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PART II

# Commentaries

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## The Citizen's Stake and Paternalism

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"It was not the quantity of what I had which was striking, but the quality of what I could do and be by virtue of having a little. The difference between having twenty thousand a year and three hundred is as nothing compared with that between having three hundred and none."

– Stephen Spender, 1951

"It is not freedom to be allowed to alienate [one's] freedom."

– John Stuart Mill, 1859

### INTRODUCTION: TWO OBJECTIONS

The first of these two remarks appears in Stephen Spender's autobiography, *World Within World*. Spender is commenting on how even a modest financial inheritance meant that he had the freedom to think and act independently and creatively at the start of his working life: "... although I had comparatively little money, my whole position of independence depended on it."<sup>1</sup> All those who inherit at least a certain modest amount have this independence, he implies, while those who inherit little or nothing do not. This division between the independent and the dependent is more striking and significant, Spender suggests, than inequalities within the class of fortunate independents. Spender's insight leads directly to the question: Why not guarantee every citizen an inheritance sufficient to have this independence? Why not socialize the inheritance process so that, as a right of citizenship, everybody receives a modest, but not trivial, economic stake – a *citizen's stake*, as we might call it? The proposals of Bruce Ackerman

and Anne Alstott and of Philippe Van Parijs offer us two different models of how the citizen's stake idea might be implemented. Ackerman and Alstott propose to implement the stake (largely) as a one-off, lump-sum capital grant on maturity, with no restrictions as to how people may use this grant.<sup>2</sup> I shall refer to this as the capital grant (CG) proposal. Van Parijs proposes to implement the stake as a periodic, but non-mortgageable income grant. I shall refer to this as the citizen's income (CI) proposal.

At least two kinds of objection appear in the literature on these proposals. One objection, which is salient in the literature on CI, is that such policies will allow citizens to establish a morally troubling, parasitical relationship to their fellow citizens. A generous CI, it is argued, would allow citizens to free-ride on the productive efforts of other citizens, by guaranteeing them a share of the social product without demanding a productive contribution in return. A second objection, which applies more specifically to the CG proposal, is that the freedom secured by citizen's stake policies is too easily alienated, too easily lost through careless employment of the stake. I have considered the former, exploitation objection at length in earlier work. In this short chapter, I intend to switch focus to the second, alienation objection.

Specifically, I consider three responses to the objection. The first response, putting great emphasis on the distinction between disadvantage attributable to brute luck and that attributable to choice, denies that there really is an objection here at all. I argue that this response is unpersuasive. The second response emphasizes the need to complement citizen's stake policies with an appropriate kind of education in asset management. The third response is to propose, on paternalistic grounds, some kind of restriction on how stakes can be used. One direction this response points us in is CI as opposed to CG. But there are other directions it points us in that also warrant exploration, notably the proposal for enacting the stake as a development grant: A capital grant that may be used only for approved investment purposes such as education, training, house purchases, or establishing a new business. In concluding the chapter, I defend this option as one that should inform the development of a citizen's stake policy.

### The alienation objection briefly stated

As suggested, a primary rationale for a generous citizen's stake policy, and the one I shall focus on for purposes of this chapter, is to help secure for each citizen (at least) a minimally decent degree of

freedom.<sup>3</sup> To understand and respond to the alienation objection it will help to begin by clarifying this claim.

We are familiar with the view that someone is free when she is able to act as she wishes without being subject to interference by others. Many people claim that freedom in this sense is not diminished by poverty, by limited command over resources. But this appears to be mistaken. There is no action that can be performed without laying claim to some resource. All efforts to act thus involve claims on resources. If resources are privately owned, and one happens to lack property rights in resources, then there will be many actions one wishes to perform that one will not be able to perform without being subject to the legally sanctioned interference of others. Imagine, for example, that one is homeless and wishes to sleep. One identifies an area in which one would like to sleep. But this area is owned by Jones, and if you move on to it to sleep, Jones will call the police and move you off. If you turn to Smith's land, she will do the same. And so on, for every landowner in the vicinity. Propertylessness directly affects the degree to which you are free to do as you wish without being subject to interference by others.<sup>4</sup>

