

## Briefing Paper

### What do we want from the 'asset-effect'?

The search for an 'asset-effect' has been one of the enduring preoccupations of research into wealth and welfare over the last decade. In this briefing I suggest that, even if there is such an effect, this is only the start of the debate.

For believers in the asset-effect, wealth provides something 'over and above' the instrumental goods it gives access to (Sodha and Lister, 2006). The most recent evidence has found an association – though not necessarily a causal relationship – between small amounts of assets early in life (roughly £1000 in 1980 prices) and improved outcomes in terms of employment, higher wages, and physical and mental health later in life (Karaginannaki and McKnight, 2013). And, in the US, evaluations of the Individual Development Accounts (a subsidised savings account for lower-income households) have also reported positive effects, creating a sense of security and confidence in the future (Assets for Independence, 2008).

There are significant methodological issues with this evidence. Recent evidence reviews in the US have pointed to absence of robust longitudinal evidence and lack of causal evidence in evaluations of Individual Development Accounts (Richards and Thyer, 2011; Zielewski et al, 2009). Moreover, the recent positive findings from Karaginannaki and McKnight come with

a caution from the authors: we cannot find a 'pure' asset effect in the evidence. Conversely, there is some significant evidence that suggests there is no causal process at all; or, more precisely, that the causation runs in the opposite direction. Thus, a recent Dutch study found that the positive characteristics looked for in an 'effect' led to, rather than followed, households exercising a right to buy their social rented home (Kleinhans and Elsinga, 2010).

Yet there is perhaps a more fundamental problem with the search for an asset-effect, and no guarantee that the discovery of an effect will lead to a more progressive welfare state and inclusive society. If assets are to be used to transform the outlook and self-understanding of individuals – the effect that goes 'over and above' the instrumental value of wealth – what exactly do we want that outlook to be?

Rajiv Prabhakar takes a big step in this direction with his distinction between 'social policy' and 'citizenship' approaches to asset-based welfare (Prabhakar, 2008). This then prompts the issue of what we expect of 'citizenship'. Here we find two very divergent ways of thinking about the rights and duties of citizenship in an asset-owning society. One stresses asset-ownership as a 'right' of social inclusion. Poorer households need some wealth – rather than just income transfers – if they are to be on a more equal footing with the rest of society. Another way of framing this is to say that there can be little meaningful freedom without assets in a modern society, so both conservatives and progressives can unite behind a broad asset-based welfare agenda (Hills and Glennerster, 2013).

There are elements of both of these egalitarian perspectives in the progressive asset-based welfare agenda developed during the 2000s, both within government and in broader policy debate (Le Grand and Nissan, 2000; Kelly and Lissauer, 2000). Clearly, it is a view that comes with an account of freedom and independence, with less direct dependence on the state.

But there is also a competing account of asset-based welfare and independence, one that is traditionally associated with the right of the political spectrum; and we cannot simply assume that the evidence, such as it is, does not suit this account better. This account sees 'independence' as a duty as well as a right: asset-ownership is seen as a means of weaning citizens off the state. Good citizens will be given some help – as they were with the 'right to buy' their council home – but inability or unwillingness to join the property-owning democracy is a weakness of character, burdening the state and one's fellow citizens. This slimmer, perhaps more literal, account of 'independence' can be seen, for example, in recent housing policy; "a responsible housing policy which helps people up and out of dependency can help rewrite that story" (Cameron, 2009).

Crucially, the distribution of assets in this account comes as a reward, not as a right. If property is a carrot and stick, promoting the independence of the 'good citizen', then it may be a mistake to think that conservatives and progressives alike can get behind an asset-based welfare agenda. The very fact that the end ideal is so different inevitably means that the logic of distribution will be radically different too. Some ABW advocates will get behind an agenda that services only the 'virtuous' segments of the population. Others will be more inclusive. And, in practice as well as in principle, these perspectives represent different, rather than shared, agendas. Researchers seeking an asset-effect would do well to bear this in mind; they may well find their results lead to unpalatable policy conclusions.

## References

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