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TITLE: Redesigning distribution; basic income and stakeholder grants as alternative cornerstones for a more egalitarian capitalism /

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Current social policy divides each life into three broad phases—childhood, adulthood, old age—and treats each very differently. For example, children get education, the elderly get pensions, and adults get help when they need it most. Within this three-part framework, basic income and stakeholding join in a shared critique of the status quo: They both challenge the need-based approach to the adult phase of life.

But as suggested in Chapter 2, we also seek to raise a deeper question that eludes the partisans of basic income. We mean to challenge the now-conventional tripartite division of the course of life and to urge social recognition for a distinctive fourth phase. Call it early maturity.

Stakeholding is designed to confront the distinctive life-shaping opportunities that are open at this stage of life. The debate in this volume has, to our mind, insufficiently attended to this point, and for the best of reasons: We did not spell out this distinctive rationale sufficiently. We hope that this chapter will compensate for our deficiency and help clarify the next round of discussion.

Consider the problems of early maturity a bit more elaborately. For upwardly mobile men or women, early maturity begins when they leave secondary school and look forward to a few years in university; for the downwardly mobile, it begins when they are thrown onto the labor market after completing formal schooling—which is always shorter than, and usually inferior to, that provided their upwardly mobile peers.

All these young adults have much in common. They are physically and sexually mature, and capable of forming lasting emotional
relationships. Their socialization and education enable them to negotiate the ordinary tasks and small pleasures of life—going to the supermarket, taking in a movie. Day in and day out, they are making many small choices and taking responsibility for their decisions. Whether they are moving up or down on the escalator of life, they all experience the joys and frustrations of freedom on a day-to-day basis.

Micro-freedom, as it were.

The big difference comes when they try to take the measure of their life as a whole. For the college-bound, life is full of life-shaping choices. Should they prepare for a practical profession, or embark on a more idealistic life? Do they care most about building a business, exploring the arts, or protecting the environment? To be sure, no one’s options are unlimited: Ability and economic reality are very real constraints, and woe to the person who refuses to recognize them.

Nevertheless, typical university students have a sense that they are taking an active role in determining the overall shape of their lives. They enjoy macro-freedom, not only micro-

This isn’t true for most other young adults. For them, early maturity is a time of pervasive economic subordination. They come to the labor market with no property and few skills. The challenge is to put some bread on the table and pay the rent—not to fantasize about the shape of their lives as a whole, but to make ends meet in the here-and-now. Macro-freedom is a luxury that is simply beyond their means. Perhaps they can steal a weekend away from their ordinary life, and have a great time with their friends, families, or lovers; but escapism isn’t quite the same thing as macro-freedom.

Nevertheless, it is the best that most people can afford in the real world. They can’t experiment with a variety of occupations; nor can they take some time off and invest in training for one or another skill. They may be reluctant to move to a more prosperous city or quit a half-decent job even if their boss is an oppressive martinet. These early years of subordination can profoundly shape self-understanding—rather than seeing themselves as actively engaged in the construction of their lives, they see themselves almost entirely as passive agents of economic necessity.

This great macro-freedom divide is not based on some great natural fact. It is the consequence of the three-part division that social policy now imposes on the course of human life. Since early maturity is not marked out as a distinct phase, social policy sorts 18-year-olds into the two remaining categories—either they are “very old children” or “very young adults.” Or—the worst conceptual option—some are stuffed into one category; some into the other.

-Bruce Ackerman

Broadly speaking, welfare has been pursuing the worst con of all: Upwardly mobile 18-year-olds are “children” during their university years, subsidized, schooling, just as if they were downwardly mobile people once they leave school, they are unemployed, serious disadvantage.

The result is a profound injustice: we deserve smaller subsidies. To the high road to high income, to the great opportunity they will get, as and act affirmatively to shape their lives.

The partisans of basic income fail to reflect on the distinction between the two. This is the amount it costs to raise a child in the United States. Young adults in such an economy can’t afford college expenses, exchanging their stakeholding grant for well academic programs, it will not take them long to have macro-freedom.

Not so for the broad middle class: they are simply not very good at taking advantage of what university education offers. But the macro-freedom exercise of macro-freedom, the $80,000 in the bank, the account of their abilities and that of their upwardly mobile, might now find it economic together and take on the rearing; perhaps stakeholders form a small business; perhaps they rise to the $80,000 in a bank, and use it— at least until some more comes along ...

