1945. Bevan had been in Parliament since 1929, had much more parliamentary experience. And Gaitskell, although people thought highly of him in the inner circle of the Cabinet, had little support in the Party and was relatively unknown to the wider public.

Bevan protested in a letter to Attlee that Gaitskell had no roots in the Labour movement, and he wrote to him saying: "I am bound to tell you that, for my part, I think the appointment of Gaitskell to be a great mistake. I should have thought myself that it was essential to find out whether the holder of this great office would commend himself to the main elements and currents of opinion in the Party." Now, Bevan thought that the Government was now dominated by elderly men who were completely exhausted and had nothing new to offer, and ruthless men, like Gaitskell, with no commitment to socialism. Bevan, I think felt that Cripps, however right-wing his policies might seem, was basically a socialist, but that Gaitskell was not and that Gaitskell was on the right of the Party, and indeed, it is said that Mr Khrushchev, the Soviet Leader, later said about Gaitskell that he would be "the first to be shot outside the Houses of Parliament as a traitor to the working class". Of course, there was also jealousy on the part of Bevan - one cannot discount that. Bevan had been at Health for five years, perhaps too long, and he wanted promotion. His demands were quite moderate actually. He wanted the Colonial Office, but Attlee thought he was racially -prejudiced, and what he meant by that, he was too pro-black and too anti-white, and would be unsympathetic to the whites in South Africa and Rhodesia, so he did not get that. So, Bevan was already annoyed at what happened.

Harold Wilson was also annoyed because he, like Gaitskell, was a professional economist, and as I said, he was younger than Gaitskell but senior to him in Government.

Gaitskell, unlike Cripps, was committed to health charges in principle, and indeed, on the first day of his appointment, unknown to Bevan, he wrote to Attlee raising the question of charges. He was in favour of charges on principle, and Bevan was against charges on principle. So, here you have a clash of principle, and you may argue that they both lacked a sense of proportion, but of course a power struggle was involved.

Now, when Bevan was eventually moved in January 1951, he was moved to the Ministry of Labour, and it is important to note that when the crisis over spending arose, Bevan was no longer Minister of Health. His replacement, Hilary Marquand, was outside the Cabinet and therefore in a weaker position to defend the Health Service, and Bevan, also, was put in a rather difficult position at the Ministry of Labour in that the main quality needed was to be a patient negotiator prepared to keep out of the limelight, which was not really Bevan, and the post was also very sensitive because it meant holding down wage claims and preventing strikes when living standards were constrained to pay for re-armament. Bevan claimed that he only moved when Attlee promised him there would be no cuts in the Health Service, though there was no confirmation of that claim.

In March 1951, there was a further change in the Government when Ernest Bevin, the Foreign Secretary, resigned - he had died soon afterwards - and was replaced by Herbert Morrison. So the two top positions in the Government outside the premiership were now taken by rivals of Bevan from the right of the Party, and I think Attlee did not handle Bevan well. He certainly deserved promotion after the great administrative success of getting the Health Service off the ground.

Bevan, at one point, told Attlee that he actually wanted the Foreign Office, and Attlee replied: "The Foreign Office has never led to the premiership." That was not quite true - it did in the case of Lord Roseberry. But when he said the Foreign Office has never led to the premiership, Bevan said, "In that case, give it to Herbert Morrison." But there is no doubt that Bevan was resentful.

Now, to add to the problems, in March and April, when this crisis arose, Attlee was ill with a duodenal ulcer and in

hospital for some time, and the key Cabinet meetings were chaired by Herbert Morrison, who was much more a figure of the right, and Attlee, who I think was rather better at holding a disparate group of individuals together, but there had to be regular excursions into the hospital to get Attlee's view of the crisis when he was not well.

In February 1951, the new Health Secretary, Hilary Marquand, agreed to a ceiling of £393 million on the Health Service. This was raised the next month, to compromise with Bevan, to £400 million, and that avoided the need for prescription charges.