In reply, it might be argued that someone in the position of the homeless person we have imagined is not necessarily unfree, even if all the land is privately owned, because a given landowner might give her permission to use his land to sleep. The homeless person is certainly *vulnerable to* interference, but this vulnerability need not translate into *actual* interference. However, this does not seem to be a very forceful reply. Even if the homeless person is allowed to enter a given landowner's territory to sleep, she can be woken up in the middle of the night and moved on if the landowner so chooses. She sleeps at his discretion, and it can be plausibly argued that to live under another's power of discretionary interference like this is itself a significant curtailment of one's freedom. Philip Pettit explains that to live subject to the will of another in this way "is to suffer an extra malaise over and beyond that of having your choices intentionally curtailed. It is to have to endure a high level of uncertainty [that] makes planning much more difficult ... and [it] is to have strategic deference and anticipation forced upon you at every point ..."<sup>5</sup> I shall refer to relationships like that just depicted between the homeless person and the landowner as relationships of *dependency*. As the example of the homeless person illustrates, poverty can readily produce dependency of this kind, and, as Pettit suggests, thereby reduces freedom in a significant way.<sup>6</sup> Of course, such dependency may be considered a bad thing not simply because in itself it represents a diminution of

personal freedom, but because people who are dependent in this way tend also to be vulnerable to various kinds of exploitation and abuse.<sup>7</sup>

Citizen's stake policies offer a form of protection against freedom-reducing dependency. Of course, a simple welfare safety-net will offer some protection of this kind. But conventional welfare policies often come with strings attached that may make it difficult to access resources at critical moments. CI and CG policies remove these strings and might therefore be thought to offer better protection.

At this point, however, the objection I wish to consider looms into view. Imagine that we could enact a truly radical citizen's stake policy in which all existing wealth holdings are taxed at 100 percent and redistributed as lump-sum capital grants to individuals on a completely egalitarian basis. Critics will object, quite plausibly, that substantial wealth inequality will quickly re-emerge, with some people dissipating their endowments and, thereby, the material basis of their freedom. In short, the objection is that citizens will be able quite readily to "blow" their stakes and thus *alienate* the material basis of their freedom so that, under even the most radical citizen's stake regime, we will still end up with a society divided between the free and the dependent. How might the proponent of the citizen's stake reply to this alienation objection?

### The "So what?" response

The first response we must consider can be summed up in the phrase "So what"? If a division between free and unfree arises as a result of the choices people have made, starting from a sufficiently equal place, then perhaps, morally speaking, there is nothing to worry about. What should concern us, it might be said, is disadvantage that is due to bad "brute luck" rather than that due to choice.<sup>8</sup> I find this response to the alienation objection inadequate for two reasons.

First, I think we have reason to worry about situations of dependency even if they result unambiguously from choice rather than initial brute luck inequality. Consider the case of Rosa. Rosa lives in a society where all that citizens receive on maturity is a hefty capital grant. A few days after her eighteenth birthday she takes her stake and sets out to start her adult life in a new and fascinating city. However, within a few weeks of arriving in the city, she has spent her stake, losing most of it in foolish bets at a casino. Her immediate options are now such that she has no acceptable alternative but to take a job that one particular employer, Brian, a dodgy night-club owner, offers to her. Brian is well aware of her desperation and takes advantage of her

resulting vulnerability to pay a very low wage (compared to the typical wage for the job). He also conditions her retention of the job on accepting a range of interferences in her life that she would not otherwise entertain. Surely Rosa suffers exploitation and a kind of unfreedom, and this is a proper matter of moral concern. Even if it is not intrinsically unjust for her to be relatively impoverished as a result of her foolish stakeblowing, Brian takes unfair advantage of her impoverishment. It seems implausible to say that Brian's exploitation and domination of Rosa are somehow acceptable – somehow not really exploitation or domination – because Rosa is responsible for getting herself into a state where she is vulnerable to apparently exploitative and oppressive treatment.<sup>9</sup>

Second, the argument that the loss of freedom following stakeblowing reflects choice rather than brute luck is anyway more problematic than we have thus far assumed. Choices are affected by a range of personal characteristics, some of which are, in the circumstances of societies such as our own, inheritances of social class. In the case of the utopian citizen's stake policy we have just imagined, people who come from families with little wealth, and thus little experience of managing wealth, will be more likely to blow their generous stakes than those who come from wealthy families that have transmitted the attitudes and skills relevant to wealth accumulation. One of the ways in which social class affects outcomes, including wealth outcomes, is through the transmission of what we might call *asset management capacity*: The ability to manage assets effectively with a view to the maintenance of the material basis of one's freedom (intuitively, the ability to manage assets so that one at least retains the equivalent of Spender's "three hundred a year"). This capacity is in part a matter of knowing about and understanding investment options. It is also in part attitudinal: A matter of seeing the future as something for which plans can and should be made, and of being willing to defer immediate consumption in the interests of long-term security. It is both about having a certain kind of time preference and about having the knowledge and understanding necessary to act on this preference.