-R. D. Ackerman
Broadly speaking, welfare states in both America and Europe have been pursuing the worst conceptual option in the worst possible way. Upwardly mobile 18-year-olds are treated as if they were "very old children" during their university years—they receive free, or heavily subsidized, schooling, just as they did during their childhood. But their downwardly mobile peers are treated as "very young adults"—once they leave school, they are on their own, except when they suffer unemployment, serious disability, or some other special need.

The result is a profound injustice. If anything, university students deserve smaller subsidies. Their symbol-using skills will put them on the high road to high income for the rest of their lives. In contrast, a generous stake provides the rest of their fellow citizens with the only opportunity they will get, as young adults, to hold their head up high and act affirmatively to shape their own economic future.

The partisans of basic income are blind to this disparity, since they fail to reflect on the distinctive predicaments of early maturity. They propose to pay out a specified sum to all adults of all ages—regardless of the extent to which they have had a genuine chance to enjoy the benefits and burdens of macro-freedom as they reach early maturity.

Stakeholding is different. We selected $80,000 as our stake because this is the amount it costs to attend a good four-year college in the United States. Young adults who take advantage of this educational opportunity will largely spend the money on tuition and living expenses, exchanging their stake for a university degree. While the stakeholding grant may well give them greater flexibility in choosing academic programs, it will not radically transform their lives. They already have macro-freedom, and the stake will only help them exercise their life-shaping powers in better ways.

Not so for the broad middle of the population. Many people simply aren't very good at the symbolic manipulations required by university education. But they are perfectly capable of the responsible exercise of macro-freedom if they were given a stake. With $80,000 in the bank, they too could ponder their life choices, taking account of their abilities and economic realities, in a spirit similar to that of their upwardly mobile peers. Perhaps more men and women might now find it economically plausible to combine their $80,000 together and take on the responsibilities of marriage and child-rearing; perhaps stakeholders might chip in a part of their stakes to form a small business; perhaps it makes most sense for some to put the $80,000 in a bank, and use the interest as a monthly basic income—until at least some more fundamental life-shaping opportunity comes along...
Or perhaps, says the skeptic, they will simply blow the money away on something frivolous?

Nobody ever seems to ask this skeptical question about the college-bound. We are lucky enough to teach at one of America’s great universities, which imposes very meritocratic standards on those who seek admission. And yet there are a sizeable number of Yalies who spend most of their “bright college years” carousing at parties while cramming bits of useless information into their brains before final examinations. Undoubtedly, university authorities should do more to make life tougher for these legions of goof-offs. But even the toughest administrator recognizes that a significant number of his students will manage to manipulate the system, emerging with passing grades but little genuine understanding. We have long since accepted this great waste of resources as part of the price we must pay for a system enabling millions of university students to use their macro-freedom in a thoughtful and responsible fashion.

We call for similar tolerance when it comes to stakeholding. Just as some university students use their macro-freedom to booze it up, so will some of the newly empowered members of the stakeholding class. But the abuse by some should not destroy the claim of millions of others to gain the power actively to shape the contours of their lives.

To minimize the dangers of abuse, we would postpone the age of stakeholding for those who don’t use the money for higher education. We urge the Blair government to rethink its decision to distribute “baby bonds” to all citizens when they reach the age of 18, especially if future funding increases enrich these capital grants beyond their present modest size. Young adults should spend some time in the “school of hard knocks” to gain the maturity required to use their stakes responsibly. But at that point, we think that the broad middle class, no less than the symbol-using class, are entitled to the resources necessary for the effective exercise of macro-freedom.

Indeed, the recurrent emphasis on stakeblowing may tell us more about the anxieties of our critics than the likely conduct of stakeholders. After all, our critics come from the symbol-using classes, enjoy comfortable lives, and, quite naturally, insulate their own children from the rigors of economic necessity. When these children rise to early maturity, some of them may not have been taught the value of money, and so might blow their stakes—unless their parents make it clear that prodigal sons and daughters can’t expect further unconditional assistance if they fritter away their $80,000. But the overwhelming majority of stakeholders—especially those who steer clear of university—won’t come from such pampered backgrounds.

From their early childhood, when they finally gain the resources for taking control of their opportunity.

