Modern policy-talk lives in a time warp. It speaks in languages that have been the object of thoroughgoing philosophical critique over the past generation. With few exceptions, libertarians struggle against utilitarians as if they were the only guys in town. But there are other serious options, and in the past generation, liberal political philosophy has sought to rework the basic terms of debate.

Of course, philosophy is not a game with definite winners and losers. But neither utilitarianism nor libertarianism now dominates the conversation. The weaknesses in each position have led philosophers to define new understandings of “liberalism” and its competitors. This process of ongoing redefinition is nothing new. Over the past two centuries, liberalism has stood for everything from laissez faire to the welfare state. The philosophical task has been to move beyond partisan labels and identify core commitments that organize seemingly disparate agendas.

The new liberalisms that have emerged combine a commitment to individualism with an appreciation of the pervasive impact of economic
inequality. While devoted to limited government, they insist that the liberal state should be concerned with more than keeping the markets open for business. It must also assure each citizen a level playing field when he enters the marketplace as an adult. Without this fair start, individual freedom for some is oppression for others.1

We do not intend to summarize this complex and ongoing debate. Our aim is to bring it into the real world of welfare-state politics. In contrast to the ready-made policy prescriptions of utilitarian economics and the simple antitax message of the libertarians, the new liberalism has not offered a distinct and workable agenda on taxes and transfers. But we believe that it can and that its promise of greater equality of opportunity can command wide appeal.

We offer, then, a new kind of policy-talk—one true to liberal ideals but also thoroughly practical. The challenge is to marry political philosophy with hardheaded methods of policy analysis based on statistics and social science. Throughout the book, we debate the big questions in the text, but readers can find more elaboration in the notes. The Appendix presents data establishing that our proposals are fiscally sound and well within the nation's budgetary capacities.

From Critique to Construction

The most appealing thing about utilitarianism is its unabashed striving for a better world. There is so much pain and suffering. Isn't it obvious that we should all work together to maximize collective well-being?2

It is a serious thing to say no—it risks the charge of selfishness and callousness. But at the same time, there is something wrong with the utilitarian's picture of society. It makes it seem as though the social value of each individual is merely a function of his contribution to the general welfare. But this can't be right. Consider Nazi Germany, in which Jews numbered 1 percent of the population. Such disproportion places the utilitarian case against racist laws on shaky ground. Obviously, each Jew suffered terribly from discrimination, but this is not enough for a hardheaded utilitarian calculus. After all, the pleasure of the other 99 percent, the Aryans, must also be taken into account—and is it so clear that the average Jew suffered ninety-nine times as much as the average Aryan gained from his feelings of racial superiority?3

Thought-experiments like this have led contemporary liberal political theory to one of its most fundamental conclusions: utilitarianism, at its core, does not take individualism seriously enough. Each citizen's standing in society should not depend on whether he contributes to others' happiness. We are not just cogs in a collective happiness machine. We are different people, each with rights of self-determination.

This is, of course, the great truth upon which libertarians insist. But they combine this insistence with another false picture of society. They tend to be supremely indifferent to the ways in which social background shapes cultural and economic starting points. It is as if we all emerged as fully formed adults, in the manner of Botticelli's Venus, if only to display a more emphatically commercial disposition.

But this radical anticontextualism is unacceptable. Every individual's personality is a product of dynamic interaction with the cultural and educational opportunities made available in early life. For example, a woman's sense of herself would be forever warped if her parents deprived her of a primary education—and if the state did nothing to make sure that this didn't happen. Thankfully, Americans have recognized such obvious points; a primary education is compulsory in this country. But the libertarian would have us ignore the more subtle, yet still pervasive, ways in which educational inequalities shape the future capacities of children to form and achieve their objectives in later life.

No less important, each person comes to maturity with an economic endowment he cannot be said to deserve. In our society, starting points are irrevocably shaped by parental wealth and position. But nobody deserves his parents. The libertarian picture diverts us from the morally arbitrary distribution of initial economic endowments.
focuses only on the protection of individual freedom to use these entitlements, without too much scrutiny into their moral foundations. At best, libertarians fill this void with a fanciful picture of a “state of nature” in which free individuals stake their claims in a virgin wilderness. But real-world citizens can make claims to true economic independence only through the deliberate political decision to create a stakeholder society.

The philosophical challenge, then, is to construct a liberalism that (a) takes individualism seriously, (b) recognizes that each individual’s starting point in life is shaped by a confrontation with his economic and educational opportunities, and therefore (c) grants the state a potentially constructive role in the just distribution of these opportunities.

