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Wright, Erik Olin.

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Two redistributive proposals—universal basic income and stakeholder grants

Erik Olin Wright

Erik Olin Wright is Vilas Professor of Sociology at the University of Wisconsin-Madison and an IRP affiliate. His comments are adapted from his Introduction and his chapter, “Basic Income, Stakeholders Grants, and Class Analysis,” pp. 79–81, in *Redesigning Redistribution: Basic Income and Stakeholder Grants as Cornerstones for a More Egalitarian Capitalism* (2006), volume 5 in The Real Utopias project (<http://www.ssc.wisc.edu/~wright/RealUtopias.htm>).

There was a time, not so long ago, when the issue of the state’s positive role in shaping income distribution was at the center of political debate. In Europe, Social Democratic parties argued for the desirability of an activist, affirmative state engaged in policies that would generate income distribution far more egalitarian than those produced through market forces and a passive state. Even in the United States, advocating such a role for the state was part of the spectrum of ordinary political debate. In the early 1970s in the United States, in the aftermath of the major expansion of welfare state programs of the previous decade, there was a lively political debate over whether or not a negative income tax should be adopted as a centerpiece of policies designed to alleviate poverty and reduce inequality. In the end the Family Assistance Plan, as the proposal was known, was narrowly defeated in the U.S. Congress, and so the existing welfare mechanism of Aid to Families with Dependent Children remained intact. But still, in that debate of 30 years ago the issue was what sort of state intervention into patterns of income distribution would best serve broader social and economic goals, not whether the state should get out of the business of trying to affect distribution altogether.

The intervening three decades have witnessed a massive shift in the ideological coordinates of public policy discussions in the United States and elsewhere. By the early 1990s, particularly in the United States, defenders of traditional income support policies of the affirmative state were on the defensive and virtually no one in the public debate argued that shaping the income distribution was a worthy political goal. Instead of a political ethos in which the basic well-being of all citizens was seen as part of a collective responsibility, the vision was one in which each person took full “personal responsibility” for their own well-being. The nearly universal call was to “end welfare as we know it,” replacing it with a much reduced welfare state that at most would provide a minimal safety

net only for those people clearly incapable of taking care of themselves.

Given this ideological climate, it might seem like an unpropitious time to propose radical strategies for reducing inequality through new programs of income and wealth transfers. Government intervention to generate more egalitarian income distribution is now broadly regarded as antithetical to economic efficiency and thus ultimately self-defeating; there is no vocal political coalition demanding new efforts at egalitarian distribution; and talk of raising taxes and dramatically expanding the activities of the state are seen by most analysts as off the political agenda. The Real Utopias Project that generated this volume is based on the belief that it is important to engage in rigorous analysis of alternative visions of institutional change even when there seems to be little support for such ideas, since posing clear designs for alternatives may contribute to creating the conditions in which such support can be built.

In this spirit, two provocative proposals for radical redesigns of distributive institutions are discussed in the volume. They are the Universal Basic Income, as elaborated by Philippe van Parijs, and Stakeholder Grants, as elaborated by Bruce Ackerman and Anne Alstott. While both of these proposals contain a range of complex details, as ideals they are both based on very simple principles.

Basic Income. All citizens are given a monthly stipend sufficiently high to provide them with a standard of living above the poverty line. This monthly income is universal rather than means-tested—it is given automatically to all citizens regardless of their individual economic circumstances. And it is unconditional—receiving the basic income does not depend upon performing any labor services or satisfying other conditions. In this way basic income is like publicly financed universal health insurance: in a universal health care system, medical care is provided both to citizens who exercise and eat healthy diets and to those who do not. It is not a condition of getting medical care that one be “responsible” with respect to one’s health. Unconditional, universal basic income takes the same stance about basic needs: as a matter of basic rights, no one should live in poverty in an affluent society.

Stakeholder Grants. All citizens, upon reaching the age of early adulthood—say twenty-one—receive a substantial one-time lump-sum grant sufficiently large so that all young adults would be significant wealth holders.

Ackerman and Alstott propose that this grant be in the vicinity of \$80,000 and be financed by an annual wealth tax of roughly 2 percent. In the absence of such grants, children of wealthy parents are able to get lump-sum stakes for education, housing, business start-ups, investments, and so on, whereas children of parents who are not wealthy are not. This situation fundamentally violates values of equal opportunity. A system of stakeholder grants, they argue, “expresses a fundamental responsibility: every American has an obligation to contribute to a fair starting point for all.”

In some ways, basic income and stakeholder grants are not completely different kinds of proposals. After all, if one invests a stakeholder grant in a relatively low-risk investment and waits a number of years, then it will eventually generate a permanent stream of income equivalent to an above-poverty basic income. Similarly, if one continues to work for earnings in the labor market while receiving a basic income and one saves the basic income, after a number of years it will become the equivalent of a stakeholder grant. Nevertheless, the two proposals reflect quite distinct visions of what kind of system of redistribution would be morally and pragmatically optimal in developed market economies. Stakeholder grants emphasize individual responsibility and what is sometimes called “starting gate equality of opportunity.” Individuals get a stake, and if they blow it on conspicuous consumption rather than long-term plans, then this is their responsibility. Basic income envisions a system of redistribution that permanently guarantees everyone freedom from poverty and a certain kind of lifetime equality of minimal opportunity: the opportunity to withdraw from the labor force to engage in unremunerated activity.

