

# From the Moral Limits of Markets to the Moral Limits of Welfare

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## Abstract

The political philosopher Michael Sandel (2011) has recently argued compellingly for more attention to the moral limits of markets, arguing that market values can crowd out other values we should care about. Meanwhile, conservative advocates for welfare reform, such as the Australian Aboriginal leader Noel Pearson, have raised concerns about the impact of long-term welfare receipt on community values. Pearson's argument about welfare can be articulated in similar terms to Sandel's argument about markets. Pearson maintains that in heavily disadvantaged communities – such as the Aboriginal communities of Cape York peninsula - the state's provision of non-contributory welfare can crowd out important values such as trust, respect, care for the weak and mutual help as well as self-reliance and hard work. Though Sandel's and Pearson's arguments find receptive audiences on different ends of the political spectrum, the parallels between their arguments are striking. The article seeks to promote greater scholarly engagement with Pearson's moral critique of welfare while expressing scepticism about one of the key correctives he proposes.

## Key words

Noel Pearson; Michael Sandel; markets; welfare reform; Aboriginal Australians

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## From the Moral Limits of Markets to the Moral Limits of Welfare

### Introduction

The Australian Aboriginal public intellectual and social reformer Noel Pearson has had a singular impact on the social policy landscape in Australia this century. His provocative analysis of the social crisis facing some remote Aboriginal Australian communities represents a major contribution to the global understanding of the difficulties socially excluded Indigenous populations pose for the social policies of liberal-democratic welfare states. In 2000 Pearson published a manifesto, 'Our Right to Take Responsibility', which contains a scathing critique of the impact in Queensland's Cape York Peninsula, his home region, of the extension of welfare entitlements to Aboriginal people (Pearson, 2000). In that work, and essays and lectures published since, he has argued that two generations of unconditional cash welfare transfers for working aged people in Cape York have 'produced a social disaster' (Pearson, 2009a: 188), characterized by violence, low rates of educational attainment, overrepresentation in the criminal justice system, ill health, and early death (Pearson, 2000: 15). Though Pearson believes that high rates of alcohol and drug abuse are also causally important (Pearson 2000, 24), he contends that 'the nature and scale of our current social problems are critically connected' to the communities' pervasive dependence on welfare payments (Pearson 2000, 25).

Elements of Pearson's political thought have encouraged some observers to label him 'neoliberal' and to dismiss his moral concerns about long-term welfare dependency. This article encourages readers to engage with the possibility that under certain circumstances well-intended social policies can have demoralizing effects on populations culturally and geographically distant from labour markets, such as indigenous peoples. At the same time it argues for a rethinking of Australia's current policy response to this problem. The impact of Pearson's intervention into public debate about social policy has largely been to bolster the existing trend of reducing the autonomy of welfare recipients, especially Indigenous Australian welfare recipients. The Australian government has increasingly made welfare payments conditional on certain desired behaviours, and restricted the way payments can be spent (Bielefeld 2012). This article argues that this neopaternalistic response to the moral limits of welfare is ill-advised. Properly understood, Pearson's moral analysis of welfare as an economic institution suggests that what is needed is not punitive treatment of individual welfare recipients so much as greater investment in economic opportunities for residents of disadvantaged regions. Pearson's greatest contribution is to show us the inadequacy of a welfare state that maintains some citizens in the face of a breakdown in their access to a functioning labour market, while doing little to rectify this breakdown.

Concerns that institutionalised rights to poverty relief have corrupting effects on morality have a long history (Tocqueville 1983 [1835]). Thomas Malthus (1999[1798]) argued that the poor laws had the perverse effect of increasing the misery of the poor because they encouraged irresponsibility. In nineteenth century England fears that the availability of poor relief induced idleness among those capable of supporting themselves led to the development of the principle of less eligibility, whereby the position of those depending on poor relief was made less desirable than the position of the poorest laborer (Englander 2013: 11-12). The principle of less eligibility continued to influence the development of social policy in Britain in the early decades of the twentieth century (Thane 1978). The fear of developing a pauper class made the governments of the Australian colonies in the nineteenth century reluctant to provide outdoor relief (Jahoda 1973). The same fear inhibited

authorities from extending cash welfare payments to Australian Aborigines for much of the twentieth century (Rowse 1998). In more recent times New Right advocates of welfare reform such as Charles Murray (1984), Lawrence Mead (1991), Gertrude Himmelfarb (1994), and David Marsland (1996) have asserted that welfare dependency leads to the erosion of not only self-reliance but also other-regarding values.