Our Focus and Its Limits

We are interested in opportunities, not outcomes. As liberals, we believe that each citizen should be free to shape her outcomes as she thinks best. But as activist liberals, we emphasize the failure of the capitalist system to give each citizen an equal opportunity to exercise this freedom as she goes about the task of shaping her life. By the time Americans reach early adulthood, they have encountered vastly unequal chances to define themselves, realize their talents, and move with financial confidence into the marketplace.

Speaking broadly, we can say that each citizen’s basic opportunities in life are shaped by four factors. The first is her inborn capacities—some come into this world profoundly handicapped, while others have a rich variety of talents. The second factor is her cultural and educational opportunities, which depend on a shifting mix of family background and self-conscious state policies. The third factor is her command over material resources during childhood and as she starts out in life as an independent adult. And finally, there is the power of prejudice—an American black interacts with others on terms different from those of her white counterpart, even if her access to other resources is roughly equivalent.

This framework locates our particular initiatives against a broader background. Begin with the dimensions of the problem that we are putting to one side. This book does not deal with the special problems posed by physical or mental handicaps, abusive and inadequate parenting, impoverished and segregated education, or pervasive racial and gender discrimination. Given the compelling importance of all these conditions, we may seem to be suffering from an extreme case of tunnel vision. Our only excuse is that these other problems are the subject of rich literatures, while a vast silence greets our own concern—which is, to put it bluntly, money.

Money matters directly and indirectly. Indirectly, because parental wealth and income shape opportunities throughout childhood—the schools you go to, the friends you make, the role models you encounter. Directly, as teenagers gain more independent control over spending money and finally move out on their own, with or without financial assets.

It is at this point that stakeholding intervenes. The grant of eighty thousand dollars to young adults means something more than the mere possibility of enhanced consumption. It means economic independence. James Meade put the point well: “Extreme inequalities in the ownership of property are in my view undesirable quite apart from any inequalities of income which they may imply. A man with much property has great bargaining strength and a sense of security, independence, and freedom. . . . He can snap his fingers at those on whom he must rely for income, for he can always rely for a time on his capital. The propertyless man must continuously and without interruption acquire his income by working for an employer or by qualifying to receive it from a public authority. An unequal distribution of property means an unequal distribution of power and status even if it is
prevented from causing too unequal distribution of income.\textsuperscript{22} These concerns shape our inquiry. How much do disparities in income and wealth shape the opportunities available to young Americans as they set out as independent citizens?\textsuperscript{9}

\section*{Inequality in America}

Begin at the beginning. Although the percentage of children in poverty has fallen over the very long term, it has climbed since the mid-1970s and was 20.5 percent in 1996.\textsuperscript{3} In the 1990s, children under six are poorer than any other age group.\textsuperscript{4} And just as children's fortunes have been declining, those of the elderly have been on the rise.\textsuperscript{5}

Changing social patterns also affect children's prospects. Most married mothers now work outside the home, and their earnings have helped maintain family-income levels despite the drop in men's wages.\textsuperscript{9} We do not believe that this transformation is necessarily bad for children, but it can exacerbate inequality of opportunity.\textsuperscript{7} Whereas upper-class women can choose whether to hire a private nanny or stay home with their children, poorer families must cobble together a patchwork of often inadequate arrangements.\textsuperscript{5} And the growing number of single mothers of all classes cannot rely on a partner for help when child-care plans go awry.\textsuperscript{9} Working-class women and women of color, who have long worked outside the home, have faced these problems for years. But recent trends make it an urgent concern for an ever larger number of Americans.

This grim picture does not change when children enter school. Free universal public education represents a solemn affirmation of the idea of equal opportunity. But despite formal guarantees, there remain tremendous disparities. Richer parents have a much greater range of choice about where to live and whether to send their children to private schools.\textsuperscript{10} Among public schools, wealthier school districts spend more than poorer ones, and money undoubtedly buys a broader range of instructional services and better facilities.\textsuperscript{11} Students from richer communities consistently outperform those from poorer ones on standardized tests.\textsuperscript{12}

Among teenagers, SAT scores strongly correlate with parental income,\textsuperscript{13} and high-income students can more easily afford special coaching, remedial help, and private schools.\textsuperscript{14} It is no surprise, then, that students with high socioeconomic status are almost twice as likely to enroll in higher education as students at the bottom of the socioeconomic scale.\textsuperscript{15} At the end of the day, 51 percent of students from the top quarter of the economic hierarchy earn bachelor's degrees, compared to 22 percent of middle-status students and only 7.2 percent in the lowest socioeconomic quartile.\textsuperscript{16}