Gaitskell said, in his Budget, he wanted to increase old-age pensions but he could not increase the total Social Services budget – there just was not the money, he said, and he said that meant charges. He said the only alternative to charges was a cut in the hospital-building programme, which no sensible Minister would have taken. Hilary Marquand, the new Health Minister, agreed to that, so Bevan was in a difficult position because the Health Secretary accepted the charges, and Marquand said he did not think the charges did infringe the principle of a free Health Service because those who required them were normally at work, in a good state of general health, and it was a different matter to impose charges on people who are sick. So, false teeth and spectacles, he said, were ancillary services, not crucial to the concept of a free NHS, and made it difficult for Bevan.

Gaitskell secured Cabinet support for his proposals, Bevan reserving his position and Harold Wilson also reserved his position. Bevan said he was opposed to many things in the Government: he was opposed to re-armament, he was opposed to the ceiling, but prepared to accept them on the basis of Cabinet responsibility, to accept collective solidarity. But charges were a resigning matter. He said the charges were not to pay for pensions or hospital-building but for a re-armament programme which could not be carried out. He was not opposed to re-armament in principle, and he accepted the scale was a matter of political judgement, that other people could take a different view, so that was not a resigning matter, but charges were a matter of principle. Now, in a speech to a rowdy audience of dockers – he was Minister of Labour and he was being attacked for the fact that wage claims were being resisted – at Bermondsey on the 3rd April, he spoke, I think an unplanned emotional outburst, he said, "I will never be a member of a Government which makes charges on the National Health Service [to] a patient," seemingly categorical, but left the loophole "Would part-payment for charges on teeth and spectacles be a charge on the patient?" Were people who needed false teeth and spectacles really patients?

Bevan suggested various compromises: to delay introduction of charges for six months, by which time it would be clear whether the programme was realistic, or to keep the ceiling of £400 million but to see whether it could be achieved without charges. Gaitskell said this would give no assurance that necessary savings would be achieved, and other Ministers said the Cabinet Committee had considered already all practical alternatives and found the £400 million could not be achieved without charges.

Now, Wilson and Bevan then went to see Attlee in hospital. The doctors who were treating Attlee said he should be spared worry. It is difficult to imagine anything less likely to spare him worry than a visit by Bevan and Wilson in hospital. Attlee said there must be give and take in budgets – no one can say any particular estimate is sacrosanct. Unusual for a Minister to resign on a budget – only one he could remember was Randolph Churchill in 1886, and his political career never recovered. He said, "You must think of the movement, not yourself. Crisis at this moment is sheer, stark folly. Electoral conditions, Party divided, smashed. Voters would say we cannot govern. Tories in for 10 years. Bevan would have done it. We must stand by Chancellor of the Exchequer, as Cabinet [decided] with PM in the chair."

Attlee then told Morrison, who visited him in hospital; there was a danger of a split, that after such a debacle, the Conservatives might remain in office for a long period – he said 10 years. He underestimated that by three years.

Gaitskell had another supporter when he spoke to the King about his Budget at Windsor Castle. He was invited to stay, as I gather Chancellors are before the Budget, to discuss it with the King, King George VI, and stay overnight, and the King first asked whether his Budget would really be too awful, and Gaitskell's wife said, "I don't think so – Hugh is very right-wing, you know," which the King found surprising. The King actually rather got on well with Aneurin Bevan because both had surmounted a difficult stammer – he rather liked Aneurin Bevan. But on this issue, he said to Gaitskell: "He must be mad to resign over a thing like that. I really don't see why people should have false teeth free, any more than they have shoes free," waving his feet at me as he said it.

Gaitskell had another supporter, perhaps more surprising, who was Tony Benn. Now, Tony Benn had been returned as a new MP at a by-election in Bristol in 1950, and he wrote in his Diary: "On the question of principle of a free Health Service, it is nonsense. This is not a matter of principle but, on the contrary, it is a practical matter. There is only one test we can apply and it is an overall one: with what we have and can get by way of revenue, how can we lay it to the best advantage of those who need it most?" So he supported Gaitskell.

