

Moral economy, the Foundational Economy and de-carbonisation

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Political economy has become divorced from normative political theory, resulting in an uncritical economic science and a political philosophy that has little critical purchase on actually existing economic practices. The Foundational Economy Collective works within a framework of moral economy and uses the concepts of *capabilities* and *use-value* to radically reorient our conception of how our economy – or economies – should work.

At a time when there are hundreds of publications on the ills of neoliberalism – often only gesturally defined – but few concrete or novel proposals for alternatives, the work of the Foundational Economy Collective – in their 2018 book, *Foundational Economy: The Infrastructure of Everyday Life*, and elsewhere – is most welcome.¹ The group's prescriptions don't simply call for the re-establishment of the old relationships between state, market and civil society that were current in the high period of welfare state capitalism but seek to reconfigure them in novel ways that avoid some of the problems of that model. They challenge both common policy assumptions and economic goals, prioritising well-being rather than economic growth. This is vital given that we know that, after a certain point, additional income does not improve individuals' well-being, and that chasing GDP growth endangers the

planet itself.² Unlike the vast majority of left-leaning critical research on political economic matters, *Foundational Economy* poses questions by reference to a specific normative framework, that is, the capabilities approach and the concept of moral economy. These provide a powerful framework within which to redesign our economy, and rethink its actual purposes. But, at this time of climate crisis, I argue that such an approach must simultaneously find a way of tackling climate change in order to render life on our planet sustainable.

Moral economy and the Foundational Economy

‘Moral economy’ has been defined in many ways, whether as an *object of study* (‘the’ moral economy) – that is, as something that might or already does exist – or as *an approach to thinking about economic matters*. In the first case, some commentators – most famously E.P. Thompson – have argued that only very specific economic practices that meet certain moral criteria can be called a moral economy – usually those which protect people from market forces and provide them with enough to live on. For other commentators, all economies are moral economies insofar as they depend on the upholding of certain norms about what is legitimate and illegitimate – for example, concerning property rights – regardless of whether one agrees with them.³ These norms underpin particular economic practices and their respective social relations (e.g. producer-user; buyer-seller; employer-employee; lender-borrower; landlord-tenant, carer-cared for; state-citizen); indeed they might be called constitutive norms.

As an *approach to thinking about economies*, moral economy can be both descriptive and evaluative, addressing how economic activities affect and are affected by moral sentiments and norms, but also, more fundamentally, exploring the constitutive norms of economic practices and assessing their moral legitimacy. Are they socially just? Do the usual justifications of them stand up to scrutiny? For normative moral economy, the *point* of economic activity is to provision societies – to provide them with the wherewithal to survive and flourish. But here it is not only outcomes in terms of the distribution of income that matter, for the fairness or otherwise of the constituent practices and social relations are also important. Given that these relations typically involve inequalities in power, we should not assume that their constitutive norms were arrived at by free and democratic deliberation among equals. We should certainly not naturalise or take them for granted but question and evaluate them. This was what classical political economy did: it was not only descriptive and analytical but evaluative and often prescriptive. Since then, the fragmentation of social science into separate disciplines, and especially the separa-

tion of positive analysis of economic matters from normative thinking about them, has produced on the one side an uncritical economic science and on the other a political philosophy that is normative, but so divorced from actually existing economic practices that it has little critical purchase on them.

Whereas economics, political economy and political philosophy have traditionally treated the typical person as an adult, implicitly male, dependent-free individual, able to enter into contracts with others as and when he pleases, moral economy recognises that we are vulnerable as well as capable. And, as feminist economists and care ethicists have emphasised, dependence on others is a normal part of every life, so for significant periods we must depend on others to provide for us, as we must, in turn, care for them. Individuals' needs and their ability to meet them vary between people and across the life-cycle.⁴ There must, therefore, always be transfers from those able to work to those who cannot, whether they are organised privately or via the state. The idea that individuals can and should personally pay for everything they need, including foundational services, is a nonsense.

One could say that the different economies identified in *Foundational Economy* – tradeable, overlooked, foundational, and core – are also different moral economies, each of them facing different challenges, both practically and in terms of ethical justifications of its practices. As the authors note, borrowing from Braudel, there can be 'interferences' among these different economies, so that the practices and criteria from one economy are applied to a different one, even though they may be dysfunctional and ethically questionable in such a context. This is what has happened to the foundational economy with privatisation and the imposition of neoliberal, financialised forms of governance on activities such as elder care and health services.

