Welfare and Moral Economy

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Abstract

The paper offers a wide-angle view of ethics and welfare through the lens of 'moral economy'. It examines economic activities in relation to a view of welfare as well-being, and to ethics in terms of economic justice. Rather than draw upon abstract ideal theories such as Rawlsian or Capabilities approaches, it calls for an evaluation of actually-existing sources of harm and benefit in neoliberal capitalism. It argues that we need to look behind economic outcomes in terms of how much money different people have, to their economic relations to others, and evaluate the justifications of these relations and their associated rights and practices. It distinguishes three sources of income – earned income, transfers, and unearned income, and argues that the last of these has no functional or ethical justification but has major implications for welfare. It then comments on the policy implications of the argument, including brief comments on asset-based welfare and universal basic income policies, and concludes.

Keywords
Moral economy welfare ethics unearned income neoliberalism

Introduction

In this paper I want to offer a wide-angle view of ethics and welfare through the lens of 'moral economy'. It's also an outsider's view: I'm not a specialist welfare researcher, but someone with interests in bringing political economy together with concerns regarding well-being and justice. I propose to look at economic activities as a whole in relation to a broader view of welfare as well-being, and to ethics in terms of economic justice. To do this we need to look behind economic outcomes in terms of how much money different people have, and examine their economic relations with others.

It's common to discuss ethics and welfare in relation to the welfare state and its range of policies, taking the greater part of the economy as a given. Often this restricts us to considering how to act ethically in an unfair world, indeed in situations where it is often difficult to intervene in ways that are more than merely palliative. It tends to encourage a non-relational view of inequality, in which various kinds of interdependence between poverty and disadvantage and wealth and advantage are ignored, and attention is focused overwhelmingly on the former; as Tony Blair famously said, the rich – or 'the successful' as he called
them – were ‘not my concern’. Rather than take the wider economy as given, I suggest we need to ask whether the particular interdependencies it constructs among people are fair, and hence whether the various sources of income associated with them are warranted or legitimate, in the first place.

Further, rather than just talk in generalities of ‘market society’, we need to take the changing political economic context into account. The rise of neoliberalism and its attempt to shrink the welfare state have been accompanied by shifts in the balance of power in relations between employers and employees, lenders and borrowers, landlords and tenants, and the state and citizens. It has not merely supported markets and privatisation, and weakened labour relative to capital, but has fostered the growth of unearned income based on control of assets and hence the expansion of rentier capitalism, all of which have major implications for welfare (Epstein, 2005; Hudson, 2012; Sayer, 2014; Standing, 2016). Neoliberalism has been associated with wider economic changes that began long before the 2007 crash and the era of austerity policies. In a large number of industrialized countries, workers have received a declining proportion of gains from productivity increases for 15-30 years, and in many the share of income going to the top 1% has increased (Glyn, 2009; Peters, 2010; Kristal, 2010; UNCTAD (2012); ILO (2008); IMF (2007); OECD (2011). In the US, wages have stagnated for 30 years while the rich made huge gains (Piketty, 2014; Sayer, 2014). In the UK the top 1% went from receiving less than 7% of national income in the 1970s to 12.7% by 2012 (World Top Incomes Database, 2017). Most of this increase occurred at the very top of the 1%, in the top 0.1%. Consequently there has been an extraordinary concentration of wealth at the top: the combined wealth of the richest 1000 UK citizens grew from £98 billion in 1997 to £658 billion in 2017 (Sunday Times Rich List, 2017), a sum that could fund the NHS in the UK for 4.7 years, or the state pension bill for 4.2 years; dividing it by the UK’s population of 65 million, would give each individual over £10,100 each.2

I therefore propose that it would be useful to go back to basics in thinking about welfare, and to consider the rich as well as the poor. Inequality is not just about differences between people or groups, but the relations between them, and some of these are fundamentally unjust. I shall begin with some preliminary comments on the meanings of ‘welfare’, then introduce ‘moral economy’ as an approach for considering ethics and welfare in relation to economic matters. Next I distinguish three different sources of income: earned income, transfers, and unearned income, each associated with different kinds of economic relation between people. This is followed by a discussion of the implications of unearned income in its many forms, and how its expansion creates unfair forms of dependence that benefit the rich and worsen the problems dealt with by the welfare state. I then discuss two kinds of policies that have been introduced or at least


2 http://www.ukpublicspending.co.uk/central_spending_2017UKbs
advocated in recent years: asset-based income and a universal basic income, and conclude.

