

ASSETS AND POVERTY*

See also: [End of Award Report](#) and [Attitudes of Young People Towards Capital Grants](#)

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Asset egalitarianism is a new agenda but an old idea. * At its root is the notion that every citizen should be able to have an individual property stake, and it has recently been revived in Britain and in the US in a number of proposals aimed at countering the huge and growing inequality in the distribution of assets. Such asset egalitarianism is fed from many streams; it has a long history in civic republican thought, beginning with Thomas Paine and Thomas Jefferson, but has also featured in the distributist theories of G.K.Chesterton and Hilaire Belloc; the Guild Socialism of G.D.H. Cole and the ethical socialism of R.H.Tawney; the market liberalism of the Ordo Liberals and some of the Austrian School, particularly F.A.Hayek; and more recently the market socialism of James Meade, A.B.Atkinson and Julian Le Grand, and the market egalitarianism of Michael Sherraden, Samuel Bowles, Herbert Gintis, Richard Freeman, and Bruce Ackerman. There are also important links to the proponents of a citizens' income, as a different approach to the welfare state (White 2002) as well as to the ideas of stakeholding (Dowding et al 2003).

Opponents sometimes caricature asset egalitarians as proposing that assets should be divided in mathematically equal shares, but none of the thinkers listed above are interested in that kind of equality. Rather their argument is that a healthy polity requires that inequality in the ownership of wealth be moderated, (an idea that goes back to Plato) and that wealth and assets be widely distributed. One way of achieving this goal is to ensure that all citizens are provided with basic capital, in the form of a property stake, on the grounds that if citizens have such a stake, they become independent in thought and action, and are as a result more likely to take part in the self-government of their civil society. A wider distribution of assets means greater opportunity, choice, diversity, and self-fulfilment for citizens. The case for asset egalitarianism is therefore that it can help sustain pluralism, and make it easier for different kinds of achievement and contribution to be valued, countering the emergence of a meritocracy in which a single criterion has become the only arbiter of status, as in Michael Young's famous satire (Young 1958).

Everyone acknowledges that assets are very unequally distributed at present in many countries. In Britain for example in 2000 the top 1 per cent held 20 per cent of all personal wealth while a quarter of the population had no financial assets at all (Paxton 2003). Should this situation be remedied, and if so what is the best means of doing so? Egalitarians have always argued that such unequal distribution should be remedied because wide disparity in the ownership of assets underpins all other inequalities. In the civic republican tradition, for example, the moral and political argument for redistributing assets rests on the claim that every citizen has a right to a fair share of initial resources. Individuals are only able to acquire personal wealth because they are part of a community, and therefore the community has a right to take part of that wealth back to give opportunities to other citizens and to ensure that property does not become too concentrated with the dangers that would pose to

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democratic government and to the emergence of a privileged and self-perpetuating elite.

Arguments against redistributing assets generally take their stand on some version of the doctrine of the naturalness and therefore inviolability of property rights (Nozick 1974). Redistributive taxation represents an infringement of property rights, threatening liberty. No infringement of property rights by the state, however important the objective, can be justified if liberty is put at risk. Liberals generally have favoured a wide dispersion of property but many believe this is best promoted by natural and spontaneous means, the forces of competition within a framework of law. Although such liberals acknowledge the importance of political and legal rights, and therefore the case for political and legal equality, they reject the argument that economic inequality provides reasons for state intervention in the way in which the market works. Movement towards political and legal equality does not require any movement towards equality in the economic sphere. The dispersal of property holdings is best achieved through the processes of competition through the market and inheritance through families.

Nevertheless liberals have always been divided on this question, partly because the processes of competition and family inheritance often seem to entrench advantage and privilege, rather than counter them. Many liberals, joined by a motley collection of socialists, progressives and free thinkers of various kinds, have made the case for state action to redistribute assets. The idea most associated with asset egalitarianism is the idea of providing all citizens whether at birth or at the age of majority with a capital grant, or basic capital. One of the first advocates of this was Tom Paine who proposed the establishment of a fund to provide a capital grant to all citizens in his pamphlet *Agrarian Justice* published in 1795 (Paine 1987). Paine provided the classic civic republican argument for his fund, based on the right which every individual had to a share in the natural inheritance represented by the earth. As he put it (Paine 1987, p. 483):

When a young couple begin in the world, the difference is exceedingly great whether they begin with nothing or with fifteen pounds apiece. With this aid they could buy a cow and implements to cultivate a few acres of land; and instead of becoming burdens upon society...would be put in the way of becoming useful and profitable citizens.