Foundational Economy's embrace of ideas of moral economy is most evident in its attentiveness to the use-value and welfare implications of economic activities for both users and workers; in its critique of wealth extraction through financialisation; and in its appeal to the capabilities approach of Sen and Nussbaum. The latter focuses on the key things people need to have and do to be able to flourish: for example, to be able to have a home, an education, to live a life of normal length, to participate in the social life of the community, etc. This, from a moral economic point of view, is or should be the main *point* of economic activity. Wealth should always be considered first in use-value terms – rather than as accumulated market value. Teaching a child to read or caring for an elderly infirm person are forms of wealth creation in substantial, use-value terms.⁵

Whereas the capabilities approach is normally discussed purely as a normative framework, in abstraction from particular forms of economic organisation, *Foundational Economy* brings these together, at least in outline form. This is

particularly welcome, as for too long the capabilities approach has been discussed in abstraction from actually existing economies and their constituent practices with all their failings and injustices, so that it merely appears as a list of good things that threatens nothing. This allows it to be endorsed by a broad spectrum of political views for virtue signalling purposes.⁶ But if we ask how actually-existing economic practices measure up in terms of whether they support or restrict the capabilities available to people, then the approach has a critical edge.

Foundational Economy promises to do this, although in the actual discussion of cases much of the moral economic critique of existing practices is left implicit, and it is their dysfunctional rather than their unjust nature that is emphasised. It is to be hoped that the moral dimensions and capability aspects will be dealt with more fully in future case studies.

While property rights, markets and state provision are obvious objects of moral economic scrutiny, *Foundational Economy* shows how we need to look beyond the usual opposition of private versus public, market versus state, for on either side there are many different ways of doing things, using different sources of funding and cost-recovery.⁷ It is not only that the public domain is served by non-state organisations, including for-profit organisations, but that the latter can operate according to different business models with very different consequences. Models based on shareholder value and financialisation undermine long-term investment, depress wages and avoid tax through debt financing. They allow extraordinary rates of wealth extraction, while limited liability confers power without responsibility. They are particularly toxic in the public domain, where there are often natural monopolies. While they were promoted by appealing to the alleged benefits of choice and competition, they offer neither voice nor possibilities for exit.⁸ The squeezing of wages may make services cheaper but this depresses local incomes, and with that tax revenues, so that what the state gains with one hand it loses with the other. On both prudential, effectiveness grounds and moral economic grounds, financialised business models fail miserably. They not only rip off the public but provide parasitic shareholders with unearned income – something for nothing – widening inequalities between the rich and the rest in the process.⁹

Further, in keeping with the idea of plural rather than singular economies, *Foundational Economy* argues that much depends on the nature of the activities that are involved, so our judgements of the relative merits of different forms of ownership and provision should include what the authors term a functional criterion that distinguishes such different activities; what works well for, say, air travel or tablet computers, in the economy of marketable goods, may not do so for elder care or school meals in the foundational economy. Accordingly, the authors argue that private companies that function in the public domain – in which the

foundational economy is primarily located – should be bound by the norms of that domain.

Particularly interesting here is the idea of social licensing. Traditional welfare state models of provision often left users with little power, replacing support with discipline and offering them neither voice nor exit, but social licensing ‘would make the right to trade dependent on providing a service plus meeting negotiated criteria of community responsibility on issues such as sourcing, training and payment of living wages’.¹⁰ The hope is that this will also help to recruit popular support for the foundational economy and avoid the problems of paternalism associated with the traditional welfare state. However, one wonders if needy communities will have the leverage to make a difference here; presumably much will depend on funding, and on the extent to which alternatives to corporate power are forthcoming in the foundational economy.

The elephant in the room: sustainability

It has become increasingly evident that moral economy needs to address the legitimacy and effectiveness of economic practices not only in terms of social justice but in terms of sustainability and the quality of the environment. Providing the wherewithal for people to flourish depends on our relationship to the environment. The planet is teaching us a very old-fashioned geography lesson about our dependence on the environment, though even if we hear it, our way of life – our practice – is largely in denial of it. We are already in a climate crisis, and if we are to avoid runaway global heating and the immense threats that it poses to human societies, sweeping emergency measures are needed to decarbonise our fossil-fuel dependent economies in just a few years.

The *Foundational Economy* authors acknowledge the need to address issues of environmental sustainability, endorsing Kate Raworth’s ‘doughnut economics’, which seeks forms of economy that can meet human needs within environmental limits; and they argue that foundational thinking on economy can contribute to this.¹¹ They also note the inconvenient facts that carbon taxes and restrictions on car use and air flights would have regressive effects and be politically unpopular. But beyond that, they don’t say much about *how* foundational economic policies can be combined with green policies that rapidly decarbonise the production and consumption of goods and services.

We need a way to make the foundational economy environmentally sustainable. Here I draw particularly upon another important new book – Ian Gough’s 2017 *Heat, Greed and Human Need*.¹² This focuses on whether and how meeting basic

human needs can be reconciled with sustainability. Like *Foundational Economy*, it has an explicit normative framework, and it identifies the need for a popular input into defining how needs are met. Further, Gough also rejects GDP growth as a goal, though for environmental as well as social reasons. The idea of ‘green growth’ is an absurdity: the current rate of decarbonisation of goods and services is far outweighed by population and income growth worldwide. Kevin Anderson, a climate scientist also based at Manchester University, estimates we now need a 10 per cent per annum reduction in CO² emissions, because, even with a huge switch to renewable energy, it will take time for this to come on stream. The only way CO² emissions can be cut fast enough to stop global heating is for the well-off and rich to reduce their consumption – so there may be a need for some de-growth before a steady-state sustainable economy can be achieved.¹³

Simple redistribution of *income* from rich to poor, whether via a Universal Basic Income or by other means, is likely to *increase* CO² emissions because it shifts money to those with a high propensity to consume. Like the *Foundational Economy* authors, Gough is sceptical about the case for UBI, and for similar reasons. A universal unconditional living wage would require punitive levels of taxation; free lunches are expensive. Economic justice requires attention to desert as well as need; the contributory principle that each should contribute what they can, if they can (‘from each according to their ability’) should not be undermined. Further, in focusing wholly on individual income, UBI could threaten public provision of collective consumption, which of course is why many on the libertarian right support it. More generally, social consumption of education, health services and transport – a major part of the foundational economy – is less carbon intensive than individual consumption, partly because these sectors are less dependent on long-distance supply chains than sectors involved in global competition. Thus, in emphasising local rather than globalised economic practices, the foundational economy has a green tinge. On the other hand, necessities like home energy and food are more carbon intensive than luxuries. Gough estimates that even a minimum consumption bundle defined on the basis of the 2014 Minimum Income Standard (derived from focus groups drawn from the UK public) would generate emissions three times maximum sustainable levels.¹⁴ That’s an indication of the scale of the problem.

Reintegrating normative thinking about economic matters with practical political economy has the potential to reorient our economies to make them serve the needs of people rather than of capital, or the wealthy. Working within a framework of moral economy and the capabilities of each individual is a powerful starting point to do this. The imperatives for change are pressing, though; our dependence on the planet most of all.

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Endnotes

1. Foundational Economy Collective, *Foundational Economy: The Infrastructure of Everyday Life*, Manchester University Press, Manchester 2018.
2. R. Layard, *Happiness: Lessons from a New Science*, Allen Lane, London 2005; R. Wilkinson and K. Pickett, *The Spirit Level: Why More Equal Societies Almost Always Do Better*, Allen Lane, London 2009.
3. T.C. Arnold, 'Rethinking Moral Economy', *American Political Science Review*, Vol 95, No 1, 2001, pp85-95; W. Booth, 'On the Idea of the Moral Economy', *American Political Science Review*, Vol 88, No 3, 1994, pp653-667; A. Sayer, 'Moral Economy as Critique', *New Political Economy*, Vol 12, No 2, 2007, pp261-270.
4. J. Hills, *Good Times, Bad Times*, Policy Press, Bristol 2015.
5. As Ruskin said, the only wealth is life: 'There is no wealth but life. Life, including all its powers of love, of joy, and of admiration': Ruskin, *Unto this last*, FQ Classics, 2007, p 89.
6. For example, former prime minister David Cameron's essay 'In praise of general well-being' in A. Sims and J. Smith (eds), *Do Good Lives Have to Cost the Earth?*, Constable, London 2008, pp207-214.
7. For example, 'the issue is not ownership per se, but firstly the interaction between ownership and business model in specific activities, and secondly, whether that contributes to the only end that matters, creating a foundational economy that leads to fulfilled lives'; *Foundational Economy*, pp140-141. I half agree; but depending on how property rights are defined and on the balance of power between the propertied and the propertyless, the legitimacy of ownership cannot escape moral economic evaluation. The authors do, however, point out the problem of power-without-responsibility yielded by limited liability.
8. A.O. Hirschman, *Exit, Voice and Loyalty*, Harvard University Press, Cambridge, MA, 1970.
9. Actually, in keeping with the stress on the dysfunctional rather than the unjust, the authors leave readers to make this connection, and instead emphasise the waste of money and resulting low quality services.
10. *Foundational Economy*, p112.
11. K. Raworth, *Doughnut Economics*, Random House, London 2017.
12. Ian Gough, *Heat, Greed and Human Need*, Edward Elgar, 2017.
13. K. Anderson, Response to the IPCC 1.5C Special Report, 2018: <http://blog.policy.manchester.ac.uk/posts/2018/10/response-to-the-ipcc-1-5c-special-report/>; see also T. Jackson, *Prosperity without Growth*, Earthscan, London 2017.
14. Gough, *Heat*, p155.

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