

Bruce Ackerman    Anne Alstott

the  
Stakeholder  
society



# The Stakeholder Society

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Bruce Ackerman

Anne Alstott

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## Your Stake in America

Americans have always had an uncertain love affair with equal opportunity. We believe in it, we know it really doesn't exist in today's world, and yet we have learned to live comfortably in the gap between ideal and reality. After all, aren't all ideals elusive?

Perhaps unequal opportunity was easier to accept when a booming economy guaranteed that children from every class did better than their parents. Even if lower-class kids still ended up near the bottom, they had a sense of participating in the general upward movement. But those halcyon days are over.<sup>1</sup> Although the economy as a whole continues to prosper, the last generation's vast increase in wealth has utterly failed to "trickle down" to the overwhelming majority of Americans. The indisputable fact is that almost all our newfound abundance has gone to the top 20 percent.<sup>2</sup>

The statistics on income and wages are no less grim. Since the early 1970s, the average family's income has grown little, and the typical male worker has seen his real wages decline. Only the entry of vast numbers of women into the labor force has produced meager gains in

median family income.<sup>3</sup> In contrast, real wages for college graduates have continued to go up.<sup>4</sup> By the mid-1990s, the top 5 percent of American families received 20 percent of total income—a larger share than at any time since 1947.<sup>5</sup>

These economic disparities are profoundly shaping the future of the next generation. Rich kids get a big head start in life—they go to the best schools, the best colleges, get generous financial help from Mom and Dad, and eventually receive a tidy inheritance. But things look different at the bottom, where an increasing proportion of children live out their early years. In 1996, children represented 40 percent of all Americans living below the poverty line—but only one-quarter of the total population.<sup>6</sup> We are reaching the point of no return: it is one thing to tolerate a gap between ideals and reality, quite another to allow the ideal to disappear from our moral horizon. Do Americans believe in equal opportunity anymore?

There is only one way to find out, and that is by offering a range of serious proposals that might revitalize our collective commitment. In this neoconservative age, it is all too easy to assert that nothing practical can be done. Isn't increasing inequality the price we pay for progress?

Our answer is no. If America drifts away from the promise of equal opportunity, it is not because practical steps are unavailable, but because we have lost our way.

In developing our vision of the stakeholder society, we also challenge some familiar platitudes of the Left. Instead of focusing on the widening economic gap, American liberals have been increasingly preoccupied with the politics of identity. Insofar as economics has been important, the focus has been on assuring equal opportunity in the workplace. This is a fine goal, but it is not enough. Nor is it enough to redeem the faded promise of *Brown v. Board of Education* and seek new ways of providing a more equal education to all. We must

also recognize that increasing inequality of wealth is endangering our sense of community.

We offer a practical plan for reaffirming the reality of a common citizenship. As each American reaches maturity, he or she will be guaranteed a stake of eighty thousand dollars. Our plan seeks justice by rooting it in capitalism's preeminent value: the importance of private property. It points the way to a society that is more democratic, more productive, and more free. Bear with us, and you will see how a single innovation once proposed by Tom Paine can achieve what a thousand lesser policies have failed to accomplish. Through stakeholding, Americans can win a renewed sense that they do indeed live in a land of equal opportunity, where all have a fair chance.

Our vision of economic citizenship is rooted in the classical liberal tradition. It is up to each citizen—not the government—to decide how she will use her fair share of the nation's patrimony. By putting this ideal of free and equal citizenship at the center of our political economy, we challenge two master themes that have dominated discussion throughout the twentieth century.

The first theme is the maximization of social welfare. This goal provides a ready argument for progressive taxation. Because a marginal dollar is worth more to the poor than to the rich, government should tax the rich at higher rates. The same logic implies a safety net for those whose incomes fall below a minimally decent floor. But these progressive tendencies are held in check by a final factor. Excessive redistribution reduces incentives for production and growth. The big tradeoff, then, is between more equality and more wealth to share.<sup>7</sup>

This familiar conclusion is challenged by a second, and recently resurgent, theme. It proceeds from a libertarian model of society: the government does not "own" society's wealth and therefore has no right to redistribute it. Taxes should be low and welfare spending minimal.

People have an equal right to exploit the opportunities that come their way. Freedom comes first, and whenever taxes go up, individual freedom goes down.

We mean to define a third way. Like libertarians, we emphasize each person's right to make the most of his or her opportunities. But we deny that the "invisible hand" distributes these opportunities in a morally defensible way. Like welfarists, we believe in social responsibility. But for us, the central task of government is to guarantee *genuine* equality of opportunity. Americans who begin life with greater opportunities cannot complain when their tax dollars go toward expanding the life-options of the less privileged. Such a program redistributes opportunities more fairly, permitting all citizens to begin life on a level playing field.

Our proposal for a stakeholder society takes one large step toward this ideal. The program we describe is very different from the status quo, yet it is both realistic and politically attractive. Our reforms are unfamiliar because our goal challenges the existing mix of libertarian and welfarist policies of American government. We hope to displace the tired debate between supporters and critics of the welfare state with a new question: How do we achieve genuinely equal opportunity for all?

We reject the idea that there is an inexorable tradeoff between liberty and equality. The stakeholder society promises more of both.

### **The Basic Proposal: Stakeholding and Its Responsibilities**

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As a citizen of the United States, each American is entitled to a stake in his country: a one-time grant of eighty thousand dollars as he reaches early adulthood. This stake will be financed by an annual 2 percent tax levied on all the nation's wealth. The tie between wealth-holding and stakeholding expresses a fundamental social responsibil-

ity. Every American has an obligation to contribute to a fair starting point for all.

Stakeholders are free. They may use their money for any purpose they choose: to start a business or pay for more education, to buy a house or raise a family or save for the future. But they must take responsibility for their choices. Their triumphs and blunders are their own.

At the end of their lives, stakeholders have a special responsibility. Because the eighty thousand dollars was central in starting them off in life, it is only fair that they repay it at death if this is financially possible. The stakeholding fund, in short, is enriched each year by the ongoing contributions of all wealth-holders and by a final payback at death.

There are many possible variations on the stakeholding theme. But we have said enough to suggest the broad political appeal of equal opportunity. How many young adults start off life with eighty thousand dollars? How many parents can afford to give their children the head start that this implies?

Stakeholding liberates college graduates from the burdens of debt, often with something to spare. It offers unprecedented opportunities for the tens of millions who don't go to college and have often been shortchanged by their high school educations. For the first time, they will confront the labor market with a certain sense of security. The stake will give them the independence to choose where to live, whether to marry, and how to train for economic opportunity. Some will fail. But fewer than today.

## **A Common Bond**

Turn back the clock half a century and consider a very different America. For most citizens, World War II had marked a great collective achievement for the nation. Both on the battlefield and on the home

front, men and women experienced a sense of genuine contribution to a common enterprise of high moral importance. The military draft created a strongly democratic ethos which endured in American life long after the war was over. This sense of common enterprise was sustained during the next era of economic growth—through the 1960s, most Americans really did share in the growing abundance.<sup>8</sup>

But these bonds have unraveled over the past quarter-century. Citizenship is now a largely formal exercise. Voting rights are important, but confer no sense of individual efficacy. Guarantees against discrimination in employment and the like are too thin to generate an everyday sense of common commitment. With the top 20 percent appropriating the lion's share of the nation's economic growth, most Americans no longer share fully in the free enterprise system. If a deep sense of national community is to endure, the next generation will require new institutions that express America's enduring aspirations.

Consider the fate of the GI Bill of Rights, the last great initiative that targeted young adults. First formulated after World War II, it was designed to provide citizen-soldiers with the funds needed to go to college, start a small business, or buy a home. While its direct benefits went mostly to men, it shared the universalistic aspirations of stakeholding, seeking to redeem America's promise of freedom in concrete terms. But after half a century, the meaning of the GI Bill has changed in the context of a professional military. It has become an employee benefit, not an expression of common citizenship.

Conventional forms of worker protection cannot be expected to fill this gap. Our current social security system reflects the traditional ideal of lifelong employment at a decent wage, with a safety net for occasional unemployment, catastrophic disability, and eventual retirement. That is a pretty picture. But it is no longer a reality for most American workers. The college-educated workforce is doing better than ever, but the least-skilled workers face a labor market that promises high

unemployment and poverty-level wages.<sup>9</sup> For this group, traditional social insurance provides very little economic security. And the future promises more of the same: free trade, global capital markets, and technological change are likely to hold down blue-collar wages in the United States.<sup>10</sup> While it may be politically popular for pundits on the Right to deny this fact, it is far more constructive to confront it. How can we reconcile free trade and open markets with real equality of opportunity?

Through stakeholding. Our initiative does not seek to reverse world economic forces. It fully endorses the open economy and the great wealth made possible by the worldwide division of labor. But it insists that the American political community is strong enough to shape this wealth for its own purposes. Is America more than a libertarian marketplace? Can we preserve a sense of ourselves as a nation of free and equal citizens?

As young adults receive their stakes, they will have little doubt about America's answer to this question. As they come forward to claim their eighty thousand dollars, each of America's children will do more than gain the ability to shape their individual destinies. They will locate themselves in a much larger national project devoted to the proposition that all men *are* created equal. By invoking this American ideal in their own case, they link themselves not only to all others in the past who have taken steps to realize this fundamental principle but also to all those who will do so in the future.

To be sure, there are risks as well as rewards. Are twenty-somethings really up to the task of responsible stakeholding? Can they be trusted to invest the money wisely in themselves, their families, their businesses, and their communities? Won't they fritter away the nation's patrimony on drugs and decadence?

We will be discussing ways to structure stakeholding to enhance the prospect of responsible decision-making. For example, no citizen should be allowed free use of his eighty thousand dollars without gaining a

high school diploma. Nor should he get all the money at once; the stakeholding fund should provide payments of twenty thousand dollars every year or two as citizens move through their early twenties. And so forth.

But it is better to defer questions of program design for now and consider more basic issues of principle.

### Beyond the Welfare State

We are trying to break the hold of a familiar vision of the welfare state in America. In this view, modern government has succeeded to the traditional tasks of the church—tending to the old, the sick, the disabled. Like the church, the welfare state is concerned with providing the weak with a decent minimum.

Given this statement of the problem, debate centers on how minimal the minimum should be. Even libertarians grudgingly concede that some vulnerable Americans must be provided with some care some of the time; welfarists push the minimum higher.

We reject the organizing premise of this unending argument. Our primary focus is on the young and energetic, not the old and vulnerable. Our primary values are freedom and equal opportunity, not decency and minimum provision. We do not deny that old-fashioned decency has a role to play, and we will try to define its place later on.<sup>11</sup> For now, it is enough to see that stakeholding is intended not as “welfare reform” but as an entirely new enterprise. Our first concern is not with safety nets but with starting points; not with misfortune, but with opportunity; not with welfare, but with economic citizenship.

From this vantage, it is hardly news that America only promises its children the pursuit of happiness and does not guarantee them success. But it is one thing to make a mess out of your life, quite another never to have had a fair chance. The key question, then, is not whether some stakeholders will fail to make good use of their stake. Some will

fail, and in ways that they will come to regret bitterly. The question is whether these predictable failures should serve as a reason to deprive tens of millions of others of *their* fair chance to pursue happiness.

We say no. Each individual citizen has a right to a fair share of the patrimony left by preceding generations. This right should not be contingent on how others use or misuse their stakes. In a free society, it is inevitable that different stakeholders will put their resources to different uses, with different results. Our goal is to transcend the welfare state mentality, which sets conditions on the receipt of “aid.” In a stakeholding society, stakes are a matter of right, not a handout. The diversity of individuals’ life choices (and the predictable failure of some) is no excuse for depriving each American of the wherewithal to attempt her own pursuit of happiness.

Nor is it a reason to transform stakeholding into yet another exercise in paternalistic social engineering. In our many conversations on the subject, somebody invariably suggests the wisdom of restricting the stake to a limited set of praiseworthy purposes—requiring each citizen to gain bureaucratic approval before spending down his eighty thousand dollars. Won’t this allow us to redistribute wealth and make sure the money is well spent?

This question bears the mark of the welfarist mindset. The point of stakeholding is to liberate each citizen from government, not to create an excuse for a vast new bureaucracy intervening in our lives. If stakeholders want advice, they can buy it on the market. If people in their twenties can’t be treated as adults, when will they be old enough?

Admittedly, there will always be some Americans who are profoundly unequal to the challenges of freedom. It would be silly to suppose that victims of profound mental disability were capable of managing their eighty thousand dollars on their own. More controversially, we would also deny full control over their stakes to Americans who cannot demonstrate the self-discipline needed to graduate from high school. We agree, alas, that more traditional forms of bureau-