**Contested meanings of welfare**

With the shift from broadly social democratic regimes to neoliberalism, the meanings of ‘welfare’ have changed notably in recent decades. In Western Europe, under the influence of social democratic policies, ‘welfare’ has been associated with the welfare *state*, seen as a set of institutions and policies that protect society from the more harmful effects of the workings of a capitalist economy and pool risk. In its heyday it was seen positively as a universal system, benefitting all. Although ‘welfare’ was and is often also used as a synonym for well-being, the creation of the welfare state gave the word strong institutional associations, and this is evident in the topics typically covered by much academic research on welfare. By contrast, neoliberalism redefines welfare pejoratively, as a parasitic form of ‘dependency’ of an undeserving minority on the majority, and as either malign or at best a necessary but hopefully temporary evil (e.g. Murray, 1990/96, and Dennis, 2000). This usage has long been common in the United States, but with the spread of neoliberalism it has become increasingly evident in Western Europe too. It is signalled most clearly by the framing of welfare as something certain people are ‘on’. It typically ignores pensions, state education, social housing and public health that constitute the majority of spending in the welfare state, and which often benefit the middle classes the most. It overlooks the intergenerational nature of most welfare transfers and focuses instead on the relatively small proportion of state spending on the poor and particularly the unemployed, grossly exaggerating their numbers and the payments they receive (Hills, 2015).

I expect that many readers will object to the neoliberal (mis)representation of welfare, but I would argue that the first definition isn’t wide enough either, because it encourages us to accept a division between a welfare state which we can deliberate about and change, and a wider economy which we simply have to take as a given. I suggest that we should contest both the neoliberal and social democratic framings of welfare, and go back to the usage - originating in the 14th century - of welfare as happiness, prosperity, and well-being, where these denote not so much subjective states as objective circumstances in which people can flourish.

This chimes with the Capabilities Approach, pioneered by Amartya Sen (1999) and Martha Nussbaum (2011), which goes beyond a narrow concern with economic distribution to focus on assessing the freedom of individuals to have, be and do the things which are necessary for flourishing; for example, being able to control one’s body and be free from violence, being able to participate in the social life of the community on a par with others, being able to live a life of normal length. As such it offers a useful way of thinking about welfare in the broadest sense and one that is informed by ethical theory.
While the Capabilities Approach is an important advance on narrowly economistic approaches to welfare, it has two major limitations (Sayer, 2012). While it’s right to take well-being rather than income as its focus on the grounds that the former is more than just an economic matter, and money, unlike well-being, is just a means to an end, sidelining income allows it to ignore what is often the most important influence on well-being, and politically the most contentious.³ Second, on its own, as an abstract, normative theory of what would be good, it is largely silent on the concrete social structures and processes that actually deny many people capabilities. For both these reasons, politicians can therefore endorse the approach as a good thing, without having to address economic issues and welfare-obstructing practices. In other words, it threatens little: it is politically safe.

At the same time, the majority of positive (descriptive and explanatory) analyses of economy and society conducted by social scientists have little regard for normative issues of well-being, indeed, for many researchers this is a point of principle, for they believe that addressing them would compromise their objectivity (Sayer, 2011). The modern academic division of labour has created a situation in which normative theorists are ghettoised in political theory and moral philosophy, and feel they don’t need to know much about social science, while economists, political scientists and sociologists and others show little interest in normative thought, often seeing it as ‘merely subjective’. If we are to give ideas about welfare and ethics some bite, we need to examine and assess how actually-existing social structures and processes work, and not just in the spheres with which the welfare state is associated.