Now, when Gaitskell announced his Budget, he first announced an increase in pensions, but that was almost the only good news because he said he had to make drastic changes because of the re-armament programme. He said half the cost would come from economies and half from increased taxation, and indeed the main theme of the Budget was increased taxation, but redistributive, in profits' tax, purchase tax on a huge range of goods, petrol tax, income tax, up sixpence, and the charges, which he said would raise 13 million for the rest of the financial year and 23 million the full-year. He said children would be exempt and also expectant and nursing mothers and the sick, and those in hardship would be reimbursed from national assistance. Gaitskell rather

added fuel to the flames by saying, even if he had the 23 million, he would use it not for the Health Service but for family allowances and old-age pensions.

When Attlee heard all this, he said to Gaitskell, "Well, we shall not get many votes out of this."

The Times commented, you may think rather typically: "Mr Gaitskell seems to have resisted most of the temptations which beset a socialist Chancellor of the Exchequer."

But it is fair to say that Gaitskell did resist drastic cuts in the social services, which some Conservatives were calling for, and the main fiscal burden of re-armament would fall on the better-off. His Budget speech was well-argued and popular and won great plaudits. One Conservative newspaper said: "He rose a comparative tyro and sat down an acknowledged star."

Bevan resigned, and in his resignation letter, he said: "The Budget, in my view, is wrongly conceived, in that it fails to apportion fairly the burdens of expenditure as between different social classes. It is wrong because it is based on a scale of military expenditure in the coming year which is physically unattainable without grave extravagance in spending. It is wrong because it is the beginning of the destruction of the social services in which Labour has taken a special pride and which were giving Britain the moral leadership of the world."

He made a resignation statement in Parliament. It was preceding, ironically, by a Parliamentary question from a Welsh Labour MP, later to become Speaker, George Thomas, about the dangers of straying sheep in South Wales.

Now, most of the resignation statement was concerned with defence spending, in which he said the economy could not sustain so rapid an expansion of defence spending because the raw materials, machines, tools and components would not be available, so the assumptions in the Budget were mistaken, but he said, even if it was possible – and this was his second point – it was undesirable because it was a threat to the social services, and particular the Health Service, and it was unnecessary to do that. He said, by undermining these services, the West would actually be weakened in the Cold War and not strengthened, so it was a protest against the Budget as a whole, not just National Health charges. "We have allowed ourselves to be dragged too far," he said, "behind the wheels of American diplomacy." He said, "Once you abandon the principle of a free Health Service, what is to be squeezed out next year? Where do you stop? The Health Service will be like Lovinia, the lips cut off and eventually her tongue cut out too." That was a reference to Shakespeare's play Titus Andronicus, for Bevan was a very well-read Shakespearean, and I suspect most Tory MPs did not get the allusion, but it was an allusion to Shakespeare.

Bevan rather discredited himself in the resignation statement by making a personal attack on Gaitskell and that was thought to be bad-form because you cannot reply to a personal statement in a Commons' resignation statement, and it was a poor and misjudged speech which lost him sympathy and ill-tempered and brought out personal resentment of Gaitskell. Things were much worse when he spoke later to a Parliamentary Labour Party meeting, when he spoke endlessly of "my Health Service".

Tony Benn wrote in his Diary: "He shook with rage and screamed, shaking and pointing and pivoting his body back and forth on his heels. His hair came down, his eyes blazed, and I thought he would either hit someone or collapse with a fit. The megalomania and neurosis and hatred and jealousy astounded us all."

Chuter Ede, the Home Secretary, said it reminded him of Moseley.

Now, it is fair to say that probably the main reason for the resignation was that Bevan was getting out of sympathy with colleagues. Labour, with its narrow majority, thought it could no longer advance socialism, it had nothing to gain by remaining in office, and perhaps opposition would be better, and he himself certainly felt he could serve the cause better out of office, to advocate socialist solutions. He had said, in Cabinet, that Cabinet had taken many decisions which he had not wholly approved, but when it became clear that these represented the preponderant view in the Cabinet, he had been prepared to take his share of responsibility for them, but lately he had come to feel that he could bring more influence to bear on Government policies from outside the Cabinet than he could ever hope to exercise within it, and when a Minister reached that position, it was time for him to go.

