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Escaping the Tyranny of Earned Income? The Failure of Finance as Social Innovation

Julie Froud, Sukhdev Johal, Johnna Montgomerie & Karel Williams

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Abstract

This is an article about the outcomes of the mass marketing of retail financial products in the USA since the early 1980s. Our aim is to change the frame of the debate about the democratisation of finance by evaluating the extension of credit and ownership as a major social innovation led by profit-seeking retail banks. We focus on privately led social innovations of income supplementation through credit and of security through property. Put simply, we ask: to what extent has this social innovation of credit and ownership released wage and salary earners from the tyranny of earned income? To this end we present empirical evidence from the United States, which suggests that the extension of credit and asset ownership in an unequal society is self-defeating because

it does not abolish the tyranny of earned income and, indeed, it tightens the vice insofar as low-income individuals and households accumulate debt but not assets. The implication is that finance as privately led social innovation has failed and it is time for fundamental rethinking of much that has been taken for granted.

Keywords:

finance social innovation credit and debt ownership household

Notes

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See note 2.

Ibid.

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