

Moral Economy, Unearned Income, and Legalized Corruption

To be published in *Neoliberalism and the Moral Economy of Fraud*, 2016, ed. by D. Whyte and J. Wiegatz, Routledge

ISBN: 9781138930377

Andrew Sayer, Lancaster University

June 2015

‘When plunder becomes a way of life for a group of men living in society, they create for themselves, in the course of time, a legal system that authorizes it and a moral code that glorifies it.’ (Frédéric Bastiat)

Introduction: Moral Economy

As French political economist Frédéric Bastiat appreciated, the origins of our contemporary economy had little to do with deliberations on what might be fair and morally justified and a lot to do with power. Yet our basic economic institutions are generally portrayed as legitimate and as accepted as such, though more as ‘facts of life’ than as rationally justified, and this acceptance is important for their continued existence. It would be a mistake to assume that because our political economic architecture is largely a product of power that there is no point in considering it in terms of moral and ethical questions of justice, fairness and human well-being. Unless we consider these things, we have little basis for criticising anything.

Amartya Sen once drew a distinction between the ‘engineering’ and the ‘ethical’ approaches to economics (Sen, 1991). The former treats economies as machines that work in various ways that need to be described and explained, and which economists can fix if they work badly. The ethical approach treats economies as sets of social relations and practices that may be good or bad on moral and ethical grounds and need to be assessed in those terms. In the days of classical political economy, the two were seamlessly merged. But since that time, the emergence of separate disciplines in the social sciences has led to an unhappy divorce of positive (i.e. descriptive and explanatory) thought from normative or evaluative thought. While most social sciences have tried to expel the latter, it has become ghettoized in political theory, which has returned the compliment by discussing ideal models of distribution that ignore the injustices of actually-existing economic practices and situations (Sayer, 2007). This approach tends to reduce the social relations through which economies work to transactions between free-standing individuals pursuing their self-interest and encountering others in markets. Hence the work of the likes of Rawls or Dworkin or Sandel poses little or no threat to the established political economic order. (Capitalism or exploitation and parasitism are rarely mentioned in such literature.) The social relations through which economic activities are organized – employer and employee, landlord and tenant, creditor and debtor, tax-payer and recipient of tax-funded goods, carer and cared-for – are ignored or absorbed into generic market relations, allowing any injustices constituted by these social relations to be passed over.

‘Moral economy’ attempts to correct this. Like ‘history’, the term ‘moral economy’ can refer either to an approach or to an object. As an approach, moral economy is mostly importantly about assessing the moral justifications of basic features of actually-existing economic organization, in particular property relations and what institutions and individuals are allowed and required to do. Here questions of justice are to the fore. It also examines and assesses the moral influences on, and implications of, economic activities, and how economic practices and relations are evaluated as fair or unfair, good or bad, by those involved in them. Moral economy treats the economy not merely as a machine which sometimes breaks down, but as a complex set of relationships between people, and between people and nature, increasingly stretched around the world, in which they act as producers of goods and services, investors, recipients of various kinds of income, lenders and borrowers, and as taxpayers and consumers. As social beings we are dependent on others, most basically for care during those substantial periods of our lives when we cannot provide for ourselves. Dependence can take good or bad forms – life-enhancing (for example, good care) or oppressive (for example, usury). As a critical approach, moral economy goes beyond the usual focus on irrationality and systemic breakdown, to focus on injustice and the moral justifications of taken-for-granted rights and practices. For instance, it’s not only about how much people in different positions in the economy should get paid for what they do, but whether those positions are legitimate in the first place. Is it right that they’re allowed to do what they’re doing? An engineering critique of 21st century capitalism might explain the role of the growth of shareholder power in the crisis of 2008 and the preceding boom, but without in any way challenging the legitimacy of the basic property relation involved. Politics without ethics is directionless, while ethics without politics is ineffectual. Moral economy seeks to combine them.