Moral economy

When we consider normative ideas about economy and polity, it’s common to turn to political theory. This subject is dominated by ‘ideal theory’ – such as Rawls’ A Theory of Justice - which deliberates on the features of an ideal, just society, and makes little reference to actually-existing institutions and practices (Rawls, 1971). In concentrating on the nature of justice and what is good in the abstract, this approach rarely discusses actual instances of injustice, harm and evil and what produces them, for the bad is treated by default simply as the absence of the good.⁴ In so doing, like the Capabilities Approach, it creates a space for a discourse of economic justice that ignores common, indeed endemic, forms of injustice and social problems in our society.

By contrast, moral economy, as I define it, is primarily a subject that analyses and assesses the fairness and justifications of actually-existing economic relations and practices. It is the study and evaluation of economic matters from a moral

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³ A similar argument is made by the Child Poverty Action Group
http://www.cpag.org.uk/content/measuring-poverty
⁴ However, interpretations of Rawls that emphasize the need for a property-owning democracy that equalizes the ownership of assets and human capital, and identify the problems caused by its absence, come closer to the argument of this paper (Rawls, 2001; O’Neill and Williamson, 2012.)
point of view, and therefore appropriate for those interested in ethics and social welfare. As such, its scope is similar to that of the moral philosophers or classical political economists like Smith, Ricardo and Mill, who were writing in the 18th and 19th centuries, before the birth of neoclassical economics.\(^5\)

The foundational principles of moral economy can be summarised thus:

1. Economies are social systems of *provisioning*; that is, they provide the wherewithal for people to live, and perhaps to flourish.

2. We are social animals. This means not merely that we happen to live together or have divisions of labour, but that we are psychologically, socially and economically *dependent* on others. For significant parts of our lives we are unable to provide for ourselves and need the care and support of others. The model of the free-standing, purely self-interested, adult, rational economic ‘man’ is a dangerously misleading fiction. All economies involve social relations between people; for example, provider-user; buyer-seller; employer-employee; lender-borrower; landlord-tenant; donor-recipient; carer-cared for\(^6\); state-citizen. Glossing all these simply as exchange relations obscures differences between them that are important both functionally for the working of the economy, and ethically.

3. All economies depend on their relations to nature – a fact we ignore at our peril. In this context, we have to face up to the fact that the idea of unending economic growth in a finite planet is an absurdity. In rich countries we have to plan for zero growth and a levelling off of consumption levels.

4. All economies are moral economies in the sense that they all have rules about what is claimed to be justifiable as regards who should do, get, or control, what. Here, property relations are particularly important. While moral economy is primarily concerned with these justifications it can also examine moral influences on, and moral consequences of, economic practices.

It is common to think of the economy as a system that produces goods and services and supports and rewards people in various ways - according to what they contribute, how hard they work, how clever they are, and perhaps according to some degree of luck. This allows us to overlook the interdependent social relations highlighted in point 2 above. Many of these relations are decidedly unequal, and many of them allow the strong to take advantage of the weak, in fact, no-one ever got rich or poor outside these kinds of relations. While it’s understandable that welfare researchers tend to focus on the poor and the disadvantaged, to understand why they are in that situation we need to look at these relationships, and take note of those who have gained through them as

\(^5\) There are many other versions of ‘moral economy’ of varying scope. For reviews of these see Arnold (2001), Booth (1994), Gotz (2015) and Sandberg (2015).

\(^6\) Care is partly a matter of provisioning, though also obviously more than that; but in any case, carers need economic support.
well as those who have lost. Later, I shall therefore be looking at the relationships through which the rich acquire their wealth.

