

Tullett Prebon Research, a blog by Dr Tim Morgan

Who benefits?

by Tim Morgan on September 18, 2012

Who does benefit from benefits?

This question, prompted by today's discussion about linking benefit rates to earnings, surely needs to be posed anyway, at a time when government cannot afford much in the way of capital investment even though the state is already spending far more than the country can afford.

To frame this debate, we need to look at the £696bn which government spent last year. This sum includes interest of £47bn on past borrowings. Of the remaining £649bn, the direct provision of services such as health and education absorbed £341bn (53%), whilst £308bn was transferred by government to various groups of people. A big chunk of this goes to pensioners, so government is never going to get to grips with public spending unless it can bring the working-age benefits bill under control.

Where benefits are concerned, the national capacity for self-delusion is remarkable. Take, for example, child benefit. This, you might reasonably assume, benefits children, and this would be very good thing – if only it were true.

But the reality is that recipients can, as far as the state is concerned, spend it on whatever they like, because nothing is done to ensure that any of it is actually spent on children. If so minded, people can blow the lot on fags and booze. The same goes for lone parent benefits – incredibly, nothing whatsoever is done to ensure that any of this money is actually spent on the needs of children.

The Australian government's Department of Human Services is pioneering a new approach (not that this has been reported in the British media, so far as I know).

The Australian authorities recognise that some claimants – sorry, “customers” – need help managing their money, and are trialling something known as the BasicsCard. Instead of money, some claimants are offered a smart card which they can use at participating shops and other businesses. Users can charge almost anything to this card, with the exception of tobacco, alcohol, gambling or pornography. (I assume that it can't be used at the pub or the racecourse either).

There have been the predictable howls of anguish about this, even though the BasicsCard is entirely voluntary, not compulsory. If such a scheme were extended, could it deliver the essential safety net that a civilised society should provide, whilst making purchases such as tobacco, pornography and so on the preserve of people who work?

More interesting to me, though, is the possibility that such cards could be used to hypothecate certain benefits. For example, if we replaced child benefit with a ChildCard, the benefit could only be spent on goods and services for children.

I realise that compelling people to spend child benefits on children might be a much too radical idea. But it does seem well worth considering.