Once economic institutions and practices have become established, these normative questions tend to be forgotten, and a shift takes place from the normative to the normalised or naturalized (de Goede, 2005). Indeed, legitimations of the arrangements may scarcely be needed. Few economic institutions result simply from democratic deliberation about what is fair. Most are products of power. Thus it is not questioned why employees should have no ownership rights over the goods they make, or why absentee shareholders should be entitled to a share of profits. Unless, we challenge such arrangements, they are likely to remain. As Habermas commented, through such normalisation, *questions of validity are turned into questions of behaviour* (Habermas, 1979, p.6). While the powerful may be careful to ensure that their economic activities are described in ways that legitimize them, this is not the only major factor in their acceptance. As Bourdieu argued, acquiescence is often less a product of ideology or dominant discourses, than the facticity of the social world in which people act. It is primarily a product of habituation to subordinate positions and lack of experience of alternatives which produces a bodily attunement to them (2000, p.181): “... of all the forms of ‘hidden persuasion’, the most implacable is the one exerted, quite simply, by the *order of things*.” (Bourdieu and Wacquant, 1992, p. 168, emphasis in original).

As an object of study, some have defined moral economies in opposition to market economies, as Edward Thompson famously did, but unlike him, though like many more recent users of the term, I regard all economies as moral economies in some respects (Arnold, 2001; Booth, 1994; Keat, 2012; Murphy, 1994; Sayer, 2007; Thompson, 1971), for all invoke some sort of moral/ethical justifications for their key

institutions – even, as we shall see, neoliberalism. Again, this is not to imagine that these justifications have much to do with the formation of economic institutions, for this typically depends on power: they primarily serve as rationalisations of the already established. Hence the need to subject them to critical assessment.

To illustrate the kind of ethical critique that moral economy can provide, I next discuss three crucial but often overlooked distinctions that reveal much of what is ethically questionable about our most familiar economic institutions and practices. These are the distinction between earned and unearned income, and the related distinction between property and ‘improperty’, and thirdly ‘investment’ in the senses of wealth creation and of wealth extraction. While these have been noted in critiques of capitalism, they have fallen out of use in recent decades, even though they have become more relevant.

Vital distinctions

One of the most powerful ways of exposing what is unjust about our economic system is through the old distinction between earned and unearned income. This has fallen out of use in the last 40 years, just when unearned income has expanded enormously.

Earned income is what waged and salaried employees and self-employed people get for producing goods and services. I don't mean to suggest that the size of their pay reflects what they deserve but 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, or the warmth provided by a heating system. So there are two criteria here: earned income is dependent not just on working, but on work that contributes directly or indirectly to producing use-values. This is important, because as we'll see shortly, it's possible to work without producing any useful goods or services, and indeed in a way that merely extracts money from others without creating anything in return.

Unearned income is very different. It is not conditional on contributing to the production of new goods and services but can be *extracted* by those who control an already-existing asset, such as land or a building 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 there are no costs of production apart from maintenance costs. Those who receive unearned income from existing assets do so not because they are in any sense ‘deserving’ or because they are judged by others as needy and unable to provide for themselves, but *because they can*. It's power based on unequal ownership and control of key assets. In most cases they have this power of control by virtue of property rights that legally entitle them to control an existing asset and dispose of it as they wish. This unearned income is *asset-based*. The recipient is a rentier. As John Stuart Mill said of landlords, they "grow

rich in their sleep without working, risking or economising.”(Mill, 1848). Mere ownership, whether it is of land, buildings, money, or technology produces nothing, but can be used for extracting value from others. As we shall see, neoliberalism has promoted unearned income, producing what we might reasonably call a something-for-nothing economy for the asset-rich.

J.A.Hobson, writing in the 1930s, coined the term ‘improperty’ to refer to the ownership of assets not for direct use but for extracting income from others. For example, whereas a house that someone owns and uses as their home is an example of *property*, a house that is owned just to provide a source of unearned income in the form of rent and capital gains, is *improperty* (Hobson, 1937). Similarly for Tawney, property was for direct use or as an aid to work, not as a source of income irrespective of this (Tawney, 1920). Hence one can, without contradiction, be against improperty and yet be in favour of private, as well as collective forms of property.