The idea that it was part of everyone's birthright to be given a stake which would enable them to be independent both economically and politically was a key part of the Jeffersonian tradition in the United States, and lay behind the Nineteenth Century Homestead Acts. In Britain as well, early ideas for redistributing assets focused primarily on the land and how to ensure that as many citizens as possible were enabled to acquire independence through ownership of small parcels of land. Three Acres and a Cow became a slogan used by Liberal Radicals in the last decades of the nineteenth century in their campaign for land reform.

Many of these ideas were only practical in societies which had an abundance of land and in which the main occupation was agriculture. Making it possible for the landless to acquire land, as in the United States in the nineteenth century, gave stakeholding a very tangible meaning. Even in countries where all the land was already owned, there were still often opportunities for land reform. But the meaning of stakeholding in the complex industrial urban societies of the twentieth century presented a different set of problems. Reconciling stakeholding in particular with a

developed market economy and an advanced division of labour poses a significant challenge. One strand of egalitarian thought argued for the complete abolition of the market, and for the distribution of resources on the basis of need. But the serious drawbacks which became apparent with such proposals led to the exploration of different routes to an egalitarian society by a variety of social democrats, market socialists and market egalitarians. James Meade for example argued that markets are generally desirable on efficiency grounds, but have consequences for distribution which are often undesirable (Meade 1964). The task as he saw it was to find policy instruments which work with markets rather than against them, but which counter their harmful distributive effects, and so contribute to a more equal society.

Asset egalitarianism in this sense has developed as one means of moderating the powerful pressures towards ever greater inequality in contemporary capitalist societies, and seeks to give citizens a greater measure of independence, enabling them to pursue whatever life-style or career that they choose. In this way it seeks to promote equality of opportunity but without promoting the kind of meritocracy which Michael Young feared. Asset egalitarians are not interested in creating any particular kind of elite, or in prescribing any particular content for the good society. Rather they seek to make a wide range of life-styles viable, by ensuring that individuals have the resources to choose them. Nevertheless asset egalitarians are divided as to how much choice individuals should be allowed, and how much citizens should be expected to acknowledge their obligation to their society.

Gareth Stedman-Jones (2004) has also recently pointed to ways in which social democracy might be compatible with asset-based welfare. Stedman-Jones argues that during the eighteenth century, the French and American revolutions ushered in attempts to create a world without poverty, an aspect of the more general desire of progressives to create a real world 'utopia'. Antoine-Nicolas Condorcet and Thomas Paine attempted to set out ways in which the individual and public institutions might combine to eradicate poverty, but much of this thinking was lost in the midst of the conservative reaction against social experimentation which the French Revolution provoked and which was articulated amongst others by Edmund Burke. The conservative reaction helped to polarise the debate over poverty and what could be done about it between those who favoured market solutions and those who favoured state solutions. The ideological heirs of the critics of the French and American revolutions came to extol the virtues of the market, while the ideological heirs of the revolutionaries ignored the writings of Condorcet and Paine and developed a version of social democracy in which state intervention and central planning played a defining role. Stedman-Jones argues that the libertarian and pluralist vision of social democracy implicit in Condorcet and Paine had been largely abandoned by the end of the nineteenth century in favour of a statist vision, but that the failure of central planning during the twentieth century provides a case for exploring this alternative and earlier conception of social democracy. A social democracy built around the proposals set out by Paine and Condorcet would have an important role for capital grants. Stedman-Jones does not use the term asset-based welfare, but the kind of social democracy he seeks to revive is entirely congruent with it. By investigating the nature of social democracy he indirectly shows how asset-based welfare might be part of social democratic efforts to eradicate poverty.

