The Asset Economy

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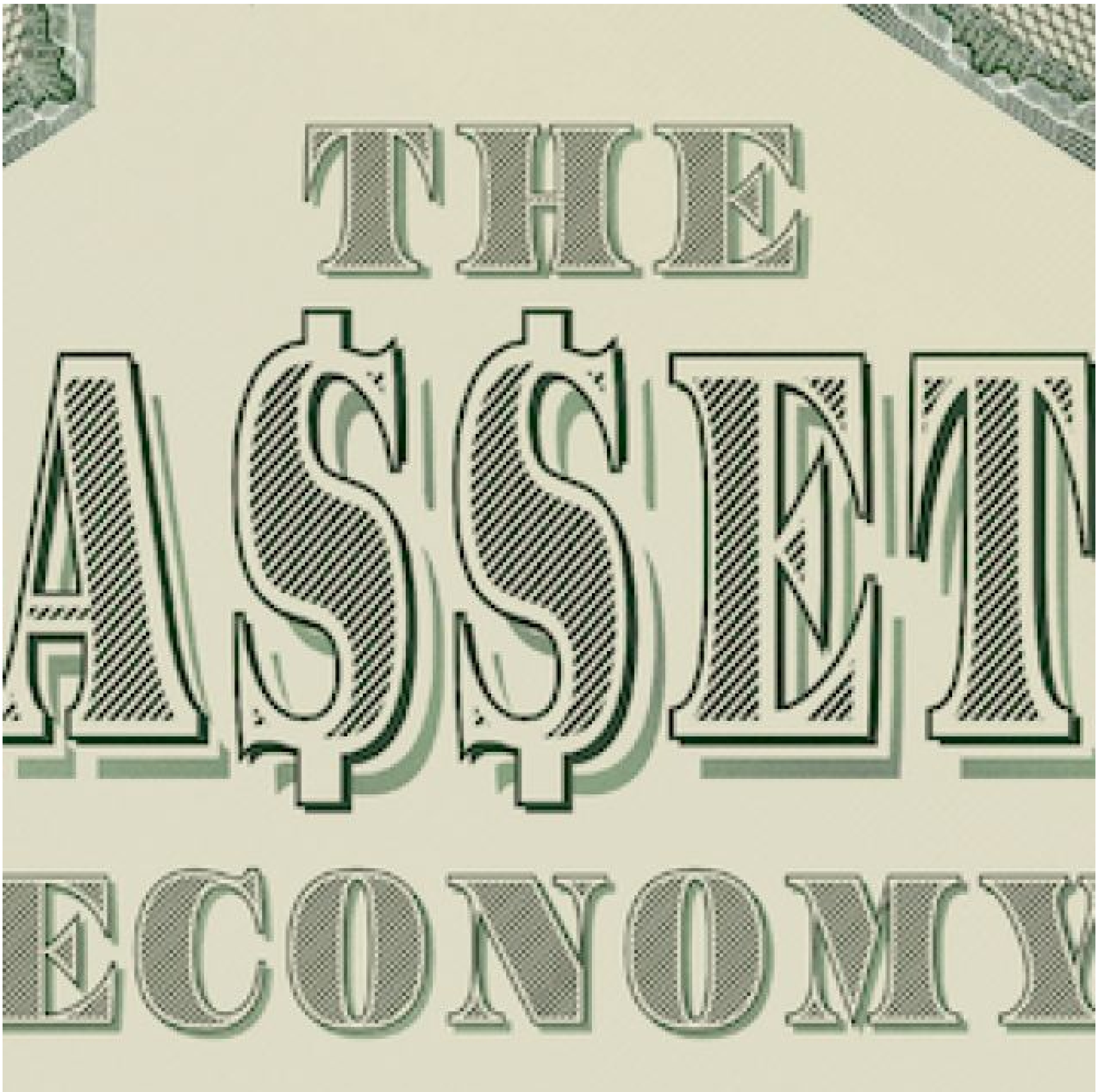

LARB *PRESENTS an edited excerpt from* The Asset Economy: Property Ownership and the New Logic of Inequality *(Polity, 2020) by Lisa Adkins, Melinda Cooper, and Martijn Konings.*