There’s a further question about unearned income that unfortunately is all too often overlooked: How can it be possible for someone to live without producing anything? If they’re consuming goods and services – in the case of the rich, in vast quantities – but not contributing to their production, then who is producing them? The answer can only be this: *for it to be possible for some to consume without producing, others who are producing goods and services must be producing more than they themselves consume. In other words, others must be producing a surplus.* Even though those workers may be getting a wage or salary, *part of their work must be unpaid.* And it was not only Marx who realised this: It is implicit in Adam Smith’s charge that landlords “love to reap where they have not sowed” (Smith, 1776, Bk 1, ch. V, p.56.) and, again, in John Stuart Mill’s challenge: “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, *Principles of Political Economy*, Bk.v, Ch. II) Or as, later, Tawney put it, “The man who lives by owning without working is necessarily supported by the industry of someone else, and is, therefore, too expensive a luxury to be encouraged.” (Tawney, 1929, p.80). The unearned income is not extracted through any deceit or fraud, yet for most people, its dependence on the unpaid labour of others – a hidden subsidy - goes unnoticed. To echo Bastiat, improperty is authorized by the legal system, and supported by a commonsense moral code, which presents it as a reasonable payment to a provider of a service.¹

Rent is the clearest example of unearned income based on improperty. Interest, as money’s rent, is another, albeit less recognised case, today, though historically, as usury, it has been known and reviled for millennia, and often prohibited (Graeber, 2012). There has been a wide range of critiques of usury, both religious and secular, but their strongest argument against it is that it allows the strong to take advantage of the weak. We can see this phenomenon in cases as different as payday loans and the Greek debt crisis. In everyday life we apply double standards to interest. If we felt it necessary to borrow from a well-off friend we would not expect them to charge us interest or have the right to seize our property if we couldn’t repay them, and if they

¹ In a piece condemning landlordism, the young Winston Churchill described rent as a payment for a ‘disservice’. Churchill, W. (1909) from chapter 4 of *The people's rights*
http://www.wealthandwant.com/docs/Churchill_TPL.html

did we would object strongly because it would be clear that they were using their relative strength to take advantage of our weakness. But where impersonal economic relations are concerned, we tend to accept interest as normal and legitimate. Obviously, the seriousness of the injustice of usury is relative to the size of the debt charges and the inequalities between lender and borrower, and the equivalent goes for other kinds of unearned income. Even though payment of interest means that there is a net flow of money from the debtor to the creditor, and often the weak to the strong, it is typically the lender who is seen as the benefactor and the debtor who is seen as dependent and morally inferior. Interest charges are often defended as a way of protecting lenders from risk, but the greater the inequality between the lender and the debtor, the easier it is for the lender to refuse to reduce debt charges and hence avoid risk, as we currently see in the relations between Greece, Germany and the IMF. Rates of interest and their enforcement reflect power, not merely risk. As a debtor unable to repay debts, creditors demand of Greece that it sell off assets like ports, regional airports, marinas, golf courses, water supply, and government buildings.²

Money-creation itself has now largely been privatized, as private banks are allowed to create 97% of money as credit. Further, since they lend very little to business (c.10% of bank lending in the UK) and instead mostly lend against existing property, little of their income in interest derives from productive investment (Turner, 2009). They are effectively allowed to charge a private tax on borrowers. Excessive lending against property inflates its value and facilitates wealth extraction as interest (for lenders) and capital gains for owners, not wealth creation. In the last two years, house prices have inflated by up to £200,000 in one London Borough (Guardian, 18th March 2015). Now, in the UK, 20% of households – mainly young, single and living in the South-East – are having to spend over half their income on housing (Resolution Foundation, April 2015), and this of course means taking on more debt and paying more interest to lenders.