Harold Wilson made a much more successful speech, which gained him much plaudit. He said the re-armament programme was not practical, that it would disrupt the economy and threatens the social services. He said that Gaitskell had erected a technical detail into a point of principle.

Nevertheless, the majority in the Labour Party favoured the charges. However, as it happened, Bevan and Wilson were proved right: the re-armament programme could not be carried out. The necessary raw materials and machine tools, as they'd said, were not available, and the costs of those that were available were so high that Britain ran into balance of payments difficulties. The programme was scaled down by the Conservative Government after 1951, down from £4,700 million to £4,279 million, and only £3,378 million of that was actually spent. Churchill said, perhaps rather churlishly, about Bevan that he had "happened" to be right, and he said, "I was giving the Right Honourable Gentleman an honourable mention for having, it appears by accident, perhaps not for the best of motives, happened to be right."

Gaitskell's argument was that, even if the programme cannot be carried out, and he was perfectly well-aware that he might not be able to carry it out, Britain had to be seen to make the effort, to tell the Americans we were pulling our weight. The difficulty with this argument was that a phantom programme meant real sacrifices in public spending which the left opposed.

The committee which the Conservatives set up, which reported on the Health Service in 1955, said that the charges brought in so little money they were not worth it. It said that: "Any charge that there is widespread in the Health Service, whether in respect of the spending in money or the use of manpower is not borne out by our evidence." They said there was little room for reducing spending in the Health Service and that, on some matters, like hospital capital spending, even more should be spent. It said, on charges, "No convincing case has been made out for the imposition of new charges," and that, on existing charges, "High priority should be given to modifying them as soon as other conditions permit, so as to remove the deterrent effect in cases of real need." And they said that the country would not be in a position to provide a fully comprehensive Health Service in the foreseeable future, whether it was provided free or otherwise, unless much more was spent on it.

Now, of course, all this was bound up with the leadership question, and some argued that Gaitskell was deliberately trying to ruin a leadership rival - he knew that the charges were a resigning matter - and if Gaitskell could defeat Bevan, he would be in a strong position to become Leader of the Labour Party, as indeed he did when Attlee retired in 1955.

There are partisans on both sides of the debate, and Attlee rather blamed Morrison, as a right-wing Deputy Prime Minister, for losing him two Ministers, but my own view, for what it is worth, is that Attlee himself was largely to blame. Firstly, he did not promote Bevan, which Bevan was entitled to, and secondly, he should have told Gaitskell at an early stage that whatever the pros and cons of charges, they could not be introduced by a Government with a majority of just six, and he should have told Gaitskell not to be silly. This was a new young Chancellor who was not going to resign, and a matter raising such an issue of principle should not be raised with a Government with a majority of six. Instead, Attlee allowed both sides to take up entrenched positions from which they would not move, and I think Attlee, who was for a long time under-estimated, is perhaps now overestimated. First, he was not a good chooser of Ministers, and he did not handle Bevan well, and he left him restless and under-occupied, while conferring the general sense of a Government of old men, staggering on without initiative or imagination. Bevan was by far the best debater in the Commons, and his seniority and abilities deserved promotion, and I think Attlee failed to give a lead to avoid the crisis. He waited until people had taken up entrenched positions.

I want to conclude by talking about the consequences, first for the Labour Party, and second for the Health Service.

For the first time since the War, after Bevan's resignation, the left had someone who could plausibly be seen as a Leader - Bevan, and Attlee wrote to his brother, "We are in for a good deal of bother with Nye Bevan, too much ego in his cosmos..." and there was this great self-belief and tremendous emotional outburst, which Bevan appreciated - he appreciated he was volatile. At a Young Socialists' Conference shortly afterwards, a Young Socialist speaker was reduced to tears because the loud-speaker failed and he could not be heard, and Bevan reassured him and said, "I would say to my young friend, do not worry that the loudspeaker failed. If it had only failed more often when I was speaking, I would not be in the difficulties I am in now!"