To be sure, many may la achieved by young adults if this gap can’t be entirely eli by the school system: “How a mandated subject in all introduction to economics—ula. And given their prospe motivation to master the ma

We don’t deny the obvi cognitive and emotional or shaping their lives. We pro these people. About 20 per obtain a high school diplom the daily challenges of life, ment, and generous assistance. But others can operate effe they lack the discipline requi

We would deny these do though we will be doing s failure to gain a high sch academic intelligence needed to ha. Nevertheless, many won’t u given this likelihood, it seen as large as $80,000. Instead income of $400 to $500 a m the underlying stake. WI be encouraged to gain their appropriate examination, t until they manage to leap ov be better designed to test fo

Our treatment of this grot values that inform the co-income. By hypothesis, this needed to manage their mi fashion; but they lack the an active role in shaping the is the distinctive interest su
From their early childhood, they will understand the value of money. When they finally gain their capital grants in their early twenties, they will overwhelmingly see the stake for what it is: A precious resource for taking control of their lives, a once-in-a-lifetime opportunity.

To be sure, many may lack financial sophistication equal to that achieved by young adults from the symbol-using classes. Although this gap can't be entirely eliminated, it can certainly be ameliorated by the school system: “How to Manage Your Stake” should be made a mandatory subject in all secondary schools, serving as a practical introduction to economics - a subject too often ignored in our curricula. And given their prospective stakes, students will have a unique motivation to master the material!

We don't deny the obvious. There are some people who lack the cognitive and emotional capacities required to engage actively in shaping their lives. We propose a crude sociological test to identify these people. About 20 percent of Americans, for example, fail to obtain a high school diploma. Some of these people can't cope with the daily challenges of life, and require intrusive custodial management, and generous assistance, before they can lead half-decent lives. But others can operate effectively on a day-to-day basis even though they lack the discipline required to stay in school and graduate.

We would deny these drop-outs full access to their stakes, even though we will be doing some of them an injustice. Despite their failure to gain a high school diploma, some may well have the practical intelligence needed to handle the responsibilities of stakeholding. Nevertheless, many won't use their macro-freedom responsibly, and given this likelihood, it seems prudent to deny them access to a sum as large as $80,000. Instead, they should be provided with a basic income of $400 to $500 a month — representing the annuitized value of the underlying stake. While high school drop-outs should always be encouraged to gain their full stakeholding privileges by passing an appropriate examination, they should only receive a basic income until they manage to leap over this hurdle (or some other one that may be better designed to test for the underlying competences).

Our treatment of this group at the bottom illustrates the distinctive values that inform the contrast between stakeholding and basic income. By hypothesis, this group does possess the day-to-day skills needed to manage their micro-freedom in a minimally responsible fashion; but they lack the larger set of competences required to play an active role in shaping the overall contours of their lives. Since this is the distinctive interest supporting stakeholding, we are willing to
endorse basic income when the exercise of macro-freedom no longer seems a realistic option.

Stakeholding represents a new collective commitment to macro-freedom for all who have a realistic chance to exercise it responsibly. We believe that this is an enormously attractive ideal for progressive politics in the twenty-first century, and we are greatly encouraged that Tony Blair has given it his backing – first by making it his Big Idea during his successful re-election campaign, and then by following through with a first, very small, down payment in his budget for 2003.

But if the program gains political traction, it will involve very large transfers over time. If our own $80,000 proposal were implemented in America, there would be an annual transfer of $250 billion to the rising younger generation from those, mostly over 55, who hold the lion’s share of the nation’s wealth. This large sum is enough to stagger defenders of the needs-based welfare state of the twentieth century, who are well-represented in this volume. So far as they are concerned, a large commitment to stakeholding will drain resources desperately required for the truly needy.

Technocratic analyses demonstrating this point invariably assume that the larger political commitment to the existing welfare state will remain roughly constant. We respectfully disagree. Without new ideals that inspire political commitment from the majority, traditional programs for the needy will wither. Progressives must work to reattach the interests of the broad majority to the interests of the truly needy. Otherwise, the middle classes will join an anti-tax coalition with the wealthy that restricts funds flowing to the bottom. Stakeholding is just the sort of program that can convince the middle that it has everything to gain from rejoining a coalition in support of distributive justice. Such a coalition will make it more likely that the claims of the truly needy will be given substantial recognition.

Of course, there is a risk that stakeholding might be used as an excuse to cut off other forms of legitimate assistance. But there is no politics without risk. And those welfare-staters who refuse to innovate strike us as embarking on a very high-risk strategy indeed.

Putting politics to one side, there are many ways of financing the stake – some better than others. This is true of basic income as well. When comparing the two initiatives, analysts should insist on a level playing field – since our program carries a $250 billion tax bill, one should compare it with a $250 billion program for basic income. If one chooses to finance basic income with a substantial increase in the progressive income tax (as does Philippe Van Parijs), one should use the same financing method.