Though continuity is evident between Pearson's ideas and those of better known critics of welfare in the US and the UK, his analysis of welfare in the exceptional context of Cape York deserves greater scholarly attention than it has so far received. While moral arguments supplement the New Right's economic and philosophical criticisms of the welfare state, in Pearson's writings about welfare the concern with the corrosion of community norms is foremost.

This article argues for greater engagement with Pearson's concerns about the moral limits of welfare by comparing them with the political philosopher Michael Sandel's concerns about the moral limits of markets (2012). I argue that though Sandel's argument is most likely to find receptive audiences on a different end of the political spectrum from Pearson's, the parallels between their arguments are striking. While Sandel critiques the ever-increasing domination of American life by market logic, Pearson critiques the domination of life in the Aboriginal communities of Cape York by the passive welfare economy (a concept I explain below).

Sandel says we should be concerned by the extension of markets into all spheres of life because 'markets don't only allocate goods; they also express and promote certain attitudes towards the goods being exchanged' (Sandel, 2012: 9). Sandel shows that market values can crowd out other values we should care about. Pearson's central claim can be articulated in similar terms: the positive values which have enabled his people to survive colonization are being crowded out by the values promoted by the economic system in which they now find themselves. Pearson contends that the institution of welfare as it exists in Cape York expresses and promotes certain attitudes towards the goods it distributes, and moreover it expresses and promotes certain attitudes towards the people who depend on it. He regards passive welfare as 'poisonous' in Cape York in part because of the attitudes welfare recipients come to have towards themselves. Sandel is similarly concerned by the lens through which market-oriented individuals see themselves and each other, though this is a much smaller part of his argument. Like Sandel, Pearson portrays himself as fighting against a collective complacency. Sandel argues that the misguided perception promoted by some economists that market reasoning is *morally neutral* has blinded us to its moral corrosiveness (Sandel 2012: 8, 103). Pearson presents himself as an iconoclast, standing up against the complacency of non-Indigenous progressives towards the economic exclusion of his people.

Sandel can be seen as the latest in a series of thinkers of various ideological persuasions to raise concerns about the moral effect of markets. Anxiety about the erosion by competitive markets of altruistic orientations and cooperative arrangements can be traced back to the eighteenth century and has reappeared periodically, voiced by a diverse array of conservative, romantic and Marxist thinkers (Titmuss 1970; Hirschman 1982; Fourcade and Healy 2007, 291-3; Satz 2010). This article takes Sandel's well-developed argument that markets are morally corrosive as an exemplar of this broader literature.

The contrasting social effects of other economic systems – such as feudalism and kinship distribution networks – have also received scholarly attention. Bowles argues that the rules and expectations

governing allocation in different societies 'influence the process of human development, affecting personality, habits, tastes, identities, and values' (Bowles 1998: 76). In a liberal welfare state such as Australia, the logic of the market is dominant and the logic of welfare is secondary: non-market income is reserved for those who are temporarily unable to meet their needs through the labour market (Esping-Andersen, 1990: 42-3). Welfare should therefore not be expected to exert a strong effect on community norms; recipients of unemployment benefits are still disciplined by the logic of the market as they seek and prepare for their next job. According to Pearson however, the Aboriginal communities of Cape York are so socially and economically disconnected from the rest of the Australian population and their welfare dependency is so entrenched that the allocative logic of welfare has begun to influence social norms and human development.

I proceed by describing in turn Sandel's argument about markets and Pearson's argument about welfare. I then highlight a number of parallels between them as well as the important points of contrast, before discussing the implications of recognising the moral limits of welfare.

### **Sandel on the moral limits of markets**

Sandel writes that 'The reach of markets, and market-oriented thinking, into aspects of life traditionally governed by nonmarket norms is one of the most significant developments of our time' (Sandel, 2012: 7). He believes this development should be cause for concern. His book focuses on two objections to markets: the fairness objection and the corruption objection. He explains the fairness objection as follows:

The fairness objection points to the injustice that can arise when people buy and sell things under conditions of inequality or dire economic necessity. According to this objection, market exchanges are not always as voluntary as market enthusiasts suggest. A peasant may agree to sell his kidney or cornea to feed his starving family, but his agreement may not really be voluntary. He may be unfairly coerced, in effect, by the necessities of his situation. (Sandel, 2012: 11).

The second objection, the corruption objection, is the heart of the book and the one I will focus on in this article. The corruption objection 'points to the degrading effect of market valuation and exchange on certain goods and practices' (Sandel, 2012: 111). Sandel insists: 'markets don't only allocate goods; they also express and promote certain attitudes towards the goods being exchanged' (Sandel, 2012: 9). In other words 'when we decide that certain goods may be bought and sold, we decide, at least implicitly, that it is appropriate to treat them as commodities, as instruments of profit and use' (Sandel, 2012: 9).