Not just neoliberalism, but most liberal thinking in political and economic thought fails to understand that as social beings we are unavoidably – not merely contingently - dependent on others. The model of ‘rational economic man’ assumes that the standard individual is an independent, implicitly male adult, free to decide on his own projects without interference from others. Ethics and morality, on this view, are matters of the relations between individuals regarded as strangers. By implication, dependence on others is seen as problematic. But as feminist researchers have pointed out, dependence is in important cases unavoidable, and it can be good (as in having good parents) or bad (Fraser and Gordon, 1994; Morris, 2016). This is most obvious when we are young, when dependence on carers is essential for our survival, but it can recur in later life, whether through illness, disability or frailty in old age. Dependence on others for care is not an abnormal state of marginal significance for economics, but a universal of human life; it should therefore be central to both positive and normative analysis of economic matters. The ethic of care, also originating from feminism - and, I would argue, the most important development in ethics for many decades - has to be central to considerations of welfare in the sense of flourishing (Tronto, 1994; Sevenhuijzen, 1998; Held, 2006). But there are other forms of dependence that are indeed problematic and allow the strong to take advantage of the weak. We need to consider the full range. As we shall see, unjustifiable economic dependence is indeed rampant in our society, but it’s to be found mainly towards the top of the wealth distribution. I shall be arguing that charges of ‘welfare dependency’ and the ‘something-for-nothing culture’ apply most clearly to the rich.

Three sources of income

Where economic matters are concerned, we can distinguish three forms of dependence, two of them defensible, one not. These are distinguishable both in terms of their functions in the economy, and in terms of their moral economic rationales. The differences are crucial for thinking about the ethics of welfare.

1. Earned income. This is income received by waged or self-employed workers for producing goods and services, whether in the private, public or third sectors. I don’t mean to suggest that the size of their pay exactly reflects what they deserve, just that their pay is at least conditional on contributing to the provision of goods and services that others can use. The relation between what we might think people deserve for their work - however we might want to measure that - and the amount of pay they actually get is pretty loose. Nevertheless, their income is earned in the sense that it’s work-based, and the goods or services they help to produce and deliver have use-value, such as the nutritious and tasty quality of a meal, or the educational benefits of a maths lesson. So there are two

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7 Although these forms of income are mostly paid in money they can be and sometimes are paid in kind.
criteria here: earned income is dependent not just on working, but on work that contributes directly or indirectly to producing use-values. Some earned income is deferred. National insurance contributions paid by employees out of their earnings provide for a state pension in retirement and certain other benefits.

2. Transfers Income in the form of transfers is freely given to their recipients, usually on the grounds that they cannot be expected to work to earn it. Children, the elderly and sick and those unable to do paid work may receive transfers, whether provided privately by families or via the state. Although they do not normally have to provide anything in return, transfers are generally deemed to be warranted on the basis of need, though of course love usually comes into it within families. In the UK 77% of state-administered transfer payments are inter-generational, and only 23% ‘Robin Hood’ transfers, as John Hills calls them (Hills, 2014).

While some people may be public-spirited enough to be willing to pay taxes to fund transfers that they may personally never need, because it’s good for others and part of what a civilized society should have, there is usually and quite reasonably an element of self-interest in it too, as a safeguard against unpredictable misfortunes in the future. Self-interest and what is in the general interest are not always opposed, indeed sometimes they’re complementary, and vulnerability is part of the human condition. Hence, pooling those risks and sharing in the construction of a safety-net are a matter of prudence too. Defining certain transfers as a matter of rights is preferable to defining them as gifts, for rights are obligatory, while gifts are discretionary and tend to position the recipient as deficient. Of course, just how far transfers should extend is a common topic of debate in politics, and payments to those out of work have been particularly contested of late. Neoliberalism treats being in employment as the only acceptable status for adults, and responsibilizes the unemployed for finding work regardless of whether there are shortages of jobs with reasonable pay and conditions, and with little regard for responsibilities those not in employment may have to provide care.

3. Unearned income. This is very different from earned income or transfers, for it is extracted by those who control an already-existing asset, such as land or buildings or equipment, that others lack but need or want, and who can therefore be charged for its use. The recipients of this unearned income can get it regardless of whether they are capable of working and hence of earning an income, and regardless of whether those who have to pay consider it fair. If the asset, say a house, already exists, then once costs of production and maintenance have been paid for, any income is something for nothing. Those who receive unearned income from existing assets do so not because they are in any sense ‘deserving’ – they have not contributed anything that did not previously exist –

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8 Under neoliberalism, an increasing degree of conditionality has been attached to many transfers, usually requiring the recipients to seek training and employment, regardless of the availability of such employment.