The enormous increase in private debt during the neoliberal era has been accompanied by a concerted effort on the part of lenders to rid debt of its traditional associations of dependence and burdens, and to present it more appealingly as ‘credit’, and in the case of mortgages and perhaps student loans, as aids to ‘investment’ in appreciating assets. In effect, the borrower is invited to see credit as liberating, and as a vote of confidence in their economic prospects. Yet of course, debt burdens have increased, and with that the net flow of payments from debtors to lenders. In Britain and Germany, only the top 10% of households in the income distribution receive more in interest payments than they pay out, so interest or usury creates an escalator transferring money from the bottom and the middle to the top (Hodgson, 2013; Creutz, cited in Kennedy, 2012).

In classical political economy, profit is the third member of this trio of sources of unearned income. The profits of private (productive) employers derive from their ownership of the means of production and the product, and the dependency of non-owners of means of production on them for employment. Pure capitalists – that is ones who just own their firms and delegate management to others – are not contributing to wealth creation, but merely using their power relative to those of propertyless workers to appropriate the difference between costs and the value of

² <http://www.wsj.com/articles/greece-open-to-selling-all-its-major-ports-1402070040>

what the workers (and managers) produce. Since mere ownership produces nothing, their income is unearned. For working capitalists, those who are not only owners but managers, their income is a mixture of both earned and unearned.

Relatedly, shares provide another gateway to this unearned income. Since the vast majority of share transactions are in the secondary market, the money paid for such purchases goes to the previous owner, not the company, and thus cannot be claimed to be a payment that contributes to any objective productive investment. The extraordinary feature of share ownership is not so much limited liability (for losses made by the company), but that it provides a potentially indefinite source of unearned income - an unlimited asset. Both dividends and gains from trading shares are unearned income. Since growth of demand for shares has exceeded the growth of supply in recent decades, average prices have tended to rise too, creating bubbles, so this source has proved lucrative (Engelen et al, 2011). The development over the last 30 years of the shareholder value movement – a highly successful rentier campaign driven by the rise of major institutional shareholders such as pension funds – coupled with the weakening of trade unions, has made share prices the primary concern of the management of companies. Firms that fail to deliver rising share prices – for example, by ploughing most of their profits into productive investment instead of distributing them as dividends – are disciplined by the market for companies as they become vulnerable to takeover by managements that will deliver shareholder value.

The most glaring but rarely asked questions here are: why are absentee, uncommitted shareholders the prime stakeholders in firms? Why are workers/employees (present, committed and dependent), who produce the goods and services on which the firm depends, *not* stakeholders? Why is it you can work for a firm for years and have no say in what happens to the revenue which your work helps to raise, while a rich outsider who has never contributed anything to it can buy up the firm and do what they like with it, including making you redundant if it suits them? The answer is because they can, and they can because that is what the rules allow and they have the power to take advantage of them.

As recipients of unearned income based on impropriety, rentiers are often seen as passive, as in Mill's portrayal. Yet many of the rich dissociate themselves from this image of passive free-riding by calling themselves 'the working rich'. Some may indeed get most of their income in the form of salary rather than rent or interest or dividends or capital gains. But many of these are working for rentier organizations, whose revenue comes from rent, interest and speculation, so their salary is actually paid out of such unearned income. Some may work hard to compete for new and bigger sources of unearned income, and this is effectively what many involved in the financial and property sectors do. In addition, chief executive officers - whether inside or outside the rentier sectors – can use their power – to pay themselves extraordinary salaries, provided they keep the shareholders – the 'functionless investors' as Keynes called them – happy with generous dividends and rising share prices. In the post-war boom, CEOs in the US were paid 24 times as much as the average worker. There are now 8 US CEOs who are paid more than a 1000 times average pay.³ The immediate

³ Stanford University Centre on Poverty and Inequality, <http://www.stanford.edu/group/scspi/cgi-bin/facts.php>; Smith, E.B. and Kunt, P. (2103)'CEO

cause of this extraordinary change is not a miraculous increase in their managerial skills but the self-interested excesses of remuneration committees (the ‘Ratchet, Ratchet and Bingo’ compensation consultants, as billionaire Warren Buffett called them).⁴ But enabling this growth of legalised extortion is the weakening of organised labour and the strengthening of rentier power in the form of the shareholder value movement and financial deregulation.