A problem potentially arises because some types of goods are degraded when treated this way (Sandel, 2012: 10). Buying and selling children, for example, is morally abhorrent because putting a price on them is incompatible with valuing them appropriately (Sandel, 2012: 112). A market for selling kidneys may 'promote a degrading, objectifying view of the human person, as a collection of spare parts' (Sandel, 2012: 110). In his investigation into what money cannot and shouldn't be permitted to buy, Sandel goes on to suggest that creating markets for sexual services, college admission, autographed sporting memorabilia, and the naming rights to civic venues are all potentially problematic. Rather than calling for an outright ban on the sale of these goods he calls for more debate on 'the moral meaning of these goods and the proper way of valuing them' (Sandel, 2012: 10).

Sandel argues compellingly that extending markets into new spheres can erode nonmarket norms (Sandel, 2012: 90-1). He supports this argument by referring to 'A growing body of research [which] confirms what common sense suggests: financial incentives and other market mechanisms can backfire by crowding out nonmarket norms. Sometimes, offering payment for a certain behavior gets you less of it, not more' (Sandel, 2012: 114). Empirical research shows people are less willing to engage in various civic-minded activities – from donating blood, to collecting money for charity, to providing professional services to the needy, to accepting a toxic waste site in their town – when a monetary reward is offered (Frey, Oberholzer-Gee & Eichenberger, 1996; Frey & Oberholzer-Gee, 1997; Frey & Jegen, 2001; Deci, Koestner & Ryan, 1999; Kunreuther & Easterling, 1996; Gneezy & Rustichini, 2000a; Gneezy & Rustichini, 2000b; Ariel, 2009). Many people are ordinarily willing to do these activities out of public spiritedness. But introducing financial incentives can lead to 'the loss of nonmarket norms and expectations' and thereby 'change the character' of these activities (Sandel, 2012: 90). These activities come to be seen in a different light, which makes people more reluctant to do them.

To speak of markets corrupting and degrading, demeaning or defiling 'is to appeal, implicitly at least, to conceptions of the good life' (Sandel, 2012: 187). A more value neutral way of putting Sandel's idea – one which avoids appealing to any particular conception of the good life – is that markets displace other norms and expectations. In discussing the allocation of various goods from kidneys to college places to rock concerts tickets, Sandel contrasts markets with alternative systems based on queuing, lotteries, merit and need. Markets often fare poorly in these comparisons. But there are other allocative mechanisms – such as patronage or theft – in comparison with which markets might look very appealing. Markets can crowd out bad norms as well as good ones. Sandel would surely agree. He writes, 'There's no reason to assume that any single principle – queuing or paying – should determine the allocation of all goods' (Sandel, 2012: 40). He insists that each case must be discussed individually (Sandel, 2012: 40).

Sandel's ultimate conclusion is considered. He acknowledges that 'A market economy is a tool – a valuable and effective tool – for organizing productive activity' (Sandel, 2012: 10). He doesn't rush to condemn every extension of market norms. Rather he urges that in each case we pause to 'make a moral assessment: What is the moral importance of the attitudes and norms that money may erode or crowd out? Would the loss of nonmarket norms and expectations change the character of the activity in ways we would (or at least should) regret?' (Sandel, 2012: 90-1). In each situation the harmful effects need to be weighed against the good that introducing markets might do.

### **Pearson on the moral limits of welfare**

Let us now examine Pearson's argument about welfare. Pearson is concerned with the experiences of the discrete Aboriginal communities of Cape York Peninsula in Australia's sparsely populated north. These communities, which were formed from the missions and government reserves of an earlier era, are geographically remote from centres of economic production. There has been little employment available to the Aboriginal Australians who live in them since the collapse of Aboriginal employment in the pastoral industry in the 1970s (Pearson, 2000: 30). The very specific geographic and temporal context of Pearson's observations is crucial to appreciating his moral critique of welfare. Pearson attests, and outsiders who have worked in Cape York concur, that the incorporation of Aboriginal people into Australia's welfare system in the 1970s resulted in a 'vast improvement in the material circumstances' of these communities, yet coincided with a breakdown

in social order (Pearson, 2000: 15; Martin, 2001; Sutton, 2009; Hunter, 2013: 148-9). Pearson controversially asserts there is a causal connection between long-term welfare dependency and the alarming rates of violence, child neglect and other indications of social breakdown in Cape York. Other authors however, attribute the social problems of these communities to other factors including trauma, dispossession, distinctive Aboriginal cultural values and alcohol (Martin 2001; Sutton 2009).