The Government limped on until October 1951, when Attlee went to the country, and Labour did much better than expected. People had assumed the Tories would win a large majority - they did not. At the time of the resignation, the Conservatives were 12% ahead in the opinion polls. Now, Labour actually gained more votes than the Conservatives, but they lost the Election. The Conservatives had an overall majority of 17, just enough to go on for five years, and the Conservatives then benefited from the economic boom in the 1950s to win two more Elections, in 1955 and 1959, and this raises the interesting question: had Bevan not resigned, exposing divisions in the Party, might not Labour have won?

Tony Benn thought that. He said: "Without Gaitskell's Budget and the resignation, I doubt we'd have lost the General Election of that year." If Labour had won or if they could have held on until the better economic conditions of 1952, they almost certainly would have won. Had Labour won, they would have been the beneficiaries of the long boom of the 1950s, and they would have been able to establish what Bevan wanted, a social democratic state, perhaps like that of the Scandinavian countries. As it was, the crisis seemed to show that Labour was the party of economic crisis and muddle, and because the economy improved under the Conservatives, they gained a reputation of economic competence which may not have been wholly deserved.

Then the effect on personalities... The conflict made Hugh Gaitskell. The Evening Standard said: "The Chancellor made a speech so pleasing and so masterly, it is clear he is a new force in politics." He became Leader in 1955, and is the only Labour Leader before Jeremy Corbyn to be elected with an overall majority on the first ballot. At that time, I should say, only MPs voted, and Gaitskell got 157 votes, Bevan got 70, and Herbert Morrison, who was a spent force by now, just 40.

Attlee, and ironically also Gaitskell, had predicted that Bevan would be the Leader. Indeed, in the late-1940s, Attlee said he actually favoured Bevan as his successor, which makes all the more inexplicable his failure to promote him. But Bevan threw the leadership away with what seemed volatile and self-centred behaviour after

his resignation.

Ironically, after Gaitskell's death, his widow said: "You know, I never really believed that Hugh was the natural Leader of the Labour Party. The really natural Leader was Nye. He ought to have been Leader, not Hugh, but Nye threw away his chance. It wasn't Hugh who should have led the Party, it was Nye."

But neither Gaitskell nor Bevan were ever to hold office again, and both died prematurely, Bevan in 1960 and Gaitskell in 1963.

The Labour Party I think could ill-afford to lose either. To lose both was a major tragedy for the Party certainly and arguably to the country as well, and perhaps one of them would have been the great peacetime leader that Britain was seeking in the post-War years. Arguably, they had complementary qualities, and the Party and the country needed both; instead, the country got neither. The real beneficiary turned out to be Harold Wilson, who had no popular constituency before his resignation, who was almost unknown in the country, and now he appeared a man of the left, and the left became his Praetorian guard, and he was elected Labour Leader on Gaitskell's death in 1963, became Prime Minister in 1964, and again in 1974. Neither Gaitskell nor Wilson were thought of as leaders before 1951.

Bevan's resignation began a civil war which lasted throughout the 1950s. Gaitskell said, "It is really a fight for the soul of the Labour Party." He said, "I am afraid that if Bevan wins, we shall be out of power for years and years." The Party was in fact out of power, though Bevan didn't win, and almost certainly one of the reasons why it lost the Elections of 1955 and 1959 was in-fighting, that Labour wasted its time then, as they have often since, fighting with each other rather than the Conservatives, and it reflected something wrong with the Labour Party. Where was it going? Attlee seemed to offer no vision or inspiration, only a few ad hoc proposals. Labour needed a new philosophy. Gaitskell no doubt was a good economist, but wasn't something more needed, a programme of radical reform for a party of left, inspiration and vision? Could that be supplied by Bevan or was his particular socialist vision now outdated? This was a problem that had bedevilled Labour for many years, perhaps until Tony Blair's New Labour, perhaps still not resolved. So, these large consequences for the Labour Party followed from the seemingly trivial argument about false teeth and spectacles.