Our third vital distinction concerns investment. One of the most common justifications of many sources of unearned income⁵ is that they are ‘investments’. This trades on a slippage in the use of the word that is central to the legitimation of the rich, and their symbolic domination. Investment is invariably understood to be a good thing, and can provide an appealing cover for a vast range of activities, yet the term is used in two radically different senses:

(1) *Use-value/object-oriented definitions* focus on what it is that is invested in (e.g. infrastructure, equipment, training), i.e. on *wealth creation* – creating new ways of producing goods and services.

(2) *Exchange-value/‘investor’-oriented definitions* focus on the financial gains from any kind of lending, saving, purchase of financial assets or speculation – regardless of whether they contribute to any objective investment (1), or benefit others. Here the focus is *wealth extraction*.

This is not just an academic distinction: the difference between the two activities is of enormous practical importance for both economic growth and wealth distribution.

This distinction is almost always elided, allowing the second to be passed off as based on the first. Sometimes the two may indeed go together. But it is also perfectly possible for successful investments in the first sense to fail to provide financial benefits to ‘investors’ in the second sense. The use of my taxes for investing in infrastructure on the other side of the country may benefit others but not me. Conversely, it is equally possible for lucrative ‘investments’ in the second sense to have neutral or negative effects on productive capacity - through, asset stripping, value-skimming, and rent-seeking. The slippage between the two meanings has become common not so much through a desire to deceive than through ignorance, coupled with the fact that under capitalism individuals have little or no interest in checking whether their ‘investments’ (2) have positive, neutral or negative effects on the production of goods and services; to the rentier-’investor’, £1million from rent is no different from £1million from new productive capacity. Further for particular ‘investors’, though not for whole economies, purely extractive kinds of ‘investment’

pay 1,795-to-1 multiple of wages skirts U.S. law.’ *Bloomberg News*, 30th April
<http://go.bloomberg.com/multimedia/ceo-pay-ratio/>

⁴ <http://seekingalpha.com/article/7395-warren-buffett-on-excessive-ceo-compensation>

⁵ As I argue in *Why We Can't Afford the Rich* other sources of unearned income include ‘value-skimming’ (fees charged for arranging financial deals such as mergers and takeovers and for rent-seeking and arranging tax dodging), many forms of speculation, and of course, inheritance (Sayer, 2014, chs. 7 and 9).

such as speculating on asset bubbles can be less risky than objective, wealth-creating investment. Given the huge difference between these two meanings of the same word, and the contingent relation between the practices to which they refer, we must be on our guard when rich or super-rich individuals – or indeed small-time rentiers - justify their wealth by claiming to be ‘investors’.

Arguments from the standpoint of individual liberty focus on the freedom of formally equal individuals to contract with one another, whether lending or borrowing, or renting, or agreeing to an employment contract, as if these were like buying and selling of goods and services. Allowing individuals to contract freely seems reasonable in the abstract, but when one thinks in more concrete terms about situations in which the contracting parties are unequal in power and improproperty is extensive – the dominant situation in many societies – then the implications are very different. The individualistic model of the economy helps draw attention away from the domination of economies by powerful multinationals with annual turnovers in excess of many countries GDP. Thus, speculation is passed off by appealing to people as naturally inclined to make ‘investments’, as a matter of prudence, and indeed responsibility, when improproperty is inevitably concentrated in the hands of a wealthy minority.