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At the start of 2019, *The Economist* coined the term “millennial socialism” to refer to the growth of strong critical and left-wing sentiments in a generation that until recently was primarily known for its sense of entitlement and its obsession with social media. It noted that a large percentage of young people hold a favorable view of socialism and that “[i]n the primaries in 2016 more young folk voted for Bernie Sanders than for Hillary Clinton and Donald Trump combined.” [1] *The Economist* acknowledged that some of these millennials may have good reasons for their political sentiments. But it immediately went on to declare that understanding this trend shouldn’t lead us to justify or legitimate it — socialism remains as dangerous as *The Economist* has always known it is. It views millennial socialism as being too “pessimistic” and as wanting things that are “politically dangerous.” The *Sydney Morning Herald* followed up in the same month with an opinion piece arguing that while millennial socialism has roots in millennials’ “rising anxiety about their economic prospects” (and in particular the virtual impossibility of ever attaining home ownership in the country’s largest cities), as a political choice it seemed to reflect above all ignorance and the lack of memory of the horrors of communism. [2]

Framing this political shift in terms of a generational schism would seem to rest on flimsy conceptual foundations. Indeed, while generational analysis may be making a return to public debate, where the mainstream press loves to cover millennials, among social scientists it has largely gone out of fashion. The idea that being born around the same time or experiencing the same historical events at the same age produces a natural solidarity or a similar experience of life is now considered overly simplistic. It is typically seen as too abstracted from a range of other structural inequalities that would seem to have far greater bearing on people’s position in the social hierarchy. Just as there are poor baby boomers, so there are fabulously wealthy millennials.

Yet some element of generational distinction seems to be playing an undeniable role in the logic of the present. So what do we make of this? A useful direction was indicated in the *Financial Times* — always more willing to put critical analysis to work for the preservation of capitalism. [3] Featuring a picture of Ben Bernanke next to one of Alexandria Ocasio-Cortez, one of its opinion pieces stated that “Quantitative Easing was the Father of Millennial Socialism.” And of course, as the youngest woman ever elected to Congress, when Ocasio-Cortez started her term she could not afford an apartment in Washington, DC.

Quantitative easing is a policy that central banks in many countries have relied on over the past decade to rekindle economic growth and escape from the Great Recession that ensued in the wake of the financial crisis of 2007–’08. It works on the idea that, if central banks push large amounts of liquidity into the financial system, banks and other financial institutions will lend more liberally and so spur investment, growth, and employment. But one of the main points of critique of these policies has been that this transmission mechanism is in fact not working very well, and that in practice quantitative easing has propped up the values of financial assets *without* translating in higher rates of employment and growth. That is to say, quantitative easing is often seen as working to enrich the owners of financial assets (often pejoratively referred to as “rentiers”) at the expense of those who have to work for a living.

The same *Financial Times* piece continued with an observation on the generational effects of property prices. Noting the dramatic divergence between wages and property prices in large cities over the past decade (not just in New York and San Francisco but also in many smaller urban centers), it concluded: “The young are locked out.” In almost all large Western urban centers, property prices have reached levels that make renting very expensive and put home ownership effectively out of reach for many. Property inflation in large urban centers is the linchpin of a new logic of inequality.

Property price inflation is not limited to the past decade. In major cities across the Western world, property prices have been on the rise for several decades. If the problem had been specific to the past decade, we would just be looking at a particularly inappropriate set of policies conceived by incompetent or corrupt elites. That would be bad enough, but we might reasonably hope that greater awareness of the issue would lead to democratic pushback and a reversal of quantitative easing policies. But the problem is of longer standing and reaches deeper into the fabric of social life.

Quantitative easing is only a more explicit version of financial policies that have been pursued since the 1980s that aim to make asset ownership profitable. We should also not be too quick to cast this as a project that aimed to enrich a tiny elite at the expense of the rest of the population, as the current focus on the runaway wealth of the one percent would suggest. The phenomenon of the one percent pulling away from the rest of society is all too real, but it is so thorny and intractable precisely because it is anchored in a wider institutional and social configuration that has generated particular constituencies with a vested interest in these sorts of policies.

It is therefore important here not to reach too quickly for the critique of “rentierism.” This may be a useful means of expressing moral opprobrium and voicing concern about a world that allows some to receive income without having to work for it, but its analytical edge is blunt. The critique of rentierism is long-standing. It has long been a favorite tool of the left, whether of middle-of-the-road progressive reformists, labor politics, or more radical currents. Indeed, it had been one of Keynes’s stated concerns to ensure the “euthanasia of the rentier,” [4] and it seemed to many that mid-20th-century capitalism had delivered precisely this, bringing capitalism in line with the needs of working people. But the past decades have done much to erode this sense that capital can work to advance the interests of society as a whole. Left-wing critics have relied on the critique of unproductive rentierism to criticize neoliberalism since its inception, but in recent years, the critique of rentierism has returned to mainstream public debate with Piketty’s *Capital in the Twenty-First Century*. [5]

Piketty sees the growth of inequality primarily in terms of the rentier fortunes of the very top. But this is part of a larger story that we need to understand. It is certainly important to understand how the escalation of inequality at the very top has been able to continue for so long in a democratic society, and to this end we need to recognize it as part of a wider, more structural reconfiguration of patterns of inequality. After all, the advent of mass democracy was one of the key pressures that led to the leveling policies of the New Deal and postwar state. To a significant extent, the “rentier function” has become embedded across social life at large.

The growing awareness that owning assets often pays more than working for a living has not yet been translated into a new understanding of class and inequality. Although the phenomenon of property inflation has received plenty of commentary, when it comes to thinking about class, inequality, and stratification in more systematic ways we often tend to revert to older models based on work and occupation. We might even say there is an element of cognitive dissonance here. Every city-dweller, including many researchers living in large cities, knows that the logic of property prices and whether one is “in” or “out” of the market has a massive impact on one’s socioeconomic situation; but when those very same people start thinking about class and inequality, they find themselves drawn to an employment-centered model that abstracts from this lived reality.

The key element shaping inequality is no longer the employment relationship, but rather whether one is able to buy assets that appreciate at a faster rate than both inflation and wages. Employment remains an important factor as it shapes the ability to do so (e.g., the ability to service a mortgage), but it is increasingly only one among other factors. Of course, income from work remains vitally important for many people as a way to access subsistence goods, but the important point is that by itself it is less and less able to serve as the basis of what most people would consider a middle-class lifestyle.

The millennial generation is the first to experience this reality in its full force. So the generational aspect is important not because it produces a uniform experience of social life or a clean divide between different generations (as a naïve approach to generational analysis would imply), but precisely because it is where the economic fault-lines that four decades of neoliberal fiscal and financial policies have produced are becoming visible. After all, some millennials have access to parental wealth (often itself the result of property inflation) that allows them to buy into dynamics of asset inflation. What we are seeing in the present era is the growing importance of intergenerational transfer and inheritance for the determination of life chances.

Crucially, however, this is not best understood as a return to an earlier era, when property was passed on (generally among men) from one generation to another in a more or less stable and mostly uneventful way. Inheritance is no longer a simple transmission of property titles, but increasingly a strategically timed transfer of funds that need to be leveraged and put to work in the speculative logic of the asset economy. This new logic of inequality has mixed “hypercapitalist” logics of financialization with “feudal” logics of inheritance to reshape the social class structure as a whole. The generational dimension articulates with the speculative logic of the contemporary financial system to shape asset-driven lives.

The future of the asset economy is a social question, to do with how societies have become structured and how these patterns express themselves in different contexts. For instance, Quantitative Easing may certainly be a problematic policy in the sense that it benefits asset-holders over those who hold no assets and wealthy asset-holders over middle-class asset-holders, but this is not entirely a contingent outcome: given the structures that have been built up over the course of the neoliberal era, central banks have few other options other than to feed liquidity into financial markets. To understand how this kind of policy lock-in occurs — how societies and their governments end up in positions where they have no choice but to pursue policies that they experience as increasingly problematic — we need to recognize the different constituencies underpinning these policies.

The promises of democratized asset ownership and universal wealth effects ran up against limits in almost all areas, and it has been in the area of housing that they found more lasting traction. The crisis of 2007–'08 housing meant a significant challenge to this image of property ownership as a democratic generator of wealth. Defying widespread expectations, housing markets in large urban centers have rebounded with a vengeance since the crisis. But the problematic effects of this are increasingly visible and are a growing source of concern for politicians and policymakers. Central here is the concentration of the benefits of property inflation among the already propertied and the exclusion of aspiring middle-class households from the housing market. The same (CPI-adjusted) salary that would have allowed someone to buy into the property market 10 years ago no longer allows that, as in many places property prices have doubled in the meantime.

Whatever policies may be designed to address this problem and to improve housing affordability inevitably are double-edged: measures that bring property ownership in reach for some (e.g., lower interest rates) simultaneously work to push prices up further and to put them out of reach for aspiring homeowners. The way in which politics and policymaking in the area of housing has become locked into a logic whereby it can only solve short-term problems by making the problem worse in the long run is reflective of deep contradictions at the heart of the asset economy.

In mainstream debate, these contradictions have been registered in the rise of secular stagnation theory. [6] The basic idea here — that capitalism has entered a stage of long-term stagnation, where each recovery is turning out to be more lackluster than the last one — is essentially a variation on Piketty's blunter "r > g" — which expresses the belief that, if left unchecked, capitalism will evolve into a rentiers' paradise. Each theory in its own way argues that present-day economies are characterized by too many accumulated financial claims at the top, in relation to the productive capacity of the real economy. It is certainly true that, with each round of Quantitative Easing, infusions of liquidity have more and more difficulty trickling down to lower levels. But the idea that capital as such has run out of steam remains a metaphysical claim.

The idea that the wheels of economic progress have stopped turning provides an interesting gloss on the *Zeitgeist* but it does not provide a compelling analytical frame. What Summers and Piketty try to capture in terms of natural economic laws is much better understood as a function of specific interests associated with particular constituencies and class positions. This is well illustrated by the example of housing policy: the difficulty consists in catering to the expectations of an existing constituency of middle-class homeowners without raising the barriers of entry for the rest of society. This policy conundrum is only comprehensible if we understand how a middle-class politics of asset democratization has ended up undermining the conditions of its own viability. There is, then, no necessary *economic* end to the logic of asset price appreciation — no final reckoning with fundamental value or the real economy. But if there is no logical or necessary economic transition before us, it seems clear that we are living through some kind of political shift that consists in the growing difficulty of convincing electorates that asset-based, credit-enabled aspiration will work.

The economic and political volatilities that increasingly characterize the millennial generation emerge as growing numbers of young people see no path forward to the good life that previous generations were promised. It is in the millennial generation that the economic fault-lines that four decades of neoliberal fiscal and financial policies have produced are becoming visible, and where we find an increasingly intense dependence on family wealth as a determinant of whether one will flourish or languish in the asset economy. As we saw, *The Economist* worries that this may foster critical ideas about capitalism. We probably should be far more worried about the possibility that ongoing social polarization will feed into Trump-style fusions of populism and authoritarianism. The institutional logic through which the asset economy has taken shape offers no easy ways out, no readily available policy options that can mitigate the problems that it has engendered. Unless those institutional parameters are reconfigured in fundamental ways, the asset economy will continue to polarize and trigger social responses that threaten existing mechanisms for the production of political legitimacy and social cohesion.

Giving voice to this sense of accelerating economic polarization and concomitant political trends, Malcolm Harris in his book *Kids These Days* says of his own generation that they will end up as “fascists or revolutionaries, one or the other.” [7] Of course, the need to make such political choices is not confined to members of that generation, and that only underscores the importance of the progressive polarization of political options. And that means that the socialist affinities that give *The Economist* and its establishment readership such anxiety may well be the only viable alternative to a future shaped by the opportunistic political manipulation of increasingly volatile public sentiment, fostered by growing economic inequality.

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[1] *The Economist* (2019) "Millenial Socialism," February 14.

[2] Tom Switzer (2019) "Anxiety Plus Ignorance: Why Millennials Are Embracing Socialism", *Sydney Morning Herald*, 23 February.

[3] *Financial Times* (2019) "Quantitative Easing was the Father of Millennial Socialism," March 1.

[4] John Maynard Keynes (1936) *The General Theory of Employment, Interest and Money*, London: Harcourt, Brace and Company, p. 376.

[5] Thomas Piketty (2014) *Capital in the Twenty-First Century*, Cambridge: Harvard University Press.

[6] Larry Summers (2016) "The Age of Secular Stagnation: What It Is and What to Do About It," *Foreign Affairs*, February.

[7] Malcolm Harris (2017) *Kids These Days: Human Capital and the Making of Millennials*, New York: Little, Brown and Company, pp. 227–228.