Now, the problem for the Health Service shown up in 1951 is unlimited demand but limited funding, masked to some extent in the immediate post-War period because the person on average income paid much less income tax than now, so there was less resistance to higher taxation. Perhaps also there was a stronger collective feeling, a feeling of collective solidarity, and Nye Bevan said the rich ought to be very grateful to be asked to contribute to the Health Service, to help those less well-off than themselves, which isn't something I think politicians could say now.

A recent report by the Commonwealth Fund has said that the National Health Service is the world's best health system if you use the criteria of equity, safety and access, but it is less good in terms of outcomes for patients. It is second-bottom on the systems it studied on mortality amenable to healthcare - that is keeping people alive.

Today, by contrast with 1951, when Gaitskell raised direct taxation, the major parties believe voters will not support higher direct taxation, and Labour has believed this since 1992, when it was defeated after proposing higher taxes to pay for the Health Service.

Bevan said the Service must be funded from taxation, from no other source, neither insurance nor privately, part of his socialist philosophy, and his rather idealistic view was that socialism would create a new sense of moral obligation in society to replace the obligation of acquisitiveness which characterised capitalist society. In a lecture to the Fabian Society in 1950, he shocked people by calling for "a new kind of authoritarian society", and, after the gasps, he said, "a society in which the authority of moral purpose is freely undertaken".

In the late-1950s, Bevan I think realised this was not happening. The lure of consumer goods and immediate satisfaction was too strong. He had called the affluent society a meretricious society and said of the working class to a friend in 1959: "History gave them their chance and they didn't take it. Now, it is probably too late." If you think he had a false view of human nature, too idealistic perhaps, is the conception of the Health Service based on that view still viable, or did he too turn a principle into a dogma, a religion even?

Nigel Lawson, the Conservative Chancellor, said in his memoirs written in 1993: "The Health Service is the closest thing the English have to a religion, with those who practise in it regarding themselves as a priesthood. This made it quite extraordinarily difficult to reform." And because so high of a proportion comes from the State, it is very difficult to reform.

The Financial Times, in a very interesting article last Friday, said that when the Health Service was founded, the largest expenditure came from single episodes of infectious disease. Now, it is problems of an aging population and long-term illnesses caused by poor lifestyles, and that diabetes now consumes 10% of the Health Service annual budget of £116 billion.

Bevan's hope that the public would feel a sense of obligation to keep their health in order is not fully realised, and many people did not clearly take enough care of their health - obesity, alcoholism, and so on.

It has been said the Health Service faces a funding gap of £30 billion a year by 2020. Where is it to get the money?

Some would say that Bevan's idea of a free Health Service based solely on taxation has actually restricted spending on the Health Service by making it illegitimate to seek other sources of revenue when people will not pay higher taxation, but Gaitskell was also mistaken, that user charges have been shown to be counterproductive, that they raise comparatively little revenue since they deter people from seeking care early on, so perhaps may not save much money and may worsen health outcomes. Some argue the social health insurance systems of the Netherlands, Germany and Switzerland do better – not the American system of private insurance but the compulsory insurance system on the Continent, a continuation in some ways of the Lloyd George system in Britain of 1911, though there are, it is fair to say, indications that Lloyd George thought his system was but a preliminary to the Bevan system of free healthcare, which I think he would have favoured. Social insurance, some people say, replaces political direction and a centralised service with greater choice for patients. At present, only the rich have that choice: they can opt-out of the National Health Service. With social insurance, the public become purchasers of healthcare, so providers become more responsive to patients. It would be the end to the nationalised provision which Aneurin Bevan favoured.

But defenders of the system say it has actually adapted very well. It has been able to cope with new medicines, antibiotics, ultrasound, hip and knee replacement, treatment for HIV, radical new treatments for heart disease and various cancers. Defenders say we can continue to afford the system of free healthcare developed by Bevan and that is the right answer.

So, this is a live debate on which you, as members of the audience, will have different views, but I hope you'll agree that this debate began in 1951 and is still resonant today, this debate which began on what seemed a trivial issue of whether one could charge users for half the cost of false teeth and spectacles.

Thank you.

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