9 It should be noted that in being based on need, transfers differ radically from private insurance, access to which is based on ability to pay and the private provider’s calculation of risk.
or because they are judged by others as needy and unable to provide for themselves, but because they can. Their power derives from the unequal ownership and control of key assets. As any get-rich book or video will advise, the most common way to become rich is to acquire assets that yield ‘passive income’ – a euphemism for unearned income. In political economy, those who rely on this are referred to as rentiers. This term and the distinction between earned and unearned income are old, going back to classical political economy of Smith, Ricardo, Mill, and Marx and later authors such as Hobson, Ruskin, Tawney, and Henry George. But by the 1980s, when unearned income had started to make a comeback, the distinction had conveniently been all but forgotten.

These three forms of income are based on different kinds of social, economic relation, each having different functional and ethical implications. Of course, it is not unusual for individuals to have more than one of these sources of income. Workers with spare cash could supplement their earned income with some unearned income by acquiring a second house to rent out. In the case of pensions, several kinds of economic relation may be involved. State pensions are transfers, though insofar as they are based on past earnings, they are not simply related to need, but contribution-based. Workplace and private pensions are a mixture of savings (deferred earned income), income from real investment, and unearned income based on ownership of shares, bonds, and speculation in financial markets by pension funds, all of which have regressive effects on inequality.

**Varieties of unearned income and their implications.**

We can consolidate these points about unearned income by reference to a useful moral economic distinction made by J.A. Hobson in the 1930s, but also implicit in the work of R.H.Tawney (Hobson, 1937; Tawney, 1920). *Property* refers to assets that the owner holds for their use-value, for their own use, such as a house to live in, or equipment she can use to produce things with. Property can also take collective forms, as in the case of cooperatives, where equipment and buildings are used by the co-owners themselves to produce things. *Improperty*, by contrast, is held not for the owner’s own use, but as a means of extracting payments from others who lack such assets, but need or want to use them.

Given that money only has value if there are goods and services produced by others which can be bought with it, then unearned income depends on those who produce those goods and services producing more than they themselves can buy with their own wages. As John Stuart Mill said of landlords, they “grow rich in their sleep without working, risking or economising.” . . . “If some of us grow rich in our sleep, where do we think this wealth is coming from? It doesn’t materialize out of thin air. It doesn’t come without costing someone, another human being. It comes from the fruits of others’ labours, which they don’t receive.” (Mill, 1848, Bk.v, Ch. II). Or, as the neoliberal economist Milton Friedman famously said, ‘there is no such thing as a free lunch’. Note that we don’t need a labour theory of value to argue this; all we need remember is that
mere ownership produces nothing, yet in the case of ownership of improperty, it provides a source of unearned income.

The main forms of unearned income are rent, capital gains, interest, and profit from ownership of productive resources. Rent on property (over and above construction and maintenance costs) is the simplest form of unearned income. Capital gains are another: for many home-owners and shareholders, these have been a significant source of unearned income. Though they are typically seen as windfalls, or perhaps as rewards for prudence, they are actually parasitic for they allow the recipient to buy goods and services from others without having contributed to the production of anything in return.

Surplus money can also function as improperty when it is lent out and yields unearned income from interest payments – money’s rent. Given that the richest are most able to lend and the poor and the rest often need to borrow, interest payments redistribute income to the top. In the UK, only the top 10% of the population (and particularly the top 1%) receive more in interest than they pay out; the other 90% pay out more than they receive (Hodgson, 2013).