Unraveling the causes of intergenerational privilege is a notoriously complicated business.\textsuperscript{17} Even a society with genuinely equal opportunity would not produce perfect economic mobility or a complete lack of correlation between childhood economic circumstances and adult economic success.\textsuperscript{18} Children inherit innate abilities from their parents, and some of those capacities may affect their ability to earn income. (But the correlation between inherited abilities and adult incomes is much smaller than many think.)\textsuperscript{19} While parental values and behavior inevitably influence their children's development, we should keep in mind that today’s parents also grew up under conditions of significant inequality of opportunity. Even though it is impossible to know just how much economic mobility would increase in an equal-opportunity society, it is obvious that current institutions fall far short of the ideal.

\section*{Education Is Not Enough}

These facts suggest the existence of a serious problem, a skeptic might concede, but is it a problem that calls for a solution like stakeholding? If we are committed to equality of opportunity, shouldn't our first
concern be the woeful inequalities in the educational system? Why not forget about stakeholding and spend the money on earlier stages of child development?

We certainly favor more money for well-considered initiatives along these lines. For example, only 752,000 low-income children—one-third of those eligible—were enrolled in Head Start programs in 1996. As this level of service cost $3.6 billion, an extra $7 billion or so would allow all poor children to attend—and if we spent $5 billion more, we might actually have a first-class program. Given the stakes, these are piddling sums. Our society’s failure to make such basic investments in its youngest and most vulnerable citizens is simply scandalous.

This said, Head Start is not enough. Americans should not put themselves on the back burner when they finally decide to cough up the $16 billion a year for an enhanced and comprehensive version of Head Start. A morally serious movement toward real equality of opportunity requires much more. Our basic stakeholding proposal, for example, would cost taxpayers about $255 billion a year. Initiatives of this magnitude can be attempted only once or twice in a generation. Nonetheless, and after considering the alternatives, we believe that it makes sense to prefer stakeholding to more familiar initiatives that would throw vast sums at primary and secondary education.

After all, Americans have been exploring the egalitarian potential of education for a century and a half, and the existing shortfall suggests some sobering lessons. Time after time, we have seen egalitarian initiatives frustrated by the decentralized structure of local self-government. As long as suburbs can insulate themselves from central cities, there is only so much that money alone can accomplish, as the tragic aftermath of Brown v. Board of Education has established. The American system of federalism is partly to blame: inequalities in school funding across states are much larger than those within states. And the upper classes have proven themselves adept in channeling federal aid for the disadvantaged into their own local school systems. Worse yet, further decentralization and privatization seem to be the order of the day, rather than a movement toward metropolitan-wide school systems and greater national efforts to provide poorer regions of the country with greater educational resources. We oppose many of these trends, but we see no evidence that the country is ready to reverse gears any time soon. In the absence of a fundamental change, we are skeptical about the egalitarian promise of a massive injection of money into primary and secondary education.

In the meantime, the existing system will continue to generate harsh consequences, especially for the 75 percent of young Americans who do not graduate from four-year colleges. Family income for this enormous group has been stagnating for decades, as college graduates have skimmed off the nation’s growth. Thanks to unequal schooling, many of these Americans have failed to reach their full potential. At the very least, they should be provided with their fair share of the nation’s property before confronting the full force of the marketplace.

Although stakeholding is not directly targeted at education, it may well help ameliorate some of the underlying inequalities. Keep in mind that each parent will start out adult life with eighty thousand dollars, which can be used to improve children’s opportunities. And if the money were put toward a “rainy-day” fund—amounting to $160,000 in the case of a married couple—it may help provide children with much-needed stability in their home environment. At present, unemployment of a single wage-earner can lead to immediate household catastrophe, especially for a family in the bottom half of the population. Unemployment insurance is an important safeguard, but it is temporary and not available in all cases. All too often, children bear the brunt of the ensuing anxiety and dislocation.

But this is only the beginning of a long-term assessment of stakeholding’s impact on the socialization of the next generation. From their earliest years, America’s children will be told of the stake that
awaits them as adults. Especially for children born at the bottom, the stake will stand as a symbol of hope. However grim their present situation, they will know that America has not given up on them. If they stay in school and work hard, they will receive the wherewithal to pursue the American Dream. It would be a serious mistake to underestimate the motivating power of this message.