It is common also to pass off improproperty as property by appealing to the rights of the property owner to use and dispose of her property as she wishes. Given that what is at one time property can become improproperty at another, then where the rules concerning the former do not debar the latter they can be used to legitimise it – for example, when a farmer decides to switch from growing crops on their land to using it as a source of rent. Exploitative practices may have innocent, clean origins. And extensive improproperty of course produces inequality, transferring wealth from those who have limited income based on work, to asset owners, and the greater this inequality the greater the dependence of the former on the latter, though of course the asset rich are dependent on workers for producing the goods which gives their money value. The more unequal a society, the easier it is for the asset rich to free ride on the asset poor.

Where moral justifications of economic practices are hard to find, apologists often appeal to a utilitarian argument, attributed to Adam Smith in his famous example of the butcher, the baker and the brewer, who, in competing with others find it in their self-interest to give customers what they want. I say ‘attributed’ to Smith firstly because he was writing when capitalism (‘commercial society’) was in its infancy and the baker and co were clearly tiny businesses, not the likes of Microsoft or Monsanto (Smith, 1776). (Smith also warned of the dangers to the public of monopoly, which was always capable of arising spontaneously out of competition.) Secondly, because he was well aware that market relations were entangled with other social relations in which moral considerations were always important, he certainly did not believe the pursuit of self-interest should be unlimited, and he was not a utilitarian. As he put it: “The wise and virtuous man is at all times willing that his own private interest should be sacrificed to the public interest of his own particular order or society” (Smith, 1759 pt VI, sec ii, ch 3.1, p 235).⁶ And as we have already seen, he certainly didn’t see the landlords’ self-interest in ‘reaping where they have not sowed’ in a favourable light.

⁶ Smith, A. (1759) *The theory of the moral sentiments*, Indianapolis: Liberty Press, pt VI, sec ii, ch 3.1, p 235 (6th and final edition published in 1790, a year

Finally, unearned income based on improproperty is not only unjust but dysfunctional – a deadweight cost - since it diverts resources away from the productive economy. We need either to block or heavily tax it, in fact I suggest we tax earned income less and unearned income more. Is it not bizarre that we think it's OK to tax the income of those who work to provide goods and services for others, so they share in the burdens of supporting society, but think it's wrong to tax those who just get a windfall without doing anything?

Neoliberalism and the promotion of improproperty

A central but often overlooked feature of neoliberal policies is that they enlarge the sphere of improproperty, while presenting this as wealth creation rather than wealth extraction. In the UK, the enforced sale of public housing and housing association properties and the subsidization of buy-to-let housing are among the clearest examples. Housing becomes about private gain, not providing homes, improproperty not property. Far from enabling people to become more independent they lead to dependence on rentiers, whether banks for mortgages or landlords for property to rent, so having a home becomes conditional upon supplying them with unearned income. Consequently rents are now higher in Britain than anywhere in Europe, both in absolute terms and relative to income, while the value of buy-to-let properties now nears £1 trillion. While this conversion of property into improproperty has enlarged wealth extraction, real investment in new housing – wealth creation – has suffered, falling to just 3% of UK GDP between 1996 and 2011, compared to 6% in Germany and 5% in France.⁷

Privatisation of public utilities such as water and energy obliges consumers to provide companies with what James Meek calls 'a human revenue stream' that has to satisfy shareholders' considerable short-term demands, and these in turn sharply constrain long-term investment (Meek, 2012). Although, the companies are supposed to compete, they avoid price competition by 'confusion marketing', that is offering complex deals that combine high margin and low margin elements in ways that defy comparison, and by securitizing their revenue from consumers into the future (Bowman et al, 2014; Allen and Pryke, 2013). Water bills have nearly doubled since privatisation (Giles, 2012), but this is no longer the government's responsibility.

Cutbacks to transfer payments via the welfare state have been complemented by the expansion of sources of rentier income, sometimes referred to as 'asset-based welfare'. According to neoliberal moral economy, the prudent, 'financially-literate' individual is supposed to buy assets like shares or buy-to-let housing in order to provide themselves with a pension. New Labour moralised it in terms of the duty of everyone to "to accept responsibility to take care of one's own future consumption needs within

after the 5th and final edition of *The wealth of nations*). Smith also theorized self-interest in ways that included prudence and consideration of others.