However, the fact that stakeblowing can frequently be seen as a matter of brute luck, grounded in class-based inequalities in asset management capacity, rather than as a simple matter of choice, does not necessarily rescue the citizen's stake idea from the objection we started with. On the face of it, it seems in fact to add force to this objection: Not only are some people going to end up unfree under the citizen's stake regime, but many of them will be unfree due to accidents of birth for which they are not responsible. It is precisely

this consideration that leads some radical egalitarians to reject citizen's stake ideas. In this vein, for example, John Roemer has argued that we should reject what he terms people's capitalist approaches to overcoming class inequality based on the simple redistribution of assets.<sup>10</sup> As Roemer says:

Some people have learned to save under capitalism and have trained themselves in ways conducive to getting ahead in any society based on private ownership and markets. Others have learned behavior and values that are dysfunctional for success in a private ownership economy; one might argue that their behavior is well adapted to surviving on the margins of such a society but not to succeeding in its mainstream ... From the ethical point of view, the goal of socialism is to annihilate the opportunities that are unequal as a consequence of unequal access to or ownership of the alienable means of production. Equal ownership rights in the means of production would go only part way toward rectifying those inequalities, because the skills and preferences of people are themselves a consequence of past unequal opportunities.<sup>11</sup>

This observation brings us to the second response to the alienation objection.

### The educational response

The second response starts to come into view once we entertain the following thought: Why take the existing link between social class and asset management capacity as a given? Could the state not do things to weaken this link? The proposal, in other words, is to connect citizen's stake initiatives with a concerted effort to break, or at least weaken, the link between class and asset management capacity. It is to design and complement such initiatives with a view to cultivating asset management capacity on the part of members of historically asset-poor groups.

Easily said, but how might this be done? I don't have a definitive answer to this question, but there are some possibilities that we may note. One indication of how citizen's stake-style policies might incorporate the concern to cultivate asset management capacity is provided by the recent experiments with so-called Individual Development Accounts (IDAs) in various parts of the United States.<sup>12</sup> IDA schemes originated in the non-profit sector but have now been given further support from states and federal government. A typical scheme works as follows. A community of eligible individuals, e.g., those

with incomes below a specified threshold, is identified. Eligible individuals are offered the opportunity to set up individual accounts into which they will try to direct savings each month. Any saving they actually make is matched, e.g., the state may contribute \$2 for every \$1 the account-holder saves. Once a certain amount has been saved, individuals can withdraw their funds for approved investment purposes (such as courses of education, training, or putting a down-payment on a house). The generous subsidies obviously make these schemes attractive and make it likely that they will result in an immediate improvement in the asset position of their beneficiaries. But typically the schemes are designed on the premise that beneficiaries will make better use of the opportunities they provide if they receive some training in the mechanics and logistics of saving. Thus, in many schemes individuals are required to attend financial education classes as a condition of receiving matching funds or withdrawing funds from their account. These classes include "diverse topics such as household budgeting, personal financial management, establishing and repairing credit, goal setting, and principles of investing."<sup>13</sup> One cross-sectional survey of participants in the American Dream Demonstration IDA project found that 85 percent of participants completing the survey felt that the financial education classes helped them to save more, e.g., by identifying specific saving strategies suited to their circumstances. Another study found that the level of saving increased with hours of financial education, though only up to a point.<sup>14</sup>

We do not have sufficient evidence as yet to assess whether these schemes are effective in developing the long-term asset management capacity of otherwise asset-poor individuals. But if programmes of this kind are successful in this way, we should bear in mind that the effects may be felt not only by the immediate savers themselves but by others around them. Skills learned by a parent on an IDA programme might be conveyed to her children, so that they reach maturity with greater asset management capacity than they otherwise would have. In this way, such programmes might contribute to the breaking down of intergenerational cycles of asset poverty, and we might therefore consider them as a helpful complement to more universalistic citizen's stake schemes.

Another possibility, which has been mooted in the British debate over the Labour government's Child Trust Fund (CTF), is to integrate financial education directly into universalistic capital grant schemes themselves.<sup>15</sup> Under the CTF scheme, each British child will receive a personal account at birth into which the state will pay, depending on parental income, an initial sum of £250–500 (with further small sums

being added to their accounts as they grow up). Topped up by family contributions, the money in the account will accumulate as the child grows up, giving her a modest capital stake on maturity that she will be free to use as she wishes. Now, could one not add an educational dimension to the CTF scheme? Lessons focusing on CTFs might be included as part of the curriculum. Children could perhaps track how their CTFs are growing. Teachers could ask children to explore how their accounts would have grown had the funds been invested in different ways, and could use this as a device for introducing children to different investment possibilities and to frame a discussion about their respective advantages and disadvantages. Teachers could organize discussions about what people might do with their accounts on maturity. Representatives of universities, vocational training schools, small business associations, trade unions, as well as financial institutions, could come into schools and offer advice on how stakes can be effectively used.