Over the long run, this message of hope may gradually erode one of the principal sources of resistance to more egalitarian initiatives in public education. Sheer racism is not the only cause of America’s failure to redeem the promise of Brown v. Board of Education. Middle-class resistance is also fueled by the fear that schools will be overwhelmed by lower-class children, who will bring drugs and crime along with them as well as a general disrespect for the value of education. As time passes, stakeholding may help ameliorate these class anxieties. As they prepare to claim their stakes, more poor children will conform to middle-class values, and the transition to better racial and economic integration will thereby be eased. This is a distant prospect, and the case for stakeholding does not depend on it. But we should not overlook the possibility that a national commitment to stakeholding may catalyze a broader movement toward educational equality.

It is much too quick, then, to suggest that stakeholding should await some remote era in which America has made a great leap forward in the provision of equal educational opportunity. Stakeholding can immediately improve children’s lives by enhancing their parents’ freedom. And, in the long term, the causal arrow may fly in the opposite direction: stakeholding may prove a much-needed catalyst for another round of serious educational initiatives.

This conclusion gains further reinforcement when we turn from our crystal ball to contemplate present institutional realities. As we have suggested, there is absolutely no reason to suppose that a massive movement toward metropolitan government and national revenue-sharing is in the offing. And without such changes, a large-scale assault on educational inequality seems unlikely. Even smaller initiatives like Head Start and child care assistance, although enormously worthy, are not simple to design or to implement.

By contrast, it would be relatively easy to realize the goals of a stakeholder society. To a large degree, the institutional infrastructure is in place even now. We already have the Internal Revenue Service and the Social Security Administration. Although it is fashionable to denigrate these bureaucracies, both agencies are full of competent people whose tasks might easily be broadened to encompass the jobs of identifying eligible stakeholders and paying out benefits. Unlike a comparable educational reform, stakeholding will not require a massive reorganization of the existing institutional framework. It builds on what we already have.

Americans could, in relatively short order, actually achieve the massive step toward equality of opportunity that stakeholding would make possible. This breakthrough, in turn, would give the lie to neoconservative banalities about the inevitability of government failure. If it is established that Americans can succeed in redeeming their fundamental ideals by inaugurating stakeholding, many other seemingly impossible initiatives may appear within our grasp.

Stakeholding as an Ideal

We have been presenting stakeholding as a potentially catalytic reform within the context of existing political and institutional realities. But there is more to be said for our initiative as a matter of principle. Even if the preceding generation had fully respected their children’s free and equal status by providing all of them with a first-class education, this would not entitle the elders to distribute their accumulated wealth in morally arbitrary ways.
This basic point distinguishes our brand of liberal individualism from the sort offered up by libertarians. In their familiar view, stakeholding appears as yet another do-good scheme under which the government is taking our hard-earned money and forcing us to make a “gift” to young strangers who have no claim on our benevolence.

But this objection presupposes a false picture of society. Nobody makes money simply on the basis of his own efforts. However hard-earned it may be, the wealth gained by every self-made man depends on countless acts of cooperation by others. On the most primitive level, no police force would be big enough to secure private property against criminal depredation without the support of the overwhelming majority. More generally, the free market is a complex social and political creation requiring ongoing acts of self-conscious regulation and adaptation. Given the continuing dependence of the wealthy on the cooperation of their fellow citizens, stakeholding does not involve coercive “gifts” to strangers. It represents a suitable act of recognition by the wealthy of the role played by fellow Americans in creating the conditions for the very system necessary for their own success. Rather than emerging from the state of nature, private property is legitimate only when it is rendered compatible with the larger political order created by free and equal citizens.

This point should resonate with libertarians, for they also seek to create a political order in which equal freedom is a reality. Only their understanding of this ideal is too cramped. As far as they are concerned, people are equally free to make the most of the circumstances in which they are born. But we believe that the moral equality of persons requires stricter attention to starting points. No person is inherently better than any other, and thus everyone has a right to a fair share of initial resources with which to begin and plan her adult life, regardless of whether her parents were rich or poor, frugal or improvident.

Americans have long recognized this basic point in the design of our political institutions. We would think it intolerable, for example, to give rich people more votes than the poor, although this very arrangement seemed entirely acceptable for centuries. We hope that some future society will endow stakeholding with the same fundamental character: just as one person—one vote expresses political citizenship, an equal stake expresses economic citizenship.