The Assets Agenda

Asset-based welfare has provoked much attention in recent times. Will Paxton has drawn attention to the ‘interesting recent public policy debate ... centred on asset-based welfare. This approach is founded on the notion that the stocks of wealth that an individual holds and not just their income or consumption should be seen as important when assessing their wellbeing’ (Paxton 2003, 1). Asset-based welfare emphasises the importance of individuals acquiring and accumulating assets of various sorts as a way of promoting economic and social development. In Britain, assets have attracted the attention of both the Labour and Conservative parties. The Labour party’s 2001 general election manifesto promises to create a new pillar of welfare policy built around the individual ownership of assets (Labour party 2001). When he was Home secretary David Blunkett argued that individual asset-ownership was important for the future vitality of progressive politics (Blunkett 2001). The Labour’s government’s Child Trust Fund is an example of this agenda at a policy level. From September 2002, all new British babies receive a £250 or £500 endowment from government. Parents or guardians have to pay this endowment into a special account (which is in the child’s name) that is locked until the child’s eighteenth birthday. During the lifetime of the account family and friends can contribute up to £1,200 per year into the Child Trust Fund (HM Treasury 2003). For the Conservatives, David Willetts, the spokesperson on work and pensions, is investigating the part that might be played by assets with his proposals for a Lifetime Savings Account (Willetts 2002). On an international level, asset policies have stimulated support in places such as the United States, Canada, Taiwan, Singapore and Australia (Boshara and Sherraden 2004).

One of the main arguments for assets is as an instrument for reducing poverty. Michael Sherraden argues that, ‘without some emphasis on assets people will not be given the maximum opportunity to realise their potential and escape poverty’ (Sherraden 2002, 5). Will Paxton adds that, ‘asset-based approaches could allow people to escape poverty or prevent it before it happens’ (Paxton 2002, 11). A variety of arguments are advanced in favour of the view that assets will help reduce poverty. One rationale is that asset-ownership yields an independent ‘asset-effect’. That is, owning an asset encourages people to save more for their own future and act in a more responsible manner. This leads people to take steps to prevent the onset of welfare problems, rather than try to alleviate these difficulties once they have already emerged (Paxton 2002). Although asset-based welfare has provoked support, it has not gone unchallenged. Martin Barnes from the Child Poverty Action Group contends that ‘Supporters of asset-based policies claim that the poor can save. Many find this counter intuitive. It invites the response: ‘If they can afford to save, can they be poor? The assertion may also surprise the half of lone parents on income support who also lack sufficient income to provide necessities for their children’ (Barnes 2002, 14). Others question whether policies such as the Child Trust Fund are the best instrument available for promoting savings among individuals (Emmerson and Wakefield 2001). On the basis of the latter concerns, the Liberal Democrat party in Britain has declared in favour of abolishing the Child Trust Fund.

Asset-based welfare has therefore provoked much interest and controversy. In this article we review the role of assets as a tool for reducing poverty. We argue that assets on their own are unlikely to be sufficient for relieving poverty. However, we suggest that used alongside income replacement strategies of a fairly traditional kind, assets may play a useful role in reducing poverty. Assets should therefore not be seen as an alternative to current welfare provision, but rather as a complement to income-replacement strategies.

This article is structured as follows. First, we note the emphasis that has been placed since the end of the Second World War on income replacement as the main way of alleviating poverty. We consider why many of those who endorse asset-based welfare believe that an emphasis on income alone is not enough to tackle poverty, and why assets are seen as a valuable tool for reducing poverty. Second, we discuss criticisms of the link made between assets and poverty. We defend assets against the objection that assets will not promote an asset-effect, as well as the contention that assets are not the best available tool for tackling poverty. In addition, we reject the claim that assets necessarily signal the demise of traditional income replacement strategies for tackling poverty. A conclusion summarises the main points of the argument.

Poverty, income and assets

For much of the period after the end of the Second World War, income has been relied upon as the main mechanism for reducing poverty. Michael Sherraden comments: 'To date, social policy for the poor has been focused almost entirely on income' (Sherraden 2003, 28). It is true that not all observers are happy with the emphasis placed on income. Lawrence Mead (1986) believes that rather than reducing poverty, generous welfare benefits helps ensure that problems are reproduced. On this view, people have little reason to take the steps (which they alone can take) to avoid the emergence of welfare problems. Instead, they 'allow' problems to occur, and then expect the state to address the consequences of their inaction. But as Michael Sherraden points out, while income-based strategies as a way of addressing poverty have attracted criticisms as well as support, the debate on poverty continues to centre on their role and scope.

Many of those interested in asset-based welfare do not deny that policies designed to supplement the incomes of the poor will be needed to attack poverty. Michael Sherraden comments that, 'Of course, income-based policies must remain in place' (Sherraden 2002, 5). A policy of boosting the incomes of those who fall into poverty is important for reducing the adverse consequences associated with this condition. Income policies help ensure that people do not fall below a specified minimum standard of living. Many of the advocates of asset policies argue that while this will continue to be important, there is a case for going beyond relying on income policies alone. One key argument draws attention to the importance of preventive as well as curative welfare. In particular, income replacement strategies focus on relieving poverty once it has already occurred. While there is a role for these curative measures, there is also a case for trying to prevent poverty arising in the first place. The asset agenda is seen as a way of promoting preventive welfare, by encouraging individuals to take a more active role in avoiding poverty. According to its supporters, owning an asset helps encourage individuals to save for their future, purchase a home or investing in education or training. For example, by continually updating their skills, people improve their chances of entering and remaining in employment. Being in work reduces the probability that people will fall into poverty (Le Grand and Nissan 2000).

Individual Development Accounts (IDAs) which were pioneered by Michael Sherraden and the Centre for Social Development at Washington University, St. Louis, are an example of an asset-based initiative. IDAs are savings accounts that are targeted at the poor. These accounts can be opened at birth and can remain open for a lifetime. Any savings that people put into these accounts attract matching funds from

the public purse. Holders of IDAs are required to attend classes in financial education, and withdrawals from the accounts are intended to fund a range of investment opportunities for the individual. Withdrawn funds can be used to pay for the purchase of homes, post-secondary education and starting a business (Schreiner, Clancy and Sherraden 2002). A similar policy is being piloted in Britain. The Savings Gateway is directed at all individuals who fall below a specified income threshold. Savings put into the account are matched up to a certain level at the rate of one-to-one by the government. There are limits to the matching funds that can be attracted from government, and these accounts last for between three to five years. Individuals have to attend financial education classes while they hold the account. Individuals can access the funds they put into the Saving Gateway at any time. Matched funds can only be accessed, however, once the account matures (HM Treasury 2001).

Criticisms of asset-based welfare

Supporters of asset-based welfare see this as an example of preventive welfare, but it also has its critics. One important objection, noted above, questions the existence of an asset-effect, arguing the poor are often not in a position to save (Barnes 2002). Empirical evidence is important for deciding whether or not the ownership of assets encourages the poor to save. One problem in making progress on this issue, however, is that at present the evidence base on asset-based welfare is small. John Bynner notes that, 'Unlike the solid foundation of research on the effects of income on welfare outcomes, empirical research on the value of asset holding is rare' (Bynner 2001, 17). This does not mean that no evidence on asset-holding exists at all. Researchers at the Center for Social Development at the University of Washington at St Louis conducted empirical research on IDAs in its American Dream Demonstration programme which ran from 1997 to 2001. Mark Schreiner, Margaret Clancy and Michael Sherraden (2002) summarise the main findings of this research, noting that as of December 2001, there were 2,364 people taking part as part of its American Dream Demonstration within thirteen host organisations across the United States. 56 per cent of enrolees were labelled 'savers', that is people who saved a net of \$100 or more as of December 31 2001. Net deposits are defined as matchable deposits plus interest (net of fees) minus unmatched withdrawals. 44 per cent of people are 'low savers', having saved up to a net of \$100 as of December 31. The average participant made a deposit at half yearly intervals, and saved around \$1 for every \$2 that could be matched. The average monthly net deposit was \$19.07. The average participant saved around \$700 per year. The largest share of matched withdrawals was used for buying a home (28 per cent), starting a business (23 per cent), post secondary education (21 per cent) and home repair (18 per cent). Schreiner, Clancy and Sherraden argue that, 'Overall, about half of the people who participated in ADD were savers. ADD program characteristics, both measured and unmeasured, are strongly linked with saving performance. Participant characteristics in general matter surprisingly little. A noteworthy finding is that income is not related to being a saver, and has only small effects on the amount of savings' (Schreiner, Clancy, and Sherraden 2002, vii).

Subsequent research on IDAs conducted by Gregory Mills, Rhiannon Patterson, Larry Orr and Donna DeMarco (2004) corroborates these findings. As part of their investigation these researchers conducted a study at one of the sites that was part of the American Dream Demonstration (which was based at Tulsa, Oklahoma). These individuals examined whether IDAs promoted asset accumulation by tracking the behaviour of those who took part in the scheme as well as a control group that did

not have access to these accounts. Of the 1,103 programme eligible participants who took part in this four-year study, 537 people were randomly allocated to a treatment group and 566 people were put into a control group. The study found that the IDA programme had significant favourable effects on asset-building among low income individuals. The researchers say that most notably ‘the Tulsa IDA program resulted in a significantly higher rate of homeownership among treatment group members. The results show not only that participants were capable of understanding and responding to the incentives provided by IDAs, but also that – given incentives – they were capable of planning and implementing their financial goals over a multi year horizon, and of navigating the complexities associated with home purchase’ (Mills, Patterson, Orr and DeMarco 2004, v). They also found that in addition to the positive effect on home-ownership, IDAs helped increase retirement savings and education achievement.

Interim findings from research into pilots on the Saving Gateway undertaken by Elaine Kempson, Stephen McKay and Sharon Collard (2003) from the Personal Finance Research Centre at the University of Bristol also provide evidence that asset policies can help to promote savings among the poor. These pilots started in August 2002 and are being held at five locations across the United Kingdom. The interim report presents results from the first year of the pilot. Participants in the pilots were drawn from families in which household income is £11,000 or less, or £15,000 or less from those households with dependant children. Elaine Kempson, Stephen McKay and Sharon Collard estimate that if these qualifying conditions are rolled out nationally, then 25 per cent of all United Kingdom households would be able to open a Saving Gateway. Under the pilot scheme, people can save up to £25 per month, which builds to a maximum of £375. Once the account matures at 18 months, the government adds a matching contribution of £1 for every £1 saved for the highest balance achieved during the lifetime of the account. Kempson, McKay and Collard note that of those taking part in the pilot, just over half already had a savings account. However, less than a quarter of participants had savings of £250 or more. The pilots found that the average balance of these accounts is £101, and the average amount saved during the opening month of the account was £15.78. Around 46% of people made a deposit every month, and on average people were depositing approximately three-quarters of the months that their account had been open. These researchers found that concerns that matching contributions could fuel ‘borrowing to save’ - whereby account holders gain loans in order to access the matching contributions from government (for an analysis of borrowing to save see Emmerson and Wakefield (2003)) - have so far been unfounded. Interviews revealed that two thirds of participants aimed to continue to save at the end of the pilot (most had not been regular savers before). Kempson, McKay and Collard state that, ‘Overall, the Saving Gateway has mainly attracted genuinely new saving. It has encouraged some to start saving and others to increase the amounts saved and/or the regularity of saving. Moreover, it is clear that the £25 maximum has become a target for the majority of participants’ (Kempson, McKay and Collard 2003, viii).

The best policy response?

Although the evidence base on asset-ownership is still modest, the above studies suggest that there are reasons for thinking the holding of assets can encourage the accumulation of assets. Through their comparison of treatment and control groups, Gregory Mills, Rhiannon Patterson, Larry Orr and Donna DeMarco (2004) suggest

that policies such as IDAs can promote the accumulation of assets additional to that which would have occurred anyway. This does not mean that all issues are resolved. Mills, Campos, Ciurea, DeMarco, Michlin and Welch (2000) point out that much remains to be specified about the precise way that asset policies promote savings behaviour, and more needs to be done to investigate the differential impacts of different asset initiatives. Although there is a need for further empirical work, there is a case for believing, as their proponents suggest, that asset-based welfare can constitute a form of preventive welfare.

As Michael Sherraden highlights above, many of the supporters of asset-based welfare do not claim that this approach should replace a focus on income-based policies. Advocates of assets stress the importance of preventive welfare, but they also recognise the need for curative welfare. On this view asset-based welfare and income replacement strategies are seen as complementary strands in the attack on poverty. This commitment still raises a series of questions. One issue is whether assets are the best way that preventive welfare can be pursued. According to Matthew Wakefield, 'Proponents argue that this new form of support would complement existing provision. However, policy makers always need to be aware of the alternative ways of spending funds. Extending existing programmes could also add to the existing scale of support for young adults or those on lower-incomes. If there is additional money available to spend on policies to help young adults or lower-income families, careful thought should be given to what represents the best way of spending this money' (Wakefield 2002, 20). Wakefield argues that it is always an important issue in public policy whether the measures that are being implemented are the best way of achieving the policy goal or goals in question. Applying this question to asset-based welfare raises the issue of whether policies such as the Child Trust Fund and Saving Gateway are the best policies designed to promote saving among the poor. Wakefield argues that the fact that asset-based welfare helps foster savings is not sufficient to support this policy. He alleges that it must also be shown that the money spent on assets cannot be spent more effectively elsewhere. He contends that if more saving is generated by spending the money allocated to assets on financial education within schools or colleges, then asset-based welfare ought to be rejected in favour of this alternative welfare strategy.

In order to see whether asset-based welfare is the best way of advancing preventive welfare, it is important to compare the performance of initiatives such as the Child Trust Fund and Saving Gateway with alternatives such as increased financial education in schools or colleges. Data on this issue is more limited, however, than evidence about the role that assets play in promoting the accumulation of further assets. Consequently, it ought to be acknowledged that the question of whether assets are the best way of promoting preventive welfare is still largely an open question. More work is needed before asset-based welfare can be affirmed, or rejected, on this dimension. However, there are grounds for believing that assets might possess some advantages over other instruments. As part of their interim findings into the Saving Gateway pilots, Elaine Kempson, Stephen McKay and Sharon Collard found that the matched contribution element of the Saving Gateway was more effective in fostering saving than other alternatives. They conclude: 'Overwhelmingly, the main reason for opening an account was to take advantage of the pound-for-pound matching. This was considered far more effective than other incentives such as tax relief or interest rates. There was, however, a good deal of suspicion about the matched funding and a number of people had sought reassurance that this was genuine' (Kempson, McKay and Collard 2003, vi). This analysis suggests that the matched contribution component

of the Saving Gateway provides people with a more powerful incentive to save than alternative policy instruments. As such, asset-based welfare may be better placed than other policy alternatives to promote saving. This point ought to be qualified, however, by noting the distrust that many of the participants had with the government over whether or not it would honour these matching contributions. Although this suspicion of government did not undermine the Saving Gateway during the pilots, it ought to be recognised that the performance of the Saving Gateway in comparison with other tools may change in the future if trust in government were to diminish further. At present, the pilots do not suggest this is an insurmountable problem.

We have also conducted empirical research that suggests that asset-policies may possess strengths over other policy tools. In particular, from June 2003 to September 2004 we conducted a study of attitudes of people in Britain to policies such as the Child Trust Fund (Gamble & Prabhakar 2005). As part of this study, we convened focus groups with 18 years olds in Sheffield and Walthamstow in East London, targeting this age group because this is the age at which the Child Trust Fund will mature. During these groups, young people reported that holding an asset provides a direct financial incentive to save in ways that education within a classroom environment would not. Also, holding an asset would present people with valuable practical experience or knowledge about the mechanics of saving and the financial world. Of course, we must be careful not to infer too much from the above studies. However, there are reasons for believing that asset-based welfare may be better placed at fostering preventive welfare than other policy instruments. This provides a case for exploring further the role that may be played by the assets agenda.

The withering away of the welfare state?

A different concern about asset-based welfare is the suspicion that while in theory supporters of asset-based welfare want to complement existing provision, in practice they are quite content to see the welfare state wither away. Martin Barnes writes, 'Advocates of asset-based welfare argue that it should complement existing welfare provision. This, however, is by no means the shared view of all. Some support ... [for] asset-based welfare ... [is based] ... on the premise that so called traditional welfare systems and income transfers have failed. "Benefits breed dependence- assets build hope". We must be alert and not naïve about the political context, both today and in the future. Asset-based welfare could become a Trojan horse for undermining existing welfare provision' (Barnes 2002, 13-14).

Up to now, interest in asset-based welfare seems to have surfaced most strongly in those countries which have an important element of individualism as part of their welfare systems. In his typology of different welfare regimes, Gosta Esping-Andersen (1990) identifies three main models of welfare systems. In social democratic systems the state plays a dominant role in the finance and provision of welfare services. In liberal regimes, individuals are expected to make provisions for much of their own welfare. The state intervenes only to provide a residual service which comprises a safety net for those who fail to make adequate provisions for themselves. In conservative systems, the family provides the bedrock for the provision of welfare services and less weight is placed on equality than under a social democratic system.

All countries have elements of these different worlds of welfare capitalism, and no country has a system that corresponds only to a social democratic, liberal or conservative regime, but nevertheless one model tends to dominate in each system. Esping-Andersen suggests that countries such as the United States and other English-

speaking countries can be thought of as liberal welfare systems on account of the predominance of this type of welfare provision. Asset-based welfare has so far been associated mainly with countries that have predominantly liberal welfare systems. Martin Barnes suggests that this pattern is not a coincidence, but rather is the result of the fact that asset-based welfare taps into a culture of individualism intrinsic in these countries. The worry then is that, despite protestations to the contrary, asset-based welfare may signal the erosion of social democratic elements that exist in these countries.

At least two things may be said in response to the above concern. First, the adoption of asset-based welfare in countries with a significant role for liberal models of welfare capitalism does not necessarily signal the demise of other strands of welfare capitalism. Many advocates of asset-based welfare are adamant that asset-based welfare should not replace income strategies. Whether welfare spending in total is cut or not is a separate issue. There may be a case that those countries with a strong current of individualism are more attracted to asset-based policies than other countries. However, this does not mean that this interest will translate necessarily into efforts to erode other systems of welfare provision. As we have noted above, all countries draw (in varying degrees) on different models of welfare capitalism. The complexities of the policy process tend to make this unavoidable. No single model is likely to provide the solution to all problems. There are reasons then to be agnostic about the claim that asset-based welfare will undermine other forms of welfare provision.

Second, while interest in asset-based welfare has surfaced hitherto in countries with predominantly liberal welfare systems, there are grounds for thinking that assets can be oriented to more social democratically inclined countries. In social democratic systems, there has been interest historically in proposals for a 'basic income', that is the payment of an annual income to all citizens of a country as a condition of social citizenship. Certain asset policies overlap with proposals for a basic income. For example, in their advocacy of a \$80,000 capital grant to be paid to all United States citizens once they turn 21, Bruce Ackerman and Anne Alstott (1999) note a family resemblance between their proposal and basic income schemes. Indeed, stakeholder grants are sometimes referred to as a 'basic capital' (White 2003). While there is a debate to be had about whether or not basic income is preferable to basic capital (see Dowding, De Wispelaere and White 2003), it seems that it is possible to develop some asset policies in countries which draw heavily on social democratic models of welfare capitalism. Assets might be used to strengthen, as well as erode, social democratic welfare provision.

The Future of the Assets Agenda

The new assets agenda has many critics. Some think it a diversion of resources which can better be spent elsewhere, on child support schemes for example such as Sure Start or the provision of extra nursery places, or if the main purpose is to improve financial education for the young, then directly on financial education. For any new proposal there is always this kind of opportunity cost. The commitment to an assets programme only makes sense if it is part of a much broader consideration of welfare and the purposes of welfare, which goes beyond simply providing people with a national minimum, but addresses the bigger question of how opportunities can be broadened for all individuals. As such the assets agenda in focusing on the problem of how every citizen can be supplied with a basic capital endowment is part of a much larger issue.

Another line of criticism of the assets agenda is that like the social investment state of which it is part, it represents another example of the subordination of welfare policy to the demands of the global market. Instead of welfare being understood as a universal entitlement of citizenship, it becomes a means to fit individuals to the requirements of work in flexible labour markets and to compensate in part for declining collective provision for higher education and for pensions. What this criticism highlights is that the assets agenda on its own, if it were to be seen as a replacement for all other forms of welfare, rather than a supplement to them, would be both ineffective and undesirable. But used in addition to other forms of welfare provision, and if the element of universality is retained, then there are prospects for deepening assets programmes in the future which make them a real tool of redistribution, not just of assets, but more importantly of opportunities. It is the range of different life-styles and different statuses that a well-designed assets policy could help promote that makes it worth pursuing.

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