⁷ <http://www.housing.org.uk/media/press-releases/worst-deal-in-europe-uk-rents-double-the-continental-average/>

the context of increasing state retreat from the arena of welfare provision” (Watson, 2009, p.43). Asset-based welfare is of course an oxymoron, for the income is not democratically approved on criteria of need, but is acquired simply on the basis of private ownership and ‘investment’ in the second, wealth extraction sense, and at the expense of others, without their knowledge let alone their consent. Without any official acknowledgement, this construction of supposedly free market forces has the effect of obliging the asset-poor to further subsidize the asset-rich. As Matthew Watson comments, this also “changed the role of the state from direct securing of distinct patterns of housing tenure to securing a macroeconomic environment in which mortgage lending conditions produce continual upward pressure on house prices” (Watson, 2009, p.48). Improperly is both a cause and effect of inequality; the larger economic inequalities are, the greater the opportunities for asset-based wealth extraction. Extraordinarily, this has not yet proved an electoral liability. This is presumably because (1) the media and politics are dominated by the upper reaches of the top 1%, (2) many of the merely well-off have stakes in improperly, and (3) the argument is simply not known in popular culture as the social relations of improperly have become thoroughly normalized.

At a larger scale, structural adjustment policies imposed by the IMF and World Bank make loans conditional upon selling off public property to corporations where it can serve as improperly. As Susan George put it, “Debt is an efficient tool. It ensures access to other peoples’ raw materials and infrastructure on the cheapest possible terms.” (George, 1990). Usury is not only a means to unearned income in the form of debt charges but a way of dispossessing debtors of their assets. The expansion of improperly and rent-seeking loom large in trade deals such as the Transatlantic Trade and Investment Partnership and the Trans Pacific Pact currently under construction. These are undemocratic in conception and anti-democratic in intent, being designed in secret by corporate lawyers to enable big companies to pursue rent-seeking, unhampered by policies of elected governments, for example, for safeguarding employment protection, health or the environment. Precedents of these treaties are already allowing companies to sue governments that impede them for millions (Sayer, 2014). Typically, the treaties are defended as expanding free trade, cutting ‘red tape’, and increasing economic growth.

But again, legitimation depends not only on rhetoric, but on how things superficially appear. Thus, it is of crucial importance for the legitimation of capitalist economies that they operate ‘without regard for persons’, as Weber put it: anyone, in principle, can be a capitalist or rentier or receive an inheritance. This allows those who are critical of them to be dismissed as failures – ‘if you’re so clever, why aren’t you rich?’ as the American saying goes – or merely envious. It’s also important that it’s possible for many to benefit in very small ways from the arrangements that allow a tiny minority to benefit hugely. Thus, those who Engelen et al call ‘the fortunate forty per cent’ in the UK may make receive modest amounts of unearned income, for example, through capital gains in the housing market and indirectly through their pension funds where these are ‘invested’ in securities (Engelen et al, 2012). Significantly, the small-time recipients of unearned income are usually dependent on major rentiers such as pension funds and banks for mortgages for access to their capital gains. More generally, neoliberal discourse invites people to see themselves as free and equal choosers, rather than acting under duress within unequal economic relationships such as those of employment, rent or debt.

In conclusion

Improperly allows huge concentrations of economic power in private hands, so much so that the wealth of the richest 1000 people in Britain now stands at £547 billion, over four times the size of the National Health Service Budget. With this goes political power. As we have seen in the financial crisis it allows those who have benefitted most from impropriety to hold their countries to ransom when their attempts to expand their take from the rest of the economy precipitate crises. And the combined wealth of the 85 richest people on the planet now equals the total wealth of the poorest half of the world's population. Bastiat's insight might be re-phrased: 'Always remember the golden rule: those with the gold make the rules.'

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