Stakeholding enters, moreover, at the precise point at which the existing distribution of property is most questionable from a moral point of view: the point at which the rising generation comes to economic maturity and demands a fair starting point as they begin full participation in adult society. After all, young adults have not been centrally involved in the market processes through which some of their elders prospered while others declined. They were busy at school or were not yet born when the market enriched some and impoverished others. Why, then, should their economic starting points be entirely shaped by their parents’ successes and failures? Isn’t it especially appropriate to take their standing as equal citizens into account when they are being dealt their initial economic stakes?

This ideal of free and equal citizenship provides the master key to stakeholding. As each American assumes his adult role in a stakeholding society, he will appear on the economic stage as an economic citizen whose fate cannot justly be left to an “invisible hand” that conceals the accidents of family background and the failures of public policy. In claiming his stake, no citizen will be obliged to justify his particular plan for the money to some bureaucratic overlord. He is not only equal but free to pursue the mysteries of life in the way that makes the most sense to him.

Clearly, the grant of eighty thousand dollars doesn’t guarantee anybody success in life. This will depend upon each individual’s personal ideals and his abilities to achieve them in a competitive marketplace.
But the fact that a stake does not guarantee happiness is beside the point. The unconditional grant makes it plain that Americans are willing to put their money where their mouth is—to guarantee each citizen the wherewithal needed to pursue happiness on his or her own terms.

We do not suppose that our proposal suffices to achieve the ideal of equal opportunity. Not only educational reform but the special problems posed by serious physical or mental handicaps are beyond the scope of our initiative. And even within the limited domain of the marketplace, our proposal must be structured to take economic incentives into account. For all its limitations, our proposal does represent a serious step forward—and at a time when so many other forces seem to be pushing us backward.

The False Promise of Maturity

But why is it so important for each American citizen to start off adult life with a substantial financial stake in the country?

At one level, our point is uncontroversial. Nobody denies that decisions made as a young adult profoundly shape the course of later life. Nor is it really controversial to state that the movement beyond the teenage years generally has a sobering effect. The realities of earning a living, paying the rent, and making some initial mistakes start to comfortably the understanding that choices have consequences. This is what it means to be an adult.

To be sure, adulthood is a sometime thing. Everybody falls short, and lots of people fail to live up to their own standards. Young adults will often make decisions they will later regret. But this is true throughout life. It is not as if forty-year-olds were immune from folly and shortsightedness. Even if a certain wisdom comes with age, there is a countervailing point: it becomes harder and harder to reshape your life as time goes on. If a liberal society is to vindicate the value of individual autonomy, it must consider carefully the conditions under which young adults confront basic choices.

This is not true today. Public policy deals with childhood under the rubric of education and with old age through social security. But we do not focus upon early adulthood as a distinct phase of life. Some aggregate numbers give a sense of the imbalance. In 1994, Americans spent $285 billion, or 4 percent of the GDP, on public primary and secondary education, and $477 billion, or 7 percent, on Social Security and Medicare. Young adults, on the other hand, are basically on their own once they leave the classroom. Stakeholding would fill this void by directly providing them with $255 billion each year, or about 3.4 percent of 1996 GDP.

From the liberal point of view, the consequence would be a massive increase in effective freedom. Our present arrangements impose an unnecessary moral dilemma: just at the moment we expect young adults to make responsible life-shaping decisions, we do not afford them the resources that they need to take a responsible long-term perspective. Forced to put bread on the table and pay the rent, almost all young adults are squeezed into short-term thinking as they confront an open-ended future. Call this the false promise of maturity.

The problem is less acute for the top 25 percent who are graduating from four-year colleges. Thanks to subsidized loan programs, this elite can borrow against future earnings to make sensible choices for the long run. But even they face crushing debt repayments that force them into short-termism. And the problem for the typical American is far worse. Banks don’t give large loans to twenty-one-year-olds for a reason—without track records, it is impossible to distinguish good risks from bad. As a consequence, any serious long-run investment—from starting a new family to establishing a new business or gaining more education—wars with the financial imperatives of daily life. Given the current life-cycle imbalance in resources, it is remarkable how much future-oriented behavior goes on, especially among the
upper classes. But innumerable studies recount the enormous amount of alienation among ordinary working Americans as they confront life with no prospects for serious self-improvement.

The problem will only get worse during the next century, and for two reasons. The first is longevity. When parents regularly live to age eighty or ninety, the next generation will receive inheritances when they are no longer young adults. Such bequests are not opportunities to start a business or raise a family. They will come when they are least significant for life-shaping decisions—at fifty or sixty years of age. Loving parents recognize this and may sometimes give young adult children substantial gifts, particularly for education. But this tendency is checked by a great deal of uncertainty about a parent’s own longevity and an understandable reluctance to play the part of King Lear. A second factor is the decline of the family farm or business. Fewer family businesses means that fewer parents can informally transfer resources to their adult children as they “prove themselves.”

In response to these trends, the propertied classes are investing much more heavily in their children’s schooling. Rather than transferring money, they are counting on high-priced educations to secure their offspring a solid place in the information society. This investment in human capital will be sociologically central, but it should not divert attention from the increasingly dysfunctional character of old-fashioned inheritance. Although inheritances of substantial property occur only at the top of the socioeconomic pyramid, such bequests will increasingly be divorced from one of their classic functions—to provide young adults with an initial stake. And of course property inheritance never did discharge this function for the great majority of young adults.

From this angle, stakeholding is a more democratic and more effective substitute for a declining institution: providing a social inheritance to the rising generation just when it needs it most.

The Immaturity Objection
But aren’t young adults too immature to handle such large sums of money? Won’t they waste it on foolish extravagances or fall victim to con artists?

Let’s break this predictable objection down into bite-sized pieces. There is an obvious short-term problem. At present, most teenagers are not educated to undertake serious economic responsibilities. In countless ways, society sends them the message that the grown-up world of investment and entrepreneurship is not for them. But this sharp dichotomy between teenage years and adulthood is not one of the eternal verities. Coping with sexuality and the moral ambiguities of modern life will predictably remain principal preoccupations of teenagers. Yet there is nothing to stop us from building more bridges between teenage culture and the economic world that awaits.

The advent of stakeholding will have a revolutionary impact on education in this country. For the first time, high school students will have an intense and practical interest in fundamentals of economic planning. Classes named “How to Manage Your Stake” will be as eagerly attended as those in driver’s education—a universal rite of passage into the real world. While the normal motivational problems of high school instruction will not disappear, even the bored student will see a compelling need to pay attention. If anything, the practical importance of money management will motivate interest in basic skills like math and reading, not to mention economics. More broadly, stakeholding will serve as a reference point for countless conversations from early childhood, as parents and others impress their charges with the importance of economic maturity when the time comes to enter the marketplace as an adult.

At least in part, what we’re calling the immaturity objection may be a classic case of self-fulfilling prophecy. Because most teenagers don’t expect to have stakes in the near future, they have little reason to
prepare themselves for serious long-term planning. By taking young adults seriously, the stakeholding society will encourage teenagers to take themselves seriously.

This cultural dynamic will not occur overnight. During the first generation of stakeholding, we will have to rely heavily on more institutional solutions. Most important, we should require each stakeholder to graduate from high school before gaining full control over his eighty thousand dollars. Dropouts would receive an annual market return of four thousand dollars or so on their stakes. But they could not invade the principal except for a limited set of purposes—buying a house, going back to school, or paying extraordinary medical expenses. These limitations would dissolve whenever they obtained the equivalent of a high school diploma.

We would also structure the stakeholding transaction to encourage responsibility. Because most Americans graduate from high school at age eighteen or so, there will typically be a three-year gap before stakeholding payments begin at the age of twenty-one. We should use this period to its maximum educational advantage. Within ninety days of graduation, each American should be required to claim his or her stake by submitting a diploma and other necessary documents to the stakeholding office, which will respond by sending the young man or woman a quarterly statement of account. The first statement will explain that an appropriate sum has been invested in Treasury bonds in the stakeholder's name. While the recipient will initially be unable to gain access to "his" money, he will see it grow, quarter by quarter, at market interest. At the same time, he will doubtless be inundated with advice—good, bad, and indifferent—on the best way to handle the funds once he can get his hands on them. For all the noise, one message will emerge over the din: "This is a key decision in your life. Don't blow it."

We would encourage this investment perspective further by giving a distinctive structure to the transaction as the stakeholder approaches her moment of truth. Rather than allowing her to cash out her Treasury bonds all at once, she will be allowed to gain control over her investment portfolio only in twenty-thousand-dollar increments over a four-year period. When the first quarterly statement arrives after her twenty-first birthday, the stakeholder will be given a range of options for her first twenty thousand dollars, ranging from rolling over her Treasury notes to diversifying into mutual funds to buying individual stocks to taking the money in cash. After mulling over her choices for three more months, she will exercise her first option, and she will go through the same exercise in each of the next three years.