Where credit is provided for real investment, that is to enable the creation of new productive capacity, including training, then interest payments might be regarded as a reward for this wealth creation, and for bearing the risk involved, and hence arguably as a form of earned income. But over 80% of bank lending in the UK is not of this kind, but is made simply against existing property (Turner, 2016). Such so-called investment does not enable the creation of anything, but merely assists buyers of existing buildings and provides creditors with unearned income. Here the interest paid to the creditors is a deduction from existing wealth. Further, in the property market, prices are inflated by easy credit provided in the expectation that it can be paid out of capital gains, thereby producing property bubbles. Both from a moral economic point of view, and in terms of functionality for the economy, there is a crucial difference here between real or wealth-creating investment, and ‘investment’ that merely extracts existing wealth for the investor (Sayer, 2014). This difference is elided in both mainstream economics and popular discourse, allowing the wealth-extracting kind of investor to be imagined as a benefactor of the economy.

Ownership of businesses and ownership of shares provide further sources of unearned income. Insofar as private owners of businesses contribute to the work of their organizations – typically as managers – some of their income is earned. Yet their salaries and profits reflect not just this contribution but the power that derives from ownership of improperty, in particular the power to decide how the revenue produced by the entire workforce is to be used. While shareholders are generally considered to be investors or ‘providers of capital’ in the companies in which they have shares, the vast majority of share transactions at any time are of

10 Most productive investment by private firms is funded internally from reserves, rather than from borrowing.
11 Credit can in some cases encourage productive investment indirectly by increasing purchasing power and in turn encouraging expansion of productive capacity.
existing shares, so that the money spent on buying them goes not to the firm but to the previous owner. So they are not investing in the firm, merely buying an entitlement to a stream of unearned income in the form of dividends – a form of wealth extraction - and a chance to make speculative gains through share dealing. Although ‘investors’ in financial instruments are often seen both as economic benefactors and bold risk-takers, it would be truer to describe them as Keynes did, as ‘functionless investors’ (Keynes, 1936, p.386).

There are other sources of unearned income that derive from monopoly control of other kinds of assets. Internet platforms such as Google, Facebook, and Uber, and AirBnB provide services that millions find useful, without doubt, but their network form tends to support natural monopolies that provide considerable flows of economic rent to their owners. The vast expansion of intellectual property is another way of constructing monopoly control of assets that yield rent. Asset markets in general are a major source of rent because they behave differently from markets for everyday products like bread. When the price of shares rises, it tends not to prompt an increase in the supply of shares, for this goes against the interest of share owners, indeed share buy-backs have become a common source of unearned income as a way of pushing up the price of shares. As many authors have argued, contemporary ‘financialized’ capitalism is dominated by rent-seeking (Epstein, 2005; Hudson, 2012, Sayer, 2014; Standing, 2016; Stiglitz, 2012).

Given my emphasis on unearned income and rentiers, it might be objected that most of the rich are salary earners, and therefore apparently reliant on earned income. But the working rich in the top 0.1 per cent mostly either work for rentier organisations that collect and seek rent, interest, dividends, capital and speculative gains, so they are rentiers-at-one-remove, or they control key positions where they can determine their own pay and inflate it with economic rent. This is most obvious in the financial, insurance and property sectors where many rich people work, but companies in the non-finance sector have made an increasing share of their profits in finance too by ‘investing’ in securities. In the UK in 2008, 69 per cent of the 0.1 per cent worked in finance and property, and 34 per cent were company directors. Twenty-four per cent of those in the rest of the 1 per cent were company directors too (Institute of Fiscal Studies, 2008; see also Bell, and van Reenen, 2013). In the case of executive pay, its extraordinary growth over the last 30 years reflects a shift in power from labour to capital, as organized labour has lost out to globalization and neoliberalism, and as shareholder power has grown. Some commentators wondered if this was an effect of new technology favouring higher paid workers, but as Thomas Piketty noted, if this were the case one would expect wage shares across the top 10 or 20% to have increased too (Piketty, 2014). CEO pay is geared to short-term outturns particularly with regard to delivering rising share prices, and has little relation to long-run performance.12

12 Li and Young’s research on the relation between CEO pay and value-creation in FTSE 350 companies found “a material disconnect between pay and fundamental value generation…” (Li and Young, 2016).
The role of rentier sources of income is evident in the wealth profile of so-called HENWIs (High Net Worth Individuals), that is, individuals with more than US$1 million in investable assets, excluding their primary residence, collectibles, consumables, and consumer durables. The World Wealth Report of 2015 recorded that 26% of their wealth was in cash deposits, 27% in shares, 18% in real estate, 17% in fixed income securities, and 13% in ‘alternative investments’ - hedge funds, derivatives, foreign currency, commodities and private equity. These are all major sources of unearned income.