We have our own favorite: keep the tax side of the issue about financing are second-holding. The key question of stakeholding are off-site income. If stakeholding would be happy to join a general favor amongst analysts.

With this caveat, allow favorite financing devices. citizen inheritance that supplement to the traditional adult’s share of the wealth her parents have done well earlier or late in life. Her stake based on the great citizens to the commonwealth.

This understanding of our choice of tax base. Simplicity, it seems particularly on private inheritances. In the Republican Party of Go as the fairest tax of all. C parents, nor did they earn entirely proper to tax they’re funnel the money into a...

Given the ease with which propose a wealth tax as a p for rich people to die, we percent annual tax on a $230,000. Using 1998 data, holds will be completely percent paying about 40 pc enough to fund an $80,000.

Over the long run, we expect first generation of stakeholding fund for the mitted to bequeath large back their initial stake, we conceive this payback as a
the same financing method in assessing a comparable stakeholding program.

We have our own favorite financing scheme. But it is important to keep the tax side of the issue distinct from the benefit side. Arguments about financing are secondary to arguments about the merits of stakeholding. The key question is whether the macro-freedom advantages of stakeholding are offset by countervailing advantages of basic income. If stakeholding comes out on top in this assessment, we would be happy to join any plausible financing scheme that gains general favor amongst analysts and politicians.

With this caveat, allow us a few parting words on behalf of our favorite financing devices. We conceive of stakeholding as a form of citizen inheritance that deserves recognition as an appropriate complement to the traditional system of private inheritance. A young adult’s share of the wealth should not so heavily depend on whether her parents have done well in the marketplace and whether they die early or late in life. Her status as a citizen should also entitle her to a stake based on the great contributions of previous generations of citizens to the commonwealth.

This understanding of stakeholding provides a normative focus to our choice of tax base. Since we are funding a system of citizen inheritance, it seems particularly appropriate to get the money out of taxes on private inheritances. In contrast to the libertarian views voiced by the Republican Party of George W. Bush, we regard inheritance taxes as the fairest tax of all. Children of rich parents didn’t choose their parents, nor did they earn their wealth through their own efforts. It is entirely proper to tax their inheritance at high progressive rates and funnel the money into a much fairer system of citizen inheritance.

Given the ease with which inheritance taxes may be evaded, we propose a wealth tax as a prophylactic measure. Rather than waiting for rich people to die, we would require Americans to pay a flat 2 percent annual tax on all assets over a generous exemption of $230,000. Using 1998 data, this means that about 85 percent of households will be completely exempt from the tax, with the top one percent paying about 40 percent of the total. This will be more than enough to fund an $80,000 stakeholding program.3

Over the long run, we envision a second funding source. When the first generation of stakeholders die, they should contribute to the stakeholding fund for the next generation. They should not be permitted to bequeath large sums to their own children before paying back their initial stake, with interest, to the stakeholding fund. We conceive this payback as another form of inheritance taxation, but
with even greater ideological appeal: If somebody parlays his initial
$80,000 into a large capital stock, it seems hard for even the most lib-
ertarian folks to protest when he is required to return his stake to the
fund which gave him his head start in life. But we only expect market
winners to make this payment. For the overwhelming majority, the
initial stake will not be a lifetime loan, but a lifetime grant.

If we stand back from the details, the two sides of our program
cumulate into a larger whole. As the younger generation rises to early
maturity, their claim to citizenship is redeemed by the reality of
macro-freedom for all who can responsibly use it. As the older gen-
eration declines toward death, those who have been successful in the
marketplace recognize their debt to the polity by providing the
resources needed to assure macro-freedom for their successors.

Symbolically, this whole seems to be larger than the sum of its
parts. We think it constitutes as a compelling idea that might serve as
the foundation for a new progressive politics in the twenty-first
century. But we are more than willing to accept half a loaf, and accept
any plausible tax scheme that generates significant stakeholding for
the next generation. Macro-freedom is a precious good, which should
be available to all citizens capable of actively shaping their own lives.
It should no longer be treated as a luxury enjoyed only by the
upwardly mobile university crowd.

NOTES

1 There are a substantial number of young adults whose physical and
social development does not allow them to function in the way contemplated
by this paragraph. We defer our discussion of this group to a later point.
2 See Bruce Ackerman (1980), ch. 7.

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