This will make stakeholding an ongoing source of conversation and comparison: "Look at the way Joe Blow is wasting his money! Doesn't he know what he's doing . . . " The extended payout will also allow each stakeholder to learn from her own mistakes and invest subsequent installments more wisely.

The Misuse Objection
No set of precautions will magically prevent some Americans from blowing their stakes. But they will help raise a fundamental question of principle in the public mind. Young adults are now put in the moral double bind that we have called the false promise of maturity: they are held fully responsible for their long-range choices without the material base needed for responsible long-term planning. With stakeholding clearly structured to remedy this problem, millions of young adults
will prove by their actions that they are indeed capable of redeeming the promise of maturity. Given this practical demonstration of individual responsibility, will it seem right to repeal the program merely because some young adults are misusing their freedom?

Admittedly, the misuse will come in a variety of shapes and sizes. Some will be duped by out-and-out fraud. This is regrettable, but it happens to people of all ages. The best response is a serious public commitment to fighting fraud generally, not the punitive removal of stakes from the entire population.

Another sort of misuse has its origins in class anxieties. Would the working class, not to mention the very poor, be particularly susceptible to short-run temptations? We doubt it. After all, they have been forced to learn the value of every dollar. In contrast, the children of the upper middle class have lived a charmed life as teenagers, and some will fail to appreciate the seriousness of stakeholding. While they will undoubtedly receive better financial advice than their lower-class peers do, they may be less hardheaded and more prone to underestimate their downside risks.

Of course, some poor Americans do face multiple social problems—inequality, education, drug or alcohol abuse, a propensity to violence—that leave them ill equipped for handling the financial responsibility of their stake. But, despite pervasive media images, the size of the so-called underclass is actually quite tiny. Although measurement and definition are inevitably imprecise, this group amounts to less than 4 percent of the population, even at its upper bound.49 And most of these people would be excluded from full control of their stake by the requirement of high-school graduation.

If anything, our program is likely to be too restrictive rather than too inclusive. In recent years, the high school graduation rate has hovered around 75 percent, with an additional 10 percent obtaining high school equivalency diplomas in their twenties.50 If these numbers remained constant, 15 percent of the population would fail to gain full control of their stakes. But we expect that, as a side benefit of stakeholding, the high school graduation rate will rise, as capable youths who now drop out finally discover a good reason to stay in school.

Yet another misuse lies in the eyes of the beholders. Stakeholding decisions will undoubtedly reflect the plurality of American values. Some citizens will disdain and condemn the choices of others, who will respond in kind. But as liberals, we deny that this familiar kind of mutual recrimination should serve as the basis for sound social policy. Our liberal instincts are further engaged when we contemplate the kinds of social judgments that would be required to define “wasteful spending.” If a woman uses her stake to stay at home with her small children for five years, is she a slacker? If a young man opens up a beachside concession renting umbrellas and lounge chairs, is he a beach bum? The possibilities for moral condescension are endless—as are the possibilities of evasion of any legalistic definitions.

But the rejection of paternalism still leaves us with a serious problem. Some individuals will undoubtedly use their stake in ways that, decades later, they will deeply regret. We concede this but emphasize that the flip side of the problem exists today. Too many forty-year-olds look back to their twenties with bitter regret at the chances that they never had but that were readily available to others higher up on the economic scale.

We propose to shift the balance of regret—it is impossible to abolish it. Or perhaps it is best to distinguish two kinds of regret. One is remorse at one’s failure to make the most of the chances that one did have. The other and deeper regret is never having had a fair chance to engage life as a responsible adult. In a liberal society, everyone should have at least one chance to seize the brass ring of opportunity.

The Coercion Objection
But perhaps there is a deeper objection here, and we can sum it up in a single word: coercion. Haven’t we merely created a smokescreen of
supposedly free choices that hides the social and economic coercion that will overwhelm stakeholders as they consider their options? Consider a twenty-four-old woman whose lover spends her stake on his own endeavors, all the while assuring her, “Don’t worry, honey, I’ll take care of you for the rest of your life.” Or the impoverished stakeholder who has little choice but to use his stake to weather a period of unemployment or to supplement his meager earnings. In what sense do these stakeholders have any really meaningful choices?

If this critique suggests that the only freedom worth having is unlimited freedom, it is impossible to satisfy. There is no such thing as a coercion-free society. Whatever decisions we make, we must confront the facts of scarcity and mortality, recognizing that our options are dramatically limited by our circumstances. For all of us, the only possible freedom is the freedom to choose among a restricted set of options.

Once this is recognized, the claim of coercion seems inflated. Stakeholding vastly increases the choices available to the young and distributes them more fairly. To be sure, it only takes one large step toward equal opportunity. Some young adults will have markedly superior educational and other social advantages that will help protect them from a variety of overreachings. But the answer to this is to take further steps to realize justice, not to restrict the freedom of the poor and otherwise disadvantaged.

Perhaps the coercion critique is implicitly grounded in a more pessimistic view. Poor people have been so oppressed during early life that they simply cannot function as free men and women capable of shaping the larger contours of their lives. They live for the moment and lack the cultural resources needed to adopt a long-run view and take responsibility for their decisions.

We reject this view. It is based in part on self-fulfilling prophecy: at present poor people correctly understand that they lack much control over their futures and so, unsurprisingly, may opt for more short-term satisfactions within their effective control. But because stakeholding expands the range of long-term opportunity, the disadvantaged will have greater reason to take the longer run seriously.

What is more, everyone encounters difficulties in shaping a life plan, and it is arbitrary to suppose that only poor folk are unequal to the task. Freedom is always a gamble. Nor is it always clear who is acting foolishly and who wisely.

When all is said and done, we value individual freedom for its own sake. And so, we think, do most other Americans.

Liberal Community

A later chapter makes these themes more concrete by showing the big difference that stakeholding might make in the lives of ordinary Americans. But for now, we shift our focus from the individual to the larger community and consider what our initiative might mean for America’s sense of itself as a nation.

We intend to question a sharp dichotomy that threatens to become one of the banalities of the age. Too often we are told that Americans must choose between a stronger sense of community and a stronger commitment to individual freedom. In this familiar view, our recent infatuation with individual rights has eroded our sense of association with the larger group. To restore equilibrium, we must radically change our political conversation and reaffirm the collective values that bind us together in concrete communities.

We disagree. Given the diversity of life and creed in today’s America, a communitarian politics of virtue will be divisive at best, oppressive at worst. It is simply silly to suppose that elected politicians, of all people, could lead a sensitive moral dialogue that would invite the religious and the secular, the gay and the straight, the city slicker and his country cousin, to a profound and tolerant understanding of each others’ way of life. Far more likely is the intensification of culture wars and sporadic efforts to legislate morality and repress deviance. Rather
than bringing us together as Americans, the politics of virtue will drive us farther apart.

Stakeholding takes a very different path toward community. It seeks to foster individual freedom, not smother it. By making freedom's promise universal and concrete, stakeholding appeals to all Americans, regardless of their different aspirations, to join together. As members of the rising generation come forward to stake their claims, they will be doing more than affirming their individual right to shape their own particular destinies. They will also be affirming their identity as citizens of a great country devoted to freedom and equality. Throughout the rest of their lives, these Americans will endlessly consider how their stakes contributed to their individual pursuits of happiness—and at the same time reflect on their good fortune in enjoying the precious rights of American citizenship.

Except for the most hardened cynics, this will lead to a deep and sustaining loyalty to the country that made stakeholding a concrete reality. Rather than dismissing the Declaration of Independence as boastful words on paper, stakeholders will hear in Thomas Jefferson's proud phrases a description of their own lives and will seek, as best they can, to repay their own debt by passing on their great heritage to the future.

This is the kind of loyalty that befits the free men and women of America. It will yield a voluntary sense of obligation, not one that is coerced by politicians in the name of virtue. As more and more citizens enjoy the fruits of stakeholding, the country will be better and better prepared for the next crisis.

And make no mistake about it. Our present prosperity and military hegemony will not last forever. There will come a time when America will once again call upon its children to sacrifice greatly in support of its ideals.

How will they respond?

3

The Stake in Context

It is time to bring stakeholding down to earth—to consider the tough choices required to transform our idea into an operational reality. For starters, there are key questions of eligibility. Who precisely should be allowed to stake a claim? Resident aliens? All citizens? Criminals?

Having drawn the circle around eligible stakeholders, we consider crucial matters of program design. Instead of forcing everybody to wait until age twenty-one, we think that high school graduates should be allowed to spend their stakes immediately on their college educations. This single step will in turn revolutionize the existing system of higher education in this country—and for the better, we think. Then there is the matter of setting the size of the stake: why eighty thousand dollars and not half or twice that amount? We finally turn to the problem of transition to the new regime: how gradually should we phase in the program?

It would be foolish to explore every nook and cranny of programmatic detail. But a head-on confrontation with key issues will give real-world substance to stakeholding, allowing a better appreciation of its