At the same time, it can plausibly be argued that it is only by promising every child a generous citizen's stake that educators will be able to engage children from different social backgrounds with this topic. Schools could, after all, take it upon themselves to organize investment education classes for children in the absence of any citizen's stake policy. For children from deprived social backgrounds, however, such classes would probably then have an air of unreality. Children are surely much more likely to be receptive to such classes if they know that there is something like a decent capital stake there, in their name, waiting for them on maturity, than if they expect to inherit nothing.

### The paternalism response

I turn now to the third response to the alienation objection: Paternalism. The paternalist response is to place restrictions on how a citizen's stake may be used so as to prevent individuals endangering the material basis of their freedom.

From a liberal standpoint – and citizen's stake proponents such as Ackerman, Alstott, and Van Parijs are self-consciously arguing from a liberal standpoint – paternalism is intrinsically suspect (not the same, of course, as being necessarily wrong). On the liberal view, for individuals to lead lives that are good, it is necessary that they live in accordance with their own judgments about what the good life is.<sup>16</sup> If, however, they are to be free to live in authentic accordance with their own conceptions of the good life, then they must be left free to take what risks they deem worthwhile. The state ought not, as a general

matter, to substitute its judgment for that of the individual. The state's task, in general, is to ensure sufficient equality in initial circumstances, and not to direct individuals as to how to make the best use of their endowments.

Having said that, few liberal thinkers are absolute in their opposition to paternalism. As the second quotation at the head of this chapter indicates, John Stuart Mill famously argued that individuals should not have the freedom to alienate their own freedom through some kind of slavery contract, and this can reasonably be seen as a form of paternalism.<sup>17</sup> Mill's comment draws attention to two fundamentally different ways in which we might manifest our concern for freedom. Stated in rough, shorthand terms, it is a difference between an end-state and a side-constraint view of what it means to manifest concern for freedom. In the first case, we treat freedom, and, thus, a degree of non-dependency, as an end-state. We do not necessarily seek to maximize the sum of end-state freedom, aggregated across all people; but we do at least seek to ensure that each person always has a certain minimum amount of end-state freedom, and this goal admits, indeed mandates, some paternalism aimed at preventing people from subverting this end-state through their own imprudent choices. In the second case, we treat freedom of choice as a side-constraint.<sup>18</sup> The state may not act in ways that violate this side-constraint, even to prevent people from doing things that would render them dependent and thereby deny them freedom in the future. Mill, in his comments on slavery, commits himself to a version of the first view. Mill's position finds a clear echo, moreover, in the view that many contemporary liberals take about the limits of freedom of association. Many liberals argue that the freedom to join a given association, such as a church, should be balanced by adequate freedom to exit this association. On this basis, it is argued that members of religious associations should not be allowed, as some churches have demanded of their members, to waive their social security contributions and consequent rights to state welfare benefits, for this would make the members in question so reliant on their church for future material support as to fatally compromise their freedom to exit the church in the future.<sup>19</sup> In this view we see, again, a degree of paternalism aimed at protecting the individual from relationships of dependency that would undermine her freedom and expose her to exploitative and abusive treatment.

Turning to the debate over the appropriate form of the citizen's stake, advocacy of a CI, as opposed to a CG, seems to rest much more easily with the first, Millian view of how we appropriately manifest

our concern for freedom, than with the second, more Nozickian view. And, indeed, an appeal to a Millian paternalism plays an important role in Van Parijs' argument for implementing the citizen's stake as a CI rather than a CG.<sup>20</sup> As presented in his book *Real Freedom for All*, Van Parijs' case for a CI proceeds from the claim that each citizen has, in principle, a right to an equal share of certain external assets, notably "job assets."<sup>21</sup> In practice, we cannot literally give people equal amounts of these assets, but we can equivalently give them each a sum of money equal to the per capita value of these assets, financed from a tax on their value; or, if the policy of strict equalization would have large disincentive effects, we can and should give each person the highest sustainable sum of money we can from the taxation of these assets. Van Parijs argues that this sum should be paid as a periodic and non-mortgageable income grant. But there is nothing in the logic of the external assets argument which implies the grant should be non-mortgageable. What considerations justify this stipulation? The non-mortgageability of the income grant means that it cannot be converted into a lump-sum and then "blown." And, as Van Parijs acknowledges in *Real Freedom for All*,<sup>22</sup> the obvious rationale for preventing this would seem to be a paternalistic one: specifically, to restrict people's freedom to act in ways that would alienate the material basis of their freedom. In Van Parijs' words:

a mildly paternalistic concern for people's real freedom throughout their lives, not just 'at the start', makes it sensible to hand out the [citizen's stake] in the form of a (non-mortgageable) regular [income] stream — just as a mildly paternalistic concern for their formal freedom makes it reasonable to prohibit the permanent alienation of self-ownership.<sup>23</sup>

However, another way in which we might structure the citizen's stake so as to reduce the likelihood that people will alienate the material basis of their freedom is, of course, to restrict the range of purposes for which citizens will be able to use an initial lump-sum grant. We can make it less likely that they will blow their grant, and thus endanger their future freedom, by insisting that the grant be used only for specific, developmental, asset-building purposes. The kind of freedom-preserving paternalism that I have said supports a CI over a simple one-off, lump-sum grant does not, in fact, point unequivocally toward CI as opposed to this third type of citizen's stake, which we might call a *development grant*.

A number of proposals for this type of citizen's stake have been made in recent years. One example is the scheme recently proposed in

Britain by David Nissan and Julian Le Grand.<sup>24</sup> They propose that all citizens be endowed on maturity with a grant of some £10,000, which would go into an individual Accumulation of Capital and Education ("ACE") account, financed from a revamped inheritance tax. Each ACE account "would be handled by a set of trustees, whose purpose would be to approve the spending plans of individuals before releasing any capital."<sup>25</sup> Nissan and Le Grand mention education, training, business start-up costs, and housing down-payments as possible approved uses for the grant. This proposal has much in common with Robert Haveman's earlier proposal for a "universal personal capital account for youths."<sup>26</sup> Development grants have also been proposed in recent books by Roberto Unger and Cornel West<sup>27</sup> and by Ted Halstead and Michael Lind.<sup>28</sup> Halstead and Lind propose giving every newborn citizen of the United States a grant of \$6,000 "as a down payment on a productive life." As with the CTF proposed by the British government, the sum would be invested and would grow as the child matures. On reaching adulthood, the use of these special trust funds would be restricted to various types of personal investments, such as: "Paying for the costs of higher education or vocational training, putting a down payment on a first home, covering serious health emergencies, or starting a legitimate business."<sup>29</sup>

### Is paternalism justified?

Let us now briefly recap. We have seen, first, that the alienation objection to the idea of a citizen's stake (in the form of a CG) is a genuine objection, one which cannot be defused by invoking a distinction between choice-based and brute luck disadvantage, especially in the circumstances of societies like our own in which an individual's capacity to manage assets effectively is so influenced by class background. Second, there would seem to be two ways of reducing the problem to which the objection points: education and paternalism. The first approach will lead us to concentrate on developing strong "preventive" social policies to complement a citizen's stake. The second approach will incline us to restructure the citizen's stake itself, moving away from the CG model towards a CI or, perhaps, toward what I have termed a development grant. Two further questions must now be considered:

- (1) Would adoption of the first, educational approach render unimportant the second, paternalist approach?

- (2) To the extent that the paternalist approach retains relevance, do we have good reason to prefer a CI to a development grant or vice versa?

As regards the first question, there is no doubt that the absence of the educational measures associated with the first approach makes the paternalist measures associated with the second approach much more urgent. However, even if educational measures of the relevant kind are in place, I am not sure that the case for a supplementary paternalism evaporates. As Gerald Dworkin points out in an influential article on paternalism, just about everyone is capable of moments of irrationality or weakness of will in which they commit themselves to courses of action that risk tragic and irreversible consequences. Even the solid, sensible middle-class citizen, as it were, can make a fatal decision not to wear a seat-belt in the car, or a safety-helmet when inspecting a building site.<sup>30</sup> In this article, Dworkin suggests that solid, sensible citizens will be aware of this potentially tragic fallibility on their part, and, wishing to protect themselves against it, may well desire various kinds of paternalistic intervention as a kind of insurance policy against their less rational, weaker selves. This leads to the following thought: A given paternalistic intervention is justifiable if it commands what one might call, with apologies to Rousseau, a *prudential general will*. That is, a given paternalistic intervention is justifiable if it is a restriction that all citizens would agree to, when in a state of sober reflection on what really conduces to their own individual good, as a way of insuring themselves against individual weaknesses of rationality and/or will that might have significantly bad and irreversible consequences for their own welfare or freedom.<sup>31</sup> The intervention is then something which supports people in the pursuit of their goals, rather than an alien imposition on them.<sup>32</sup>

Viewed in this light, the case for a supplementary paternalism in the design of citizen's stake policies does not seem unreasonable. Some paternalistic restrictions can surely be defended as restrictions that citizens would impose on themselves as an insurance policy against the stakeblowing potential of periods of irrationality and/or weakness of will. Van Parijs, we should note, explicitly invokes the prudential general will idea in defending the "mildly paternalistic" CI option over the alternative of a CG. He writes that the justification for preferring a CI "... consists in assuming a universal desire on people's part, when 'in their right minds,' to protect their real freedom at older ages against weakness of their will at younger ages and to do so pretty homogeneously throughout their lifetimes."<sup>33</sup> Ackerman and Alstott

are not as far removed from this position, moreover, as they might at first sight appear. As noted above, their proposal is not, in fact, for a CG pure and simple, but for a hybrid form of citizen's stake that combines a CG on maturity with an age-related CI (a "citizen's pension" for which people are eligible at age 65). They insist that citizens not be allowed to capitalize their citizen's pension entitlements when young.<sup>34</sup> People in their youth cannot be expected to have a full appreciation of the interests of their aged selves, so far into the future, and so, they argue, we are justified in ring-fencing the citizen's pension from the ambitions of youth. This specific paternalistically motivated qualification of the CG proposal in its simplest form is perfectly plausible, but, by itself, it leaves individuals with a very large chunk of their lives in which to suffer the freedom-scuppering consequences of youthful irrationality and/or weakness of will. Given this fact, I find it no less plausible to think that additional paternalistically motivated departures from the pure and simple CG proposal would command a prudential general will.

#### The case for a hybrid stake incorporating a development grant

Turning now to our second question, if we were to move in a more paternalistic direction, which direction should it be? Should we move in the direction of a CI, in which citizens receive their stake as a non-mortgageable income stream, or in the direction of a development grant, in which citizens receive their stake as capital but subject to restrictions on how they may use their capital? I am not sure that either option, taken by itself, could command a prudential general will. On the one hand, I find it implausible that citizens – that is, the sober, sensible citizens whom we imagine as formulating this prudential general will – would really want to give up the option of starting their working life with an account that they can use for important investment purposes, as, presumably, they would if they were to choose to take their citizen's stake wholly in the form of a non-mortgageable CI. On the other hand, I find it no less implausible that such citizens would want to tie all of their stake up in a grant that can be accessed only for major investment purposes. Someone who is soberly, sensibly looking ahead, as we imagine these citizens to be, will anticipate not only investment needs that should be catered for, but also possible emergency needs that ought to be catered for. By emergency needs, I mean needs that have to do with the management of periods of crisis and transition in one's life – for example, after the break-up of a marriage or following the loss of a job or the death of a loved



one. These are situations in which we may be particularly vulnerable, emotionally and often also economically, and so at particular risk of dependency. To help cope with these needs, and to minimize the economic pressures generated by such situations, citizens may wish to keep a portion of their stake as cash that they can access unconditionally, i.e., as something more like a CI or a CG than a development grant.

These points suggest that we should give more thought to possible hybrid forms of citizen's stake. One possibility, which speaks to the investment and emergency needs that sober, prudential citizens like those depicted above will anticipate, is to establish a universal citizen's account which combines a generous development grant with what I have elsewhere termed a time-limited citizen's income. A time-limited CI is an income grant that one can choose to draw on without satisfying a work-test (or means-test) but which can only be enjoyed for a fixed number of years (one, two, three?) over the whole course of one's working life. For example, individuals might have a right to draw up to a maximum of £20,000 in CI over the course of a working life, with, perhaps, a maximum of £8,000 drawable in any given year. A time-limited CI of this kind – obviously the figures I cite are purely illustrative – could then be combined with a capital grant of, say, £30,000 initial value, which citizens would be free to use for specified investment purposes such as higher education, vocational training, setting up a new business, and so on. The development grant speaks to anticipated investment needs; the time-limited CI to anticipated emergency needs. Prudently managed, a time-limited CI could provide individuals with crucial financial independence in periods of difficulty which might otherwise expose them to dependency. I would not claim, of course, to have demonstrated here the unique desirability of this hybrid type of citizen's stake. But, having once admitted paternalistic considerations into the analysis (at least along the lines proposed in Dworkin's influential article), I think it has some clear strengths that make it preferable to either the pure CI or pure CG models.<sup>35</sup>

Having said that, one must acknowledge that the proposal to implement the stake in part as a development grant; rather than as a CG or wholly as a CI, is subject to some forceful objections. For one thing, the development grant is likely to be more costly to administer than a CI or a CG; it costs resources to monitor that the stake is being used for the approved investment purposes.<sup>36</sup> Because of this some might object that it would be irrational of citizens to prefer this type of stake to a simple CG or CI. Why pour some of your precious stake into bureaucrats' salaries when you could take it as extra cash in hand?

There are, I think, two replies to this objection. First, while the administrative costs are real, and imply that citizens will have to pay a price for taking their stake as a development grant, we must not forget that according to the argument made above citizens also stand to gain some benefit from taking the stake in this form: The benefit of being able to access directly a large portion of their stake for investment purposes while also being protected from the possibility of stakeblowing. If citizens value this benefit enough, then they may be quite willing to pay the price implicit in taking the stake as a development grant. It is not necessarily irrational to invest a portion of the stake in the sort of monitoring arrangements associated with the development grant if one values the combination of investment freedom and insurance against stakeblowing that this provides: the accessible cash value of the stake is lower, but there may be an offsetting welfare gain. Second, we should consider how the restrictions associated with the development grant will affect behavior and economic outcomes, and, thereby, the sustainable level of the stake itself. Imagine, for example, that the effect of taking the stake as a development grant, rather than as a pure CG, is to raise the level of investment in human capital, and that this, in turn, lowers the equilibrium rate of unemployment, or raises the rate of growth of the economy. As a result, it may be possible to sustain the stake at a higher overall level so that, even after allowing for higher administrative costs, the accessible cash value of the stake to the citizen is as great under the development grant option as under a pure CG. Of course, it is hard to judge the strength of these replies without hard data on the relevant administrative costs, on citizens' considered, self-regarding valuations of the benefits of the development grant, and on the aggregate economic impact of development grants relative to other forms of citizen's stake. But I think these replies suffice to show that the administrative costs objection to taking the stake (at least in part) as a development grant is not necessarily decisive.<sup>37</sup>

A second forceful objection to the development grant proposal focuses on "stakelosing" as opposed to stakeblowers. Whereas stakeblowers use their stakes in imprudent ways, stakelosingers use their stakes in *ex ante* sensible ways, but just have bad luck in their investment decisions, e.g., use their stake to purchase training in skills that become outmoded in a way that could not reasonably have been anticipated. Taking the stake as a development grant will insure you against stakeblowing, but not against stakelosing. By contrast, taking the state as a CI will also insure you against the freedom-scuppering consequences of stakelosing. Doesn't this suggest that the sober,

sensible citizens we have thus far imagined, concerned to protect their long-term interests, should lean more toward the CI option than the development grant? In reply, one can say that while there is, in this respect, a greater degree of risk attached to the development grant option, there is also something intrinsically attractive about taking the stake as a capital grant, immediately available for major investment purposes, and citizens will naturally wish to strike a balance between this consideration and the risks attendant upon taking the stake as some form of capital grant. The possibility of stakelosing reinforces the point that prudent citizens will probably not want to take all of their stake as a development grant rather than a CI, but this does not mean that they would or, as prudent people, should elect to take all of their stake as a CI to the exclusion of a development grant.

## CONCLUSION

I have argued that we should give attention to hybrid forms of citizen's stake which combine capital grant and CI components. And I have argued that in thinking about hybrids, we should give attention to development grants as well as pure capital grants of the kind proposed by Ackerman and Alstott. One possibility I have suggested is to combine a development grant with a modest, time-limited CI. Even with a citizen's stake of this kind, however, it will be far from impossible for people to blow their stakes and so alienate the material basis of their freedom. People could squander their time-limited CI so that no entitlement remains when they most need it. People could draw their development grants for ill-chosen educational purposes, or to finance ill-considered business ventures. They might use the grant to help buy a house, then sell the house, and lose the proceeds on a foolish gamble. This is one reason why I envisage a stake of this kind functioning alongside more conventional welfare state policies, and not as a full replacement for them.<sup>38</sup> And it is also why, in closing, I think it important to stress once more the importance of the educational response to the alienation objection, the response which calls for an effort to cultivate the asset management capacity of citizens.

To some on the left, this will doubtless seem a nauseating prospect, an aspiration to turn every child into a good little bourgeois. If, however, we are aiming, in the name of freedom, at what John Rawls calls a property-owning democracy,<sup>39</sup> then we must indeed aspire to a society in which citizens have the characteristic skills and virtues of property-owners (or at least those skills and virtues of property-owners that are necessary for the long-term reproduction of personal

freedom). In the long run, it may be that the relevant skills and virtues will percolate through a "stakeholder society" without the need for a conscious state policy aimed at cultivating these skills and virtues. But in the circumstances of our societies today, there is arguably a need for a strong proactive policy in this area to combat the existing link between the capacity for asset management and social class. To this extent, while redesigning distribution is essential to the goal of a free society, it may well not be enough.

## NOTES

- 1 Stephen Spender (1951), p. 119.
- 2 I say "largely" because the proposal set out in their 1999 book, when described in full, is not in fact a proposal for a CG rather than a CI, but for a hybrid form of citizen's stake which combines a generous CG on maturity with an age-related CI (a "citizen's pension" of \$670 paid to all from the age of 65). See Bruce Ackerman and Anne Alstott (1999), especially pp. 129–154 on the CI element of their proposal.
- 3 See, in particular, Ackerman and Alstott (1999); Philippe Van Parijs (1995); Van Parijs (1992), especially pp. 81–98; and Tony Fitzpatrick (1999).
- 4 Here I follow Jeremy Waldron, "Homelessness and the Issue of Freedom," in Waldron, *Liberal Rights* (1993), pp. 309–338. See also G.A. Cohen (1997), pp. 29–47, specifically pp. 41–43.
- 5 Philip Pettit (1997), pp. 85–87. See also Quentin Skinner (1998).
- 6 Pettit also argues, in contrast to Skinner, that interference as such does not diminish the freedom of the person subject to this interference if it tracks the interests of this person. Thus, for Pettit, not only is the absence of interference not *sufficient* for personal freedom, but it is also not *necessary* for freedom. I do not follow Pettit in making this second claim. Nor do I follow either Pettit or Skinner in asserting that the conception of freedom as involving non-dependency is somehow outside the "liberal" tradition of thinking about freedom.
- 7 For relevant analysis of the concept of exploitation, see Robert E. Goodin (1987), pp. 166–200.
- 8 See G.A. Cohen, "On the Currency of Egalitarian Justice," *Ethics* 99, 1989, pp. 912–944, and Ronald Dworkin, "What is Equality? Part 2: Equality of Resources," *Philosophy and Public Affairs* 10, 1981, pp. 283–345. I do not mean to imply that either Cohen or Dworkin would necessarily sympathise with the "So what?" response to the alienation objection.
- 9 This concern for vulnerability and resulting exploitation and domination is, I think, one of the considerations that Elizabeth Anderson advances for rejecting what she calls "luck egalitarianism." See Elizabeth Anderson,

- “What is the Point of Equality?,” *Ethics* 109, 1999, pp. 287–337.
- 10 See John Roemer, *Free to Lose: An Introduction to Marxist Economic Philosophy* (London, Radius/Century Hutchinson, 1988), pp. 152–153.
- 11 Roemer, *Free to Lose*, pp. 152–153.
- 12 A particularly helpful survey is provided by Ray Boshara, ed., *Building Assets: A Report on the Asset-Development and IDA Field* (Washington, D.C., Corporation for Enterprise Development, 2001). See also Larry W. Beeferman, *Asset Development Policy: The New Opportunity* (Waltham: MA, Heller School for Social Policy and Management, Brandeis University, 2001), especially pp. 27–28, 85–87.
- 13 See Colleen Dailey, “IDA Practice,” in Boshara, ed., *Building Assets*, pp. 51–64, specifically p. 53.
- 14 See Sondra G. Beverley and Michael Sherraden, “How People Save and the Role of IDAs,” in Boshara, ed., *Building Assets*, pp. 65–80, specifically p. 75.
- 15 See *Saving and Assets for All* (London, HM Treasury, 2001).
- 16 This view has been most explicitly and systematically defended by Ronald Dworkin. See Ronald Dworkin, “Foundations of Liberal Equality,” in Stephen Drawall, ed., *Equal Freedom: Selected Tanner Lectures on Human Values* (Ann Arbor, University of Michigan Press, 1995), pp. 190–306, especially pp. 262–273.
- 17 See John Stuart Mill, *On Liberty* (Harmondsworth, Penguin, 1985 [1859]), p. 173.
- 18 I take the notion of a side-constraint, of course, from Robert Nozick. See Nozick, *Anarchy, State, and Utopia* (Oxford, Blackwell, 1974), pp. 28–30.
- 19 For relevant discussion, see Brian Barry, *Culture and Equality* (Oