

## TOWARDS A NEW MORAL ECONOMY

### A THOUGHT PIECE

Margaret Levi<sup>1\*</sup>

April 2018

We are still operating within a political economic framework developed in the twentieth century. Neo-liberalism, as an economic doctrine, began its political ascendancy with Prime Minister Thatcher and President Reagan. It replaced Keynesianism, which had earlier replaced laissez-faire. These ideas did not go viral once articulated. Their success was the result of a combination of new thinking supported by high quality scholarship and of an organized campaign involving foundations, donors, and think tanks. Concerted and, often, coordinated effort by a network of intellectuals, ideological activists, funders, and politicians was necessary to convince policy makers, elected officials, and the general citizenry of the power of these ideas.<sup>2</sup>

All political economic frameworks embed values and encode standards for behavior and choices. Neo-liberalism is no exception. It enshrines the rational individual as decision-maker and centerpiece; it then emphasizes the importance of rational choices defined narrowly in terms of personal costs and benefits. It is normative about firms, governments, and the economic system itself: Firms should single-mindedly maximize profit, governments are primarily to protect property rights and provide the infrastructure that the market will not, and relatively unfettered capitalism will ultimately benefit all who work and strive. It is also normative about individuals: free riding is expected, and economic failure generally reflects personal, not structural, problems.

The major achievement of neoliberalism—and all prevailing political economic frameworks since Adam Smith's—is to make normative prescriptions seem like descriptive statements of the natural behavior of people, government, and organizations. Just as we now picture the workings of the human microbiome, so economics presents itself as a scientific understanding of human interactions. We can make the system work better or worse, but the system, once it comes to dominate, is understood as given and natural. Some prosper while others do not, but that is an effect of choices or luck, not of the system design.

We like the term moral economy because of its historical origins<sup>3</sup>—the extra-market reciprocal rights and obligations between landlords and peasants—and because it

---

<sup>1\*</sup> Thanks to Ari Ratner and Louis Hyman for assistance on earlier drafts of this piece.

<sup>2</sup> For a historical analysis of the Mont Pelerin Society and other means by which neo-liberalism came to dominance, see Burgin (2012). Also, see Phillips-Fein (2009).

<sup>3</sup> Jeremy Adelman and Sam Moyne organized a conference at Princeton on April 5-6, 2018 exploring the intellectual origins of the concept of moral economy and the values implied in different variants.

emphasizes that economies are a moral and political choice. It also makes us alert to the possibility that a populace responds not only to material changes in their status quo but also—and sometimes in contradistinction to their narrow interests—to what they perceive as violations of norms of fairness and justice, of wounds to their dignity, and of failure to recognize the worth of their cultures.<sup>4</sup> A moral economy refers to the extra-market reciprocal rights and obligations that link populations, governments, corporations, and all the other various organizations that make up the society. It is about the social relations among the actors in a society, but it is also fundamentally about what constitutes legitimate behavior.<sup>5</sup> Incorporated in a moral economy are accepted justifications for the actions and power of government, employers, landholders—justifications based on widely shared moral principles and beliefs.

I believe we are now witnessing the fraying of the political economic framework that guided action for decades and that created bases for social cohesion. The protests on the streets and through votes are one indicator. The general discontent with the liberal consensus on globalization practices is another. With unravelling comes contestation of the values that undergird the framework and antagonism against those perceived as violating the social compact. Periodically, it is necessary to update the framework, including its moral economy.

Economies are a moral and political choice. A polity can and does make decisions about the nature of its political and moral economy, and those decisions—and the ethical premises that underlie them—vary across time and place. The Thatcher-Reagan brand of neo-liberalism replaced the Keynesian approach that dominated the post-WWII developed west, but the Scandinavian countries resisted this movement, at least to some extent. Russia, China, and India made different decisions than the West in the 1950s; although they may have toyed with neo-liberal policies at times, they continue to have different conceptions of who receives social protection and how it is provided. These are the principles that define who is in and who is out of the web of services and protections and guide their definition and delivery.

My first goal in this short piece is to convey the past but less to emphasize its positives and negatives than to illustrate the choices made that solved problems. The problems of today are different, however, and the second part of this piece considers the kinds of choices we now confront and how to build a framework for solving them.

### *The past*

Most of the world lives in polities in which the industrial and green revolutions—be it in this past century or the one before—obliterated the long-standing responsibilities of landlords towards the peasants who worked their lands. There is no need to romanticize the feudal, slave, or village practices to recognize, as so many scholars have, that they incorporated insurance against bad harvests and some mechanisms for attending to those

---

<sup>4</sup> For a nice elaboration of the role of dignity and recognition, see Frank Fukuyama's forthcoming book, *Identity*.

<sup>5</sup> See my "Trustworthy Government and Legitimizing Beliefs," forthcoming in *Nomos*.

in need. States now take on the burden of care but according to different principles of who is deserving, who is included, and who pays, principles that were often long in coming and full of conflict. Once established, however, they became part of the justification for the legitimacy of government.

There are so many examples world-wide, but for illustrative purposes, I will pick on one I know well: the protection of workers. In the United States and much of Europe, free markets brutally drove workers' lives from the mid-nineteenth through the mid-twentieth century, when most industrial countries established an interconnected framework of labor rights and citizen benefits to ensure that rising productivity was more equitably shared. This transformation involved changing laws but, more importantly, changing expectations about what capitalism ought to be, who it should serve, and what it could become. Not unrelatedly, these countries enjoyed the greatest growth in human history.

As the moral economy of the post WWII era, embodied in Keynesianism, was overtaken by the moral economy embodied in the neo-liberalism of Friedrich von Hayek and Milton Friedman, the prevailing prescription that employers have obligations to their employees began to disintegrate. Further decimation of the New Deal labor framework is reinforced by the automation and outsourcing of our manufacturing sectors and by gig-labor business models that evade the employer-employee relationship assumed in our laws. Productivity gains are no longer shared. Firms no longer feel responsible for ensuring employment security, health insurance, or other benefits.

In the Keynesian era, despite the 1947 Taft-Hartley Act constraints on unions, union power in America increased. So did the role of unions in popular culture: the meme was Big Labor as an equal with Big Business and Big Government. Major newspapers of the time regularly covered union actions. By the 1970s, more than 20 million Americans were in unions, which remained a vital part of the Democratic Party's coalition and were major advocates of social insurance and other citizen protections.

Then things began to change—and union power began being rolled back, first gently and then with increasing ferocity. Several factors led to the devastation in the house of labor. Even in its heyday, the labor movement failed to represent that part of the labor force working in the agricultural, domestic, and low-end service sectors. With the neo-liberal onslaught, led in the U.S. by President Ronald Reagan, the employers regained the upper hand, knowing that government would either look the other way or actively assist in the employer campaign to undermine unions organizing more workers and effectively enforcing collective bargaining rights. Moreover, enough time had gone by since the acme of labor organizing that young workers no longer credited unions with the improvements in their standard of living. The combined loss of power and the increased focus of many unions on particularistic gains made it difficult for unions, even the large confederations, to block the policies that amplify inequality in the U.S. One result in recent decades has been real wage declines even as US productivity has grown.<sup>6</sup>

---

<sup>6</sup> For a review of the literature and analysis of the role of unions, see Ahlquist (2017)

At the turn into the 21st century, survey evidence reveals that workers still wanted unions.<sup>7</sup> A 2002 study, confirmed with additional data in 2005, found that more than 50 percent of non-union, non-managerial workers preferred union representation. The percentages were particularly high among 18- to 34-year-olds (58 percent), those with incomes under \$40,000 (59 percent), and minorities (74 percent). Fifteen years on, it would be worth doing such an analysis today, particularly among younger workers.<sup>8</sup> My own research on and experience with those employed in the new gig economy suggest that interest in having a voice no longer translates into interest in being represented by a union, an organization perceived as constraining individual prerogatives while taking a cut for doing so. These workers have bought into the prevailing moral economy, with its overriding emphasis on freedom of choice and opposition to governmental intervention.

In 2016<sup>9</sup> the total union membership in the combined public and private sectors was only 10.7 percent of all non-agricultural wage and salary workers, or 14.6 million people. Unions have always been weak in the South and in the non-coastal western states. For the industrial heartlands, the decline in membership over recent years is notable. South Carolina has the lowest membership at 1.6 percent. The highest southern state is Alabama, at 8.1 percent, placing it in a dead heat with Wisconsin, which used to be a union stronghold.

These aggregate figures hide the real story, however. Only 6.4 percent of private sector workers now belong to unions, down from the high of over 35 percent in 1954. By and large, what is keeping unions alive is government employment: 34.4 percent of public sector workers belong to unions. And yet the future of public sector unions is, arguably, tenuous.<sup>10</sup> Note the reactions against them in once union-proud states such as Wisconsin. There is, in these states, growing antagonism among the public to the demands and strikes of government employees. At the same time, government austerity measures have further undermined the strength of the public sector—but also, as we have recently seen, activated its employees, most notably teachers. All evidence suggests that Trump and the courts will perpetuate the undermining of workers’ rights and wages.

In 1947, the Taft-Hartley Act made it possible to create what became known as “right-to-work” laws, which enabled workers to opt out of dues-paying even when gaining the benefits of representation. Eleven states, most of them in the south, immediately adopted “right to work” regulations. Another five more became “right to work” by 1955. Today 28 states and Guam have this status. As a result, union power nationally has been decimated.

In the late 1990s and again in the Obama era, there was some guarded optimism that these trends could be reversed, that unions could regain some of their leverage and that a

---

<sup>7</sup> Freeman (2007), Rosenfeld (2014).

<sup>8</sup> This is something that might be made a subject of investigation in the iGen project at CASBS.

<sup>9</sup> “[Union Membership \(Annual\) New Release](#),” Bureau of Labor Statistics, January 26, 2017.

<sup>10</sup> Ahlquist (2012)

new generation of labor activists might even take leadership on questions of equality and equity, both economic and racial.<sup>11</sup> There is no such hope with Trump, a man with a long history of hostility to unions and of engaging in unfair labor practices in his own businesses. His appeals to workers play to their basest interests and their current fears and add to the delegitimizing of unions.

Without question, manufacturing—the basis of the grand industrial unions—has been disappearing from the United States for several decades. And whatever Trump’s rhetoric around protectionism and manufacturing, it is most unlikely that he will be able to re-industrialize the heartlands. People are hurting, and they no longer believe that their children will be better off than they were. They are looking for a scapegoat, and they demand a silver bullet to restore what they once had. Yet many hang on to the moral economy in the neo-liberal variant of the political economy.<sup>12</sup> Instead of advocating for programs to assist those in need and those striving to prepare themselves for the transformation of the economy, Trump pushes his protectionist trade policies, a hard line on immigration, and tax reform, none of which will ultimately benefit those left behind by recent economic trends. He does this by making exaggerated and often decidedly false claims that American jobs have gone overseas or to new immigrants; and he ignores the role of technological change.

Difficult as it was to retain that scaffolding once neoliberalism beat out the combination of Keynesianism and the pre WWII reforms, pieces of the social contract held until the transformations wrought by contemporary globalization, technological change, and the housing crisis (where it hit). Today gig-labor business models evade the employer-employee relationship assumed in our laws, and our manufacturing sectors are increasingly automated. Social insurance, health care provision, and pensions are contentious, under threat of serious reductions.<sup>13</sup>

The form and quality of social cohesion is also metamorphosing. When the emphasis is on personal attainment rather than on any of many other values, such as equity, community, or inclusiveness, there is more likely to be a divergence between the interests of the individual and society as a whole. Free riding, violation of norms governing common pool resources, and other self-serving acts take dominance over actions that uphold a common good. When combined with the impact of climatic and structural changes—such as the kind and availability of work, urbanization, gender roles, religiosity, and demography—many citizens find their comfortable social identities are under challenge. Particularly affected are those who remain rooted in their traditional homeland and whose reliance is on family, neighbors and church rather than on government or the corporation, the worlds Ostrom and Hochschild portray.<sup>14</sup> As they

---

<sup>11</sup> Fletcher and Gapasin (2008), Warren (2010).

<sup>12</sup> Cramer (Katherine J.) Hochschild (2016).

<sup>13</sup> Reference to Fourcade and Henley piece

<sup>14</sup> Ostrom (1990) Hochschild (2016)

perceive a threat to their way of life, they become increasingly alienated from the society at large, especially as their livelihoods and homes become less secure.

And it is not always clear who to blame for the situation or to whom one should turn for help. The post-WWII institutions—both domestic and international—are experiencing a crisis in capacity and fitness. Neo-liberalism, which once promised solutions may still be touted and articulated, but it is fraying and with it the economy, political coalitions, and social fabric that were its backbone. Fashioning a “moral economy” will require shifting popular ideas about markets and about work, designing a new regulatory apparatus, and fashioning a safety net that unleashes the economic potential of a technologically driven economy. We can’t go back to the postwar period, but we have choices over where we will go next.

### *The future*

All economic frameworks imply a moral as well as a political economy. Moral economies vary in time and place, and each has different implications for the values that dominate the thinking and practice of governments and citizens. They establish the eligibility for governmental power and the process of selection, what should be regulated, and who has access to education, welfare, and social insurance. They affect social cohesion, politics, equality, international trade and conflict, and general wellbeing.

I am going to quote an email comment from Henry Farrell here to raise an additional point to keep in mind as we proceed: “Moral economies are never entirely seamless. In the neoliberal one that we are struggling to escape, there are important differences between Friedman-type and Hayek-type approaches on whether markets produce just deserts (the Friedman perspective, as you suggest, prevailed). This can open up fissures and possibilities, as well as accommodating the real differences of perspective that any new moral economy is likely to involve. The different projects - and the different people involved in this project, have enough in common to build a conversation but enough that is different to argue with each other. It may be worth highlighting this since it's a strength rather than a weakness (a successful moral economy isn't just a set of accepted truths, but a shared engine of argument and disagreement, where certain things are open to dispute, and those disputes become the poles around which the larger arguments are organized.”

A moral economy is not just its abstract qualities. It must speak to the concerns that people have and outline a set of values that guide policy to meet those concerns. In addition, it must be compatible with the political economic framework. So, how do we go about creating a new moral economy within a revised political economy? There are multiple related projects now in process,<sup>15</sup> and my hope is that we will cross-fertilize.

---

<sup>15</sup> Among them are: “Political Economy and Justice,” organized by Danielle Allen, Yochai Benkler, and Rebecca Henderson at Harvard University in June; “New Approaches to Political Economy, organized by The Washington Center for Equitable Growth, the Institute for New Economic Thinking (INET) at the University of Oxford, and Johns Hopkins’ Program on the History of American Capitalism in Seattle in July.

The race is not among us, but I do urge us all to race to find an alternative to the current moral political economy.

Past arguments often began with the values their writers thought most important and/or were critiques of the variant of capitalism in which they lived. Where I would like to begin is with the growing empirical evidence—statistical, experimental, qualitative and interpretive—we have of what various populations want. While we can presume that everyone seeks a modicum of economic and physical security, we cannot presume their other values and their relevant trade-offs. In addition to more knowledge of existing preferences, we also need a grounded understanding of the role of context, persuasion, socialization, and other factors that influence values and how they are prioritized. Every day observation informs us that group identities and norms are a huge influence on perceptions of both preferences and strategies for achieving them. Everyday observation—and recent Facebook and Google scandals—alert us to how actions on those values are manipulable by information.

Incorporating our knowledge of groups and individuals is not enough. To give another example from labor unions: When John Ahlquist<sup>16</sup> and I studied the members of longshore unions in the U.S. and Australia and the Teamsters in the U.S, we were studying organizations created to serve economic self-interest. The concerns of workers—and appropriately so—are their wages, hours, and benefits. But some unions, the International Longshore and Warehouse Union (ILWU) and Maritime Union of Australia (MUA) created governance, educational, and socialization institutions that facilitated costly collective actions in the interest of others. These others included peasants in China, Vietnam, and El Salvador, the rebels against colonial rule in Indonesia, and the victims of apartheid in South Africa. They were strangers, who the union members were unlikely to ever meet and from whom they had no expectation of reciprocal action. The ILWU and MUA created an expanded community of fate.

All of us have some community of fate, those with whom we perceive our interests as bound and with whom we are willing to act in solidarity. What I would like to see us achieve is a community of fate that encompasses all those likely to be affected by climate change or globalization or some other overarching concern that moves us beyond the bounds of our family, personal connections, and parochial forms of identity. The values of a moral political economy would be those that cut across divides, rather than deepen them: values such as protection of our common planet, significant reduction of inequality, protection and facilitation of human dignity. Failure of government, employers and other organizations to ensure these kinds of goals or unfair and unjust implementation of them would be defined as illegitimate use of power. They would be perceived as violations of the social compact and reasons for protest and withdrawal.

Creating such an expansive community of fate is no simple task, especially given the localistic and identity politics that are dividing us now. And the task of seeking a more universalistic framework definitely abuts against the resistance to the form of

---

<sup>16</sup> Ahlquist and Levi (2013)

globalization neo-liberalism spawned. Even so, it is a task worth considering and strategizing about.

So, what does this add up to? To develop a new moral political economic framework requires attention to:

1. The values people hold and the grounds for a wider community of fate with more encompassing values
2. The institutions—political and economic—that will bring about the realization of those values while also facilitating sufficient economic growth and productivity for achievement of a reasonable quality of life
3. Implementation of the framework once it is generated. Here a number of foundations and institutes, including those funding this meeting (Hewlett, Berggruen) are thinking about the organizations, think tanks, and policies necessary to move the agenda forward.

## References

- Ahlquist, John S. 2012. "Public Sector Unions Need the Private Sector (or why the Wisconsin protests were not labor's Lazarus moment)." *The Forum* 10 (1).
- . 2017. "Labor Unions, Political Representation, and Economic Inequality." *Annual Review of Political Science* 20 (1):409-32.
- Ahlquist, John S., and Margaret Levi. 2013. *In the Interests of Others*. Princeton: Princeton University Press.
- Burgin, Angus. 2012. *The Great Persuasion: reinventing free markets since the Depression*. Cambridge, Mass.: Harvard University Press.
- Cramer, Katherine J. *The Politics of Resentment*. Chicago: University of Chicago Press.
- Fletcher, Bill Jr., and Fernando Gapasin. 2008. *Solidarity Divided*. Berkeley: University of California Press.
- Freeman, Richard. 2007. "Do Workers Still Want Unions? Yes More than Ever!" In *Economics Policy Institute Policy Forum on Broadly Shared Prosperity, Work that Works*. Washington, D.C.: EPI.
- Hochschild, Arlie Russell. 2016. *Strangers in their own land : anger and mourning on the American right*. New York: New Press.
- Ostrom, Elinor. 1990. *Governing the Commons: The Evolution of Institutions for Collective Action*. New York: Cambridge University Press.
- Phillips-Fein, Kim. 2009. *Invisible Hands: The Businessmen's Crusade Against the New Deal*. New York: W. W. Norton.
- Rosenfeld, Jake. 2014. *What Unions No Longer Do*. Cambridge: Harvard University Press.
- Warren, Dorian T. 2010. "Labor in American Politics: Continuities, Changes, and Challenges for the Twenty-First-Century Labor Movement." *Polity* 42 (3):286-92.