Though Pearson observes that in much of Australia the social security system has worked well, he argues that in Cape York it has not functioned as intended. Rather than being an 'income-support safety net' designed to help people through temporary periods of unemployment, welfare has become the mainstay of the economy of Cape York (Pearson, 2000: 11; Pearson, 2009a: 188). While the social security system might be intended to embody the logic of generalized reciprocity, offering support to citizens in times of need in exchange for their contributions at other times in the lifecycle, this is not how it is perceived on the ground in Cape York. Pearson contends that welfare payments lack any sense of reciprocity because Aboriginal people in Cape York are so isolated from labour markets that they do not expect to 'repay via their taxes what they have received' through the welfare system (Pearson, 2000: 11). These payments are available indefinitely and have been, in practice though not in theory, unconditional.<sup>1</sup> Australia's system of non-contributory, means-tested residual welfare allocates money on the basis of rights deriving from citizens' deficits rather than their efforts or strengths. Welfare payments are highly stigmatizing, and although a citizenship entitlement, they are experienced by Aboriginal people as a depersonalized, bureaucratized form of charity. Pearson understands their underlying rationale as need alleviation. (He ignores other rationales important to the development of welfare systems such as labour market efficiency, egalitarian redistribution, the pooling of risk, solidarity, mitigation of class conflict and so on (Goodin et al 1999: 21-36).)

The passive welfare economy - unlike the traditional subsistence economy of his ancestors destroyed by white settlers, the agricultural subsistence economy of the mission era, and the market economy today - does not demand that households contribute to their own material survival (Pearson, 2000: 5). The traditional economy, the mission-era economy, and the market economy provide a strong nexus between effort and reward, and necessitate a degree of discipline and personal responsibility (Pearson, 2001: 139). . Pearson claims that the availability of unconditional welfare discourages people both from seeking paid employment (Pearson, 2000: 22) and from engaging in traditional subsistence activities such as hunting (Pearson, 2009a: 328-9).

Like conservative advocates for welfare reform in the US and UK, who charge welfare with perversely entrenching the poverty it is intended to alleviate, Pearson believes that long-term receipt of welfare payments erodes the work ethic (Murray, 1984; Mead, 2000; Field, 2001).<sup>1</sup> He claims that reliance on passive welfare damages individuals by robbing them of initiative and making them helpless (Pearson, 2001: 139; 2000: 5). Though Pearson's thinking shares much with Lawrence

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<sup>1</sup> Given that Australia's welfare regime is liberal rather than social democratic, it might be surprising that he observes that welfare payments have a de-commodifying effect (cf Esping-Anderson 1990: 26-7). It is likely this effect reflects the relatively undeveloped taste for consumer goods among Aboriginal people in the remote locations he writes of, rather than the generosity of the payments. Prior to the 1970s 'Aboriginal people living in this region had little exposure to money' (Martin 1995: 1).

Mead's, he is not preoccupied with the possibility that welfare payments encourage people to turn down the low-paid jobs available to them. Pearson recognises that at least in the short term there are few jobs available to his people. The problem he identifies is more that welfare dulls his people's desire to invest in their productive skills and capacities, and induces them to remain in locations they might otherwise venture from in search of work. He asserts that over time receiving 'money for nothing' produces a distinctive 'mentality' whereby welfare recipients come to 'see themselves as victimised or incapable and in need of assistance without reciprocation' (Pearson, 2000: 21). They come to believe that they are entitled to what they want without needing to produce anything of value to anyone else in return (Pearson, 2000: 22). 'The passive welfare mentality results in ... our people failing to take responsibility for ourselves as individuals, for our families and for our communities', he writes (Pearson, 2000: 22).

Importantly, Pearson holds that unconditional welfare erodes not just of self-regarding values but other-regarding values as well. The mentality promoted by welfare, he writes, has had 'a disastrous impact on Aboriginal systems of sharing and obligations' (Pearson, 2000: 31). Whereas traditional Aboriginal society was 'a truly wondrous social system based on reciprocity and care', it has been 'corrupted' (Pearson, 2001: 139; 2000: 31, 66). The values at the heart of Aboriginal law – 'trust, respect and mutual help' – have been displaced (Pearson, 2000: 5). He claims 'passive welfare undermines and ultimately unravels traditional relationships and values – and gives rise to social problems and, ultimately, social breakdown' (Pearson, 2009a: 329). The weaker members of society – children and the elderly – suffer most from this displacement of customary norms of care (Pearson, 2000: 31). Defenders of welfare consider one of its virtues its capacity to enable people to escape control by others (for example, their family members) (Goodin, 1998: 123). Pearson on the other hand argues that the freedom from constraints which welfare makes possible has greatly undermined social order, making daily life chaotic within contemporary Aboriginal communities. This chaos contrasts unfavourably, he believes, with the arrangement in classical Aboriginal society whereby providers of resources had authority over recipients (Pearson, 2007) and even with the social order imposed by the more successful Christian missions following colonisation.

