

Liberalism and ‘Asset-based Welfare’

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Part 1: The Rise of Interest in 'Asset-Based Welfare'

- Academic interest
- UK government interest: two UK policies
- International interest
- Public interest? Research on attitudes (UK)

1. Academic interest

- Bruce Ackerman and Anne Alstott, *The Stakeholder Society* (1999), developing Ackerman's earlier *Social Justice in the Liberal State* (1980). All US citizens should get \$80,000 account on maturity as right of citizenship. Without assets in early adulthood, one cannot seriously pose the question: 'What do I want to do with my life?'
 - Michael Sherraden, *Assets and the Poor* (1991). Proposes 'matched savings programs' targeted at low-income/low-asset households.
- 'When people begin to accumulate assets, their thinking and behaviour changes as well. Accumulating assets leads to important psychological and social effects...not achieved...by receiving and spending an equivalent amount of regular income'** (cited in Boshara, 2001, p.5).

2. Government interest: two UK policies

The Child Trust Fund (CTF).

Each child gets £250 at birth, £500 for poorest third.

Family can put in up to £1200 per year.

Funds locked into account until 18.

On maturity, the account-holder may use the account as he/she wishes.

Case 1: state contributes £250 at birth and age seven plus full family contribution as child grows up: around £36,000 at age 18.

Case 2: state contributes £500 at birth and age seven with no family contribution: around £2,100 at age 18.

2. Government interest: two UK policies

The Saving Gateway. A matched saving program for low-income/low-asset households based on Sherraden's ideas and experimentation with Individual Development Accounts (IDAs) in US.

- (i) Tax relief models of encouraging saving (PEPs, TESSAs, ISAs) can be regressive and fail to reach the most disadvantaged (Sodha, 2006).
- (ii) The government has run two waves of pilot SG programs. The first focused on low-income households (not retired, not in full-time education) and used a matching rate of 1:1.
- (ii) Evaluation of the first pilot by Kempson, McKay and Collard (2005) indicated:
 - the program encouraged significant new saving;
 - the program achieved relatively high participation amongst more vulnerable members of low-income groups;
 - some evidence of the positive psychological effects claimed by Sherraden (some participants reporting feelings of greater control over their lives);
 - some evidence that community organizations (credit unions, housing associations) are important in facilitating participation in the scheme.

3. International interest

USA: (a) widespread experimentation with IDAs; (b) an 'ASPIRE' bill to establish a US version of the CTF introduced into Congress repeatedly in recent years (bipartisan support); (c) asset-based welfare is a theme in Democrat policy platforms (Edwards, Clinton).

Canada: (a) interest in IDA-type policies; (b) Children's Education Saving program is a new matched saving program to help with costs of higher education.

France: French PM commissioned a report on CTF-style policies in 2006 (CAS, 2007).

Other countries where there is interest in CTF- or SG-type ideas: Australia, Hong Kong, Singapore, South Korea, Taiwan, etc.

4. Public interest? Research on attitudes (UK)

- **Young peoples' attitudes.** Gamble and Prabhakar (2006) used focus groups to examine attitudes of young people to various proposals for a universal capital grant on maturity. Young people were not very supportive of either very small (£1-2,000) or very large (£50,000) grants, but liked the proposal for a £10,000 grant, thinking that it could make a difference without overloading them with responsibility.
- **Parents' attitudes.** Prabhakar (2008) used focus groups to examine the attitudes of parents to the Child Trust Fund. Parents were mostly opposed to the idea that the funds used for the CTF should instead be used to raise Child Benefit or increase education spending.

5. Liberalism and 'Ownership for All'

1937 Buxton Liberal Party Assembly:

'This Assembly of the Liberal Party, indignantly aware of the grossly unequal distribution of property in this country, believes that the greatest possible measure of personal ownership, with the independence and security it brings ought to be enjoyed by all. It also believes that the opportunities for a full life hitherto open only to the rich should be placed before all. It recognises these twin ends as the inspiration of its domestic policy and pledges its whole strength in urging them on the nation in far-reaching reforms to achieve them.'

5. Liberalism and 'Ownership for All'

- Ownership for All Reports in 1938, 1948 and 1959, plus important Reports on Industrial Partnership in 1962, 1968.
- Major theme in party literature.
- Traditional 'Ownership for All' policy: (i) incentives for new/small savers; (ii) reform of inheritance tax to give donors incentives to spread estates; (iii) encouragement of 'co-ownership' in industry.
- Radicalization in party discussions in 1980s in response to Thatcherism.

5. Liberalism and 'Ownership for All'

North Sea Stock (Brittan and Riley, 1980): proposal to use tax revenues from North Sea Oil to endow every UK citizen with a marketable share account, published by Liberal-oriented Unservile State Group.

Citizens' Trust (Meade, 1985, Gravit et al, 1986, Ashdown, 1989): proposal to require companies to issue shares to a Citizens' Trust so that the state builds up a capital stake in the economy; returns on capital to be used to pay a 'social dividend' to every UK citizen.

Paddy Ashdown, *Citizens' Britain*, 1989, p.129:

'We could be much more radical about popular share ownership - we could give every citizen a stake in our economy.'

6. Liberal values and assets

1. **Assets linked to security:** the experience of poverty is not simply a matter of low-income over time, but of uncertainty linked to the difficulty of coping with unexpected shocks to expenditure (e.g., need for a new fridge) or income (e.g., losing a job). Assets increase resilience to shocks and so improve quality of life for those on low-incomes (Lister, 2006).
2. **Assets linked to independence:** not having to live 'at the mercy of others' (employer, spouse, parent) because assets give you an independent source of support.

James Meade: **'A man with...property has...bargaining strength and a sense of security, independence, and freedom....He can snap his fingers at those on whom he must rely for income, for he can always rely for a time on his capital'** (Ackerman and Alstott, 1999, p.25).

6. Liberal values and assets

3. **Assets linked to self-definition:** being able to seriously ask ‘What do I want to do with my life?’ and act on the answer.

Bruce Ackerman and Anne Alstott: ‘...**just at the moment we expect young adults to make responsible life-shaping decisions, we do not afford them the resources they need to take a responsible long-term perspective....**’ (Ackerman and Alstott, 1999, p.35).

Key point: policies like CTF are policies for young adults, not (only) for children.

4. **Assets and equality of opportunity:** One source of inequality of opportunity is unequal inheritance. An inclusive assets policy can counter the effect of unequal familial inheritance and so contribute to equality of opportunity.

6. Liberal values and assets: a summary

Jo Grimond: **‘The reasons which lead the Liberal Party to campaign for the spread of ownership are political and social as well as economic....The possession of some property widens a man’s choice and gives him more scope to exercise his talents. Personal ownership is the badge of a citizen as against a proletarian. It is a shield against petty tyranny’**
(Grimond, *The Liberal Future*, 1959, p.79).

7. Questions for the Liberal Democrats

Context: wealth inequality has increased; housing market trends could exacerbate wealth inequality; changes in global economy expected to shift income from labour to capital.

Given (1) the context, and (2) the link between Liberal values and assets:

- **Do the Liberal Democrats still uphold the Liberal goal of an economy based on ‘ownership for all’?**
- **If so, what policies do the Liberal Democrats have to promote this goal effectively?**
- **To develop effective policy in this area, does the party need to engage more with proposals for ‘asset-based welfare’?**