There are, of course, many objections that can be raised against both of these proposals. Some of these objections are moral: basic income rewards people for being parasites; redistribution of wealth illegitimately takes assets away from people who have worked hard to build them up. Others are pragmatic: so many people would withdraw their labor from the labor market if there was a decent basic income that the economy would collapse; the rates of taxation required for basic income will undermine incentives; redistributions of wealth to create stakes will eliminate incentives to save and build up assets.

What would society gain from the institution of an unconditional basic income? A generous, unconditional basic income which would allow employees a meaningful exit from a particular employment situation, or indeed from paid employment itself, directly transforms the dynamics of the employer-employee relationship in a private market economy. First, in a capitalism with basic income people are free to engage in non-market-oriented, socially productive activity. There is a wide range of activities which many people want to do but which are badly organized by either capitalist markets or public institutions. Prominent among these is care-giving la-

bor—of children, of the elderly, and in many situations, of the ill. Engagement in the arts, in politics, and in various kinds of community service would also be facilitated by UBI. Frequently people with serious interests in these kinds of activities would be willing to do them at relatively modest earnings if they were provided through markets—witness the very low standards of living accepted (if reluctantly) by actors, musicians, political activists, and community organizers. The problem for many people is not so much the low earnings, but the inability to find employment in these kinds of activities. UBI makes it possible for people to choose to do this kind of activity without having to enter into an employment relation. In this way it contributes to a shift in the balance of power within class relations.

Second, for those people who still enter into ordinary private market employment relations, UBI would contribute to a greater symmetry of power between labor and capital even if workers did not engage in collective organization. This would be particularly salient for workers in low-skilled, low-wage jobs. Often workers in such jobs suffer both from low wages and from miserable working conditions. The realistic exit options of low-wage workers under a UBI system would increase their bargaining power with employers. Of course, this might mean that many such low-skill jobs would disappear, but since many low-skilled people will still want discretionary income above the no-frills UBI level, there will still be potential workers willing to take such jobs. The difference is that the balance of power within which the attributes of such jobs are determined would be shifted toward workers.

Third, an unconditional basic income could also contribute in various ways to increasing the collective strength of workers, not just their individual leverage within employment. Where workers individually have easier exit options, employers may have greater incentives to agree to new forms of collective cooperation with organizations of workers. Such collective cooperation is an element in what is sometimes called “high road” capitalism, a model of capitalism in which labor and capital engage in much closer collaboration over the design and regulation of work, production, and innovation than is characteristic of conventional capitalist organization in which employers have more or less unilateral control over basic production decisions.

If it is economically sustainable UBI seems likely to underwrite a set of social and institutional changes which more profoundly reshape the power relations of capitalism than will a program of stakeholder grants. The argument for basic income, in these terms, is more like a public goods argument than a simple individual social justice argument, since changes in power relations affect the overall dynamics and conditions everyone experiences in a society, not simply those immediately party to the power relation. Let me explain.

The ideal of “equality of opportunity,” as it is conceived in much liberal egalitarian discussion of justice, involves trying to distinguish between those conditions of life for which people can reasonably be held responsible and those for which they cannot. Social justice requires trying to minimize those inequalities outside of individual control, and redistribution is one way of accomplishing this. Both UBI and stakeholder grants can be defended as significant steps in the direction of remedying unjust failures of such equality of opportunity. On these grounds, in fact, some people might prefer a generous stakeholder grant system to UBI, insofar as it might be thought as better embodying the responsibility ideal of equal opportunity. In some ways UBI looks like a paternalistic program in which, to avoid the risk of individuals squandering redistributed resources, the state doles out a stipend to people rather than giving them a single, large lump-sum payment. In a UBI program people can still squander their basic income, but they can only do so one month at a time. If avoiding paternalism is a high priority within a conception of equality of opportunity, and if equality of opportunity is the central justification for redistribution, then stakeholder grants might be preferred over UBI.

The defense of UBI offered here is not, however, primarily about social justice as such. It is about creating the conditions under which a stable move toward more equal power within class relations can be achieved. The issue of equality of power has strong public goods features. Consider another context in which we worry about equality of power: the right to vote. We don’t allow people to sell their right to vote to anyone, even though many people would want to do so if given the opportunity and there surely would be a market for such sales if they were permitted. It could be argued that this too is paternalism: the state prevents people from engaging in a voluntary transaction in order to prevent them from doing things which, in the long run, would cause harms. The justification for this prohibition is not simply that it would ultimately be harmful to the particular persons who sell their right to vote in the same sense that taking an addictive drug might be harmful. Rather, the argument is that selling votes would undermine democracy and be harmful even to those who did not sell their votes. It would be harmful because of the concentrations of power that a free market in votes would create and this, ultimately, undermines the political ideal of political equality of citizens. Legal prohibitions on the selling of votes are defended above all because of a judgment about the collective consequences of alternative distributions of power within our political institutions. The monthly flow of income that is an essential part of UBI, therefore, is not simply a form of paternalism designed to prevent individuals from squandering their resources, but a way of insuring the stability of the social process by which power relations are shifted. ■

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Institute for Research on Poverty
1180 Observatory Drive
3412 Social Science Building
University of Wisconsin
Madison, Wisconsin 53706
(608) 262-6358
Fax (608) 265-3119

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