Pearson is not unique in arguing that welfare corrupts norms of mutual help. Other conservative critics of welfare believe that 'welfare states warp our sense of collective responsibility' (Schmidtz, 1998: 64). Peter Saunders, for example, asserts that 'the expansion of government has "crowded out" voluntary self-provision, philanthropy and mutual assistance' (Saunders, 2007: 54). These conservatives believe the welfare state compares unfavourably with the voluntary institutions which predate it, such as friendly societies, through which people pooled risks and took responsibility for the well-being of others in their community (Schmidtz, 1998: 63-72). They contend that such institutions were 'a major source of community strength' (Saunders, 2007: 54) and gave better expression to other-regarding virtues, such as community solidarity and collective responsibility, than distant government bureaucracies.

Proposals for conservative welfare reform are frequently criticized by defenders of welfare entitlements on the grounds that their most enthusiastic advocates are people with little firsthand knowledge of the lives of welfare recipients (O'Connor, 2001: 231; Wacquant, 2009). The racialization of welfare (Gilens, 1996) makes it easy to doubt the sincerity of welfare reform advocates' empathy for the poor (Goodin, 1998: 114). Pearson's entry into this debate is significant, and in the Australian context has had a transformative effect. This is partly because Pearson was an

Indigenous land rights campaigner of national significance before becoming a social reformer and partly because as an Aboriginal person from a remote community he has firsthand knowledge of daily life among the economically marginalised. He speaks from his observations of how welfare has affected the norms in the communities he knows and his empathy with the downtrodden and racially oppressed is more difficult to question than other welfare reform advocates’.

### Comparison of Pearson and Sandel’s arguments

There are many parallels between Sandel and Pearson’s arguments. Sandel’s argues that marketizing goods changes their character. He observes that ‘Standard economic reasoning assumes that commodifying a good – putting it up for sale – does not alter its character. Market exchanges increase economic efficiency without changing the goods themselves’ (Sandel, 2012: 113). Sandel challenges this, arguing that market exchange can change what the goods being exchanged mean to us: ‘markets and commerce change the character of the goods they touch’ (Sandel, 2012: 202).

Pearson makes much the same argument about welfare. Pearson disputes the economist’s assumption that the value of an item isn’t affected by how one came by it. He believes that things that are purchased with welfare money are valued less. The institution of welfare devalues the money it provides: ‘Welfare money does not have the same value as personally earned money’ (Pearson, 2000: 22). Pearson contends this is because,

The resources of passive welfare are fundamentally irrational. Whereas the dollar earned through a commercial or labour transaction has a rationale, the dollar given as a matter of course has none (Pearson, 2000: 23).

Pearson claims that people are disinclined to invest the money they have if they are conditioned to believe that regardless of what they do today, tomorrow will bring another cheque. The passivity that welfare engenders leads to the squandering of the resources it provides (Pearson, 2009b: 99). He writes:

Everyone in a passive welfare economy is susceptible to irrational (mis)appropriation and (mis)expenditure of money, because that is the very nature of the money. Money acquired without principle is money expended without principle (Pearson, 2000: 23).

Once the nexus between effort and reward is broken by welfare, people waste their time and their opportunities (Pearson, 2000: 23). For this reason Pearson concludes that ‘passive income is not a sustainable basis for a society in the long term’ (Pearson, 2005: 5).

Both Pearson and Sandel’s arguments are affirmations that there are intangible things that matter as much or more than material goods. Pearson is arguing that this is true even for those in poverty. He testifies that ‘Our social degeneration in fact accompanied the vast improvement in our material condition from our earlier poverty over the past 30 years! We are socially poorer today despite vastly improved material circumstances’ (Pearson, 2000: 39). Pearson says that the situation in Cape York shows that ‘Access to material goods and cash is not itself a guarantee of success’ (Pearson, 2000: 15-6). Pearson and Sandel are both worried about the meanings that allocative practices express. Sandel is concerned by what putting a dollar sign on certain goods expresses. Pearson is concerned about what *not* putting a dollar sign on other goods expresses. Just as ‘some of the good things in life are corrupted or degraded if turned into commodities’ (Sandel, 2012: 10), some good

things are perceived to be less valuable, argues Pearson, if they are distributed in accordance with the logic of residual welfare. Pearson and Sandel also draw attention to what allocative practices express about people. Sandel worries that allowing the rich to buy their way out of queues erodes civic norms. Pearson worries about the effect of a highly stigmatizing form of welfare on recipients' self-esteem and identity. The centrality of recipients' deficits to the allocative logic of residual welfare means that welfare payments always convey the message that there is something wrong with the recipient (CYIPL, 2005: 6).