Remembering that no-one ever got rich or poor outside of the key social relationships of the economy noted above, the flip-side of the growth of unearned income is the expansion of indebtedness, the decline of home ownership, the emergence of ‘generation rent’ and the weakening of organized labour. Since 2002, low and middle income groups have had to spend a larger proportion of their stagnating incomes on housing (Resolution Foundation, 2016). But as we noted earlier, given that individuals are involved in more than one kind of economic relation it is possible for some to gain from some relations and lose from others. For example, many older waged homeowners, outside the 1%, who bought their houses before the deregulation of mortgage credit and decline of house-building drove up prices have benefitted from capital gains from house price inflation. Where their children or grandchildren are unable to escape generation rent, many resort to individualistic solutions by funding their first house purchase; while this is understandable it does nothing to resolve the underlying problems of housing shortages and asset inflation, and of course, it favours the children of the better-off, not the most needy.

Before concluding, I want briefly to comment from a moral economic point of view on two recent developments in discussions of welfare: asset based welfare, and universal basic income.

**Asset-based welfare**

In one form, this involves providing people, especially the poor with assets that will yield an income in future. New Labour experimented with this through its Child Trust Fund, initiated in 2005 and terminated by the subsequent Coalition government. This gave parents vouchers of £250 or £500, according to income, which could be invested in a specific CTF policy managed by a bank or building society (Finlayson, 2009). In principle, these could be seen as transfers that would provide returns based on a mixture of wealth creating and wealth extracting investment. Although these returns would probably come partly from unearned income, such policies could – depending on details - have an equalising effect, instead of concentrating wealth at the top. But more important are asset-

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14 As Finlayson explains, the particular rules governing the CTF actually favoured better off families, but this could have been avoided. Some advocates of asset-based welfare favoured
based welfare policies centred on property ownership (Watson, 2009: Ronald et al, 2017). These are quintessentially neoliberal, in that they encourage members of the public to provide for their own needs by acquiring improperty – and hence sources of unearned income. Unlike transfers based on democratic approval to provide for needs, they rely on the economic power of those well-off enough to buy such assets. And the problem is not merely that it favours the well-off, but that it does so at the expense of others who are less fortunate, particularly the asset-poor. Buy-to-let housing, sometimes promoted as a source of asset-based welfare, clearly favours the better-off and the rich, and it is not generalisable to the whole of the population because it requires tenants who cannot afford to buy their own homes. From 2003-13 the wealth of landlords in the UK - an estimated 2% of the population, increased by £434bn\(^{15}\) - a striking example of the rise of rentier capitalism.

**Is Unconditional Basic Income the answer?**

Advocacy of UBI (or Citizens’ Income) is becoming more common of late, and not just from the Left (Citizens’ Income Trust; Reed and Lansley, 2016).\(^{16}\) On the face of it, it has some appealing features. By guaranteeing everyone a basic income, it provides some economic security, replaces many means-tested benefits and lowers administration costs, and moves the welfare state away from ‘pity and punishment’. Its advocates argue that it could reduce the dependence of people on employment, obliging employers to offer better pay and conditions in order to attract workers. They also claim that it could help fund carework and support other kinds of voluntary work. Much would depend on the level of payment and the amount of tax that would have to be raised to fund it. Although it resembles a transfer, it differs in that it is unrelated to need and ability to work. Hence, those in work might well object to supporting others, many of whom are capable of doing paid work; and for good reason, as UBI goes against the contributory principle implicit in the above discussion – that people should contribute what they can, and not free-ride on others’ work.\(^{17}\) Although some could use it to support voluntary work, some could do nothing. Yet contributing to provisioning is important not only for this negative reason but also because being able to contribute is an important source of well-being in itself. One of the harms of unemployment, even if cushioned by a basic income, is that people feel marginalised by not being able to make an economic contribution. For these reasons I would suggest it would be better to pursue full employment through public works and by reducing maximum working hours, and to provide generous benefits for carers. Finally, UBI, on its own does nothing to challenge rentier capitalism, so without additional policies targeting unearned income and wealth, a significant proportion of UBI payments would end up in the pockets of rentiers,

\(^{15}\) Financial Times, 17.01.14

\(^{16}\) Thanks to Chris Hart for discussions of this, disagreements notwithstanding.

\(^{17}\) However, it might be possible to fund a significant part of the costs by taxes on unearned income and wealth.
as right-wing supporters of UBI, who see it as an opportunity to shrink the public sector, are probably aware.

Conclusions and implications

Money is a claim on goods and services produced for sale by others. If we are interested in ethics and welfare, then it matters not just how much money different people have, but where our money comes from, both in terms of what is functional or efficient for the economy and in terms of what is fair. Earned income – income conditional on contributing to the provision of goods and services – cannot be the sole source of money in an economy. Insofar as everyone, for significant parts of their life, is unable to contribute to the provision of goods and services, then any economy has to provide transfers to them so they can live adequately, whether these are organised privately or publicly. But neoliberalism has expanded a third source of income that lacks any ethical justification: unearned income based on control of assets, and at the expense of the asset poor. To understand welfare, whether in terms of the welfare state and its role or in the broader terms of well-being, we need a moral economic approach that distinguishes these three sources of income and their very different economic and ethical implications.

This involves considering a bigger picture than is common in discussions of welfare, but frankly I don’t see much hope for the welfare state until not only neoliberalism, but its power base, are overcome. As I have argued elsewhere (Sayer, 2014), we live in democracies in the shadow of plutocracy, so this means challenging the economic and political power of the super-rich. And given the continued growth of global carbon emissions, I see little improvement in the well-being of future generations if we continue to assume that endless growth is possible and desirable.

The prime implication for policy of the argument is to bring about what Keynes called for: the ‘euthanasia of the rentier’, and to enlarge earned income and transfers at the expense of unearned income (Keynes, 1936, p.375). One way to do this would be to change property relations to protect private and collective property and to disallow improperty, and thus to alter the relations of ‘pre-distribution’. We could, for example, nationalise land so its use and any rent paid to the state can be brought under democratic control and used accordingly. But it would be more politically feasible to change the tax regime to target unearned income and wealth, for example through a land value tax on capital gains, through taxes on ‘earnings’ from dividends, through a progressive wealth tax, and through greater regulation and taxation of financial institutions. Rentier forms of finance could be restricted by curtailing their ability to create credit money and by creating publicly owned banks that fund productive, rather than extractive investment. Lending for consumption and purchase of assets should be secondary and more tightly regulated than now, so that it doesn’t fuel asset bubbles. And to restrict unearned income from ownership of firms we need not only to curtail shareholder power but make workers primary stakeholders in the organizations for which they work. Care work is vital for welfare and needs to be
properly funded, and disability benefits raised and freed from current cruel restrictions and conditionalities. Further changes would be needed to produce an economy that is fair and sustainable, but these are beyond the scope of this paper.

Finally, while I have emphasized moral economy’s interrogation of the justifications of basic economic relations, its interests in moral influences on and the moral consequences of economic practices, are also important for addressing the cultural basis of neoliberalism. This has involved a weakening of sentiments of solidarity and the sense of the public good, and a strengthening of individualism and the stigmatization of the poor. It is hard to imagine the rich rentier, instead of current recipients of state benefits, being seen as an example of the something-for-nothing culture, but our difficulty in doing so indicates just how far we have to go.

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