Sandel explicitly says that market values 'crowd out' other values we should care about (Sandel, 2012: 113). The problem Pearson describes can also be framed in terms of some values crowding out others: in communities which are heavily dependent on welfare, the principle of need alleviation starts to crowd out other important values. Aboriginal people come to believe that as society's victims 'it is their right to have assistance without reciprocation' (Pearson, 2000: 21). Just as Sandel worries that social relations are being 'made over in the image of the market' (Sandel, 2012: 11), Pearson believes 'Passive welfare has come to be the dominant influence on the relationships, values and attitudes of our society in Cape York Peninsula' (Pearson, 2000: 23).

Many of the values Sandel worries will be crowded out by market thinking could be described as 'other regarding': he is worried about concepts such as friendship, altruism, intimacy, civic togetherness and mutual obligation. Pearson is similarly concerned about the crowding out of other-regarding values, especially those he associates with Aboriginal traditional culture such as caring for children and the elderly, trust, respect and cooperation for mutual gain. Pearson is also worried about the loss among the Aboriginal underclass of *self-regarding* norms, such things as self-reliance, personal responsibility, pride in one's own achievements, saving money for the future, taking care of one's possessions, protecting one's health, and investing in income-generating skills. When taken to an extreme these self-regarding values can be damaging – it is easy to join Sandel in finding too much self-regard and not enough other-regard in the present neo-liberal era – but the erosion of self-regarding values can be harmful too.

Why should we worry about the crowding out of self-regarding norms? Pearson would answer that some of the moral understandings that inform practices like waged labour are conducive to human well-being. In doing so he echoes David Hume and Adam Smith's claim that commerce and industry promote the virtues of industriousness, assiduity, frugality and probity (Hirschman, 1982: 1464-6). Like other conservative critics of welfare Pearson celebrates 'self-interest' as a 'powerful engine' for individual and social development because he sees it as a spur to effort, improvement and innovation (Pearson, 2010). He connects the norms that markets promote with the development of the self-confidence and self-efficacy that the people of Cape York will need if they are to achieve progressive social change. If Sandel urges us to debate what of value we lose if our lives are dominated by the market, Pearson urges us to consider the psychological and social cost paid by communities dominated by welfare.

Both Sandel and Pearson's arguments are rooted in a concern about a certain type of economic relation (markets, welfare) exceeding its proper bounds. Sandel is warning against the problems that come from the over-extension of market values into too many parts of our lives. This is a trend that has become particularly worrying in the USA and other parts of the world since the 1980s (Sandel, 2012: 5-6). Pearson is describing the negative impacts for communities in which the role of welfare

has exceeded its normal boundaries. He claims that social democracy reaches its limit when 'the fate of the disadvantaged [is] seen to depend too much on the altruism of the economically and socially integrated mainstream', perversely undermining the self-regard of the poor (Pearson, 2010). In his part of the world this problem has been developing since the 1970s. Some of the communities Pearson writes about experience 'almost complete dependence on cash handouts from the government' (Pearson, 2000: 5) as a result of colonial dispossession, geographic remoteness and inadequate schooling (Pearson, 2000: 14). In these historically and geographically exceptional locations welfare has exceeded its proper bounds because it does not help people through temporary periods of unemployment but constitutes the main form of subsistence over a lifetime for 'the permanently unemployed and marginalised' (Pearson, 2009a: 188).

Sandel and Pearson are both concerned about the cumulative effects of thousands of small transactions. Sandel points to commercial practices which appear to have been 'morally contagious, or at least suggestive' (Sandel, 2012: 195). Though perhaps not overly troubling in themselves, practices such as selling the right to name stadiums has 'prepared the public mind to contemplate further incursions of commercial practices into civic life' (Sandel, 2012: 195). It is the excess which is the problem (Sandel, 2012: 188). For Pearson the trouble with welfare is not each individual payment but their cumulative effect on people's mentality. This has come about because in Cape York, which is far from labour markets, welfare payments are not sufficiently balanced with other sources of income: 'When people have only one means of existence the nature of that income obviously influences their whole outlook' (Pearson, 2000: 23). He believes the lack of reciprocity welfare embodies is contagious from one sphere of life to another. People habituated to passive welfare who then develop drug or alcohol addictions 'treat other people in our society in the same way as the passive welfare resource: these people (wives, girlfriends, parents, grandparents, children, relatives) are not valued and respected ... These people are simply a source of resources (money, shelter, food, comfort and care) and they treat them accordingly (Pearson, 2000: 24-5).

The most important point of difference between Pearson and Sandel is that Pearson betrays elements of the blind enthusiasm for markets that Sandel cautions against. It is not obvious that Pearson and Sandel would agree on what the limits of markets should be. Pearson has reconciled himself to the inevitability of capitalism. He treats the laws of the free market as laws of nature. Pearson embraces the virtues of self-reliance and investment in human capital that are required for success in the market economy. He sees the market as an engine of growth rather than a driver of inequality. Pearson equates deriving an income from employment with achieving 'independence' rather than becoming dependent on employers, and overlooks entirely the downsides – such as loss of autonomy – connected with this form of dependence. He valorises 'the moral worth of the productive individual within the market economy' (Martin 2001: 6), while ignoring other sources of self-regard such as unpaid caring work and other contributions to family and community wellbeing. Pearson's arguments have tended to find favour with those on the right, who are ready to concur that 'mainstream employment is not only essential for material well-being, but also for self-respect' (Hughes, 2007: 90).

Pearson's enthusiasm for markets is connected to his endorsement of welfare conditionality. One of his proposed correctives to demoralization is making welfare conditional on recipients' compliance with certain social expectations, rather than a citizenship entitlement. The intention is for welfare conditionality to imitate the direct reciprocity of contribution and benefit found in market

transactions. In light of the evidence Sandel presents for the crowding out of intrinsic motivation by extrinsic motivation, we should consider whether the extrinsic motivation created by welfare conditionality might undermine citizens' intrinsic motivation to behave in the ways sought. It is also worth noting that making welfare payments more conditional on behaviour is unlikely to reduce their stigma or improve the self-regard of people receiving them.

Some on the left of Australian politics have been dismissive of Pearson's argument, associating calls for greater economic integration for Aboriginal people with the neoliberal quest to bring all parts of life into the realm of the market (Altman 2007: 310, 312). The importance of market ideology to Pearson's thinking can, however, be overstated. Pearson's argument is distinct from the libertarian complaint that the welfare state redistributes taxpayers' money to the undeserving. He does not call for a reduction in social expenditure. Pearson addresses his argument not to the neo-liberal attackers of the welfare state, but to its supporters, 'those of us who take seriously our social responsibilities and who passionately understand and support the important achievement of the welfare state' (Pearson 2001, 139).

### Implications

Part of what makes Sandel's argument so compelling is his use of empirical evidence. Sandel draws upon a rich empirical literature from economics and psychology among other disciplines. Pearson's evidence base is his on-going observation of the communities of Cape York and the oral histories he has collected of the era before welfare came to these communities. There are also some experimental studies that speak to the issue he raises. Goodin (1993) concludes from his review of the literature from psychology that there is empirical evidence to support the claim that state-supported welfare could lead to moral atrophy. Furthermore, Bowles points to 'numerous experiments [which] suggest that "earning" a claim on a resource differs in psychologically important ways from simply receiving one' (Bowles, 1998: 104). However, recent experiments in the developing world offer evidence against the claim that people value free and subsidized resources less than those they pay full price for (Banerjee & Duflo 2011: 57-58). It may be that it will be possible to deal with Pearson's argument by finding sufficient evidence to refute its empirical validity, but this has not yet been done. The plausibility of Pearson's causal claim means that it is not sufficient to dismiss it out of hand, especially since there is an 'impressive' amount of evidence consistent with the more general hypothesis that 'economic institutions influence motivations and values' (Bowles, 1998: 76).

That said, even if it was proven that unconditional welfare erodes self-reliance, there are still ways of defending unconditional welfare. After all, as Sandel concedes, 'Arguments from corruption are not always decisive' (Sandel, 2012: 154). Rather we need to assess the moral importance of values being corrupted, and judge whether the cost of changing the meanings surrounding an activity outweighs other considerations. Ultimately there is a question here of which norms we cherish and want to protect.

A central element of the dispute over state-funded welfare programs is whether self-reliance is an important value in the first place. Those of a social democratic persuasion believe conservatives overrate it. For example, Goodin writes: 'Personal responsibility for welfare is a good thing, in its place. Our task must be to keep it in its place' (Goodin, 1998: 195). Even if defenders of welfare entitlements do believe that self-reliance is an important human value, one whose corrosion they

would regret, they might still prioritise the value of alleviating material need. If their critics are right that state provision of welfare crowds out localized forms of mutual help that give better expression to public spiritedness, social democrats can still make the case that the benefits of universal pooling of risk outweighs this consideration (see for example Goodin, 1998: 162-167). Similarly if they conceded that unconditional welfare undermines social order by removing constraints, this might be a cost they consider worth paying for the sake of ensuring vulnerable people greater freedom from domination. In sum, defenders of welfare entitlements might concede that welfare does have moral downsides, but these moral downsides are worth putting up with because the alternatives are worse.

Greater scrutiny and coercion of individual welfare recipients welfare is only one part of Pearson's proposed approach to the social problems of Cape York. He also argues for greater investment in human capital (particularly through higher quality schooling for children and better school attendance), and more government investment in regional economic development. These ideas are more promising and more in keeping with his core insight that the situation in Cape York is an aberration, in other words that welfare contributes to social deterioration only where opportunities for economic engagement are absent. Furthermore, economic transformation at a regional level need not be market-based. The hybrid economy approach to Indigenous development developed by economic anthropologist Jon Altman represents an alternative way of tackling Indigenous economic exclusion (Altman 2001; Altman 2005; Curchin 2013). This strengths-based approach to development emphasises the need for government investment in social enterprises in industries in which Indigenous peoples resident in remote regions have particular advantages, such as land management for conservation, hunting and fishing, eco-tourism, and arts and crafts.

## Conclusion

In this article I have drawn attention to the structural similarity between an argument Sandel makes about markets and an argument made by Pearson. Both Sandel and Pearson are concerned that structures of distribution embody certain attitudes to the goods distributed and to the people involved in the transactions. Both are concerned that when allocative mechanisms exceed their proper bounds social norms are distorted or corrupted. Though critics of welfare are concerned about the erosion of self-regarding norms, their argument is also, like Sandel's, about the loss of other-regarding norms such as trust, respect, care for the weak and mutual help.

I want to suggest that if we find plausible Sandel's claim concerning the corrosion by the market of important values we should not dismiss too quickly the conservatives' claim concerning the corrosion by welfare of important values. My position is reminiscent of Hirschman's conclusion that those who have praised the moral effects of markets and those who have criticized markets' corrosion of important values may share the truth between them (Hirschman, 1982). Though highly targeted welfare payments can alleviate extreme material poverty, at least in the part of the world Pearson writes about this has come at a social cost. Defenders of welfare entitlements have paid insufficient attention to the reasons why we should be concerned when welfare becomes the mainstay of the economies of some communities. Thinking of the moral limits of welfare as akin to the moral limits of markets might help them do that.

Supporters of state-funded welfare programs, such as Goodin, have rightly been keen to point out the fallacies within conservative arguments for welfare reform and the bad faith in which such

arguments have sometimes been made. They have particularly sought to defend the poor from blame for their poverty and to critique punitive approaches to welfare reform. The remarkable impact of conservative proposals for welfare reform has made these tasks imperative. My objective in this paper has not been to defend these proposals or their implementation, but to argue for more analytical engagement with one of the concerns that motivate them: namely that unconditional state provision of income to the needy may, in contexts of extreme economic marginalization, erode important values such as self-reliance and mutual help. Though Pearson's analysis speaks to the failure of residual welfare to alleviate suffering in a very specific context it may have broader applicability. Observers of other remote regions of Australia have perceived its relevance beyond Cape York (McKnight 2002: 210; Peterson 2010; Austin-Broos 2009). It may also be pertinent in other countries which, like Australia, have liberal welfare regimes and populations suffering deep social and economic exclusion. As technological change reduces demand for low-skilled labour, Pearson's insights might become increasingly relevant in other developed countries in which economic opportunity is distributed highly unequally.

Even if conservatives' assessment of unconditional welfare is correct, it is a separate question whether the neopaternalist policies designed to address these problems are effective. There is also the important question of whether the enforcement of welfare conditionality involves too great a compromise of recipients' dignity, privacy and autonomy to be tolerable in a liberal democratic society. Greater investment in regional economic opportunities makes more sense than punitive treatment of individual welfare recipients. Perhaps there is no way to solve the problems with unconditional welfare Pearson and other conservatives identify, or at least no way for governments to solve these problems without doing greater harm.

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<sup>i</sup> Officially these unemployment benefits were conditional upon being available for work and actively seeking employment. However, for many people living in remote Aboriginal communities these benefits in effect became unconditional because it was deemed too administratively difficult to determine whether or not they were meeting these conditions as a consequence of their remoteness from government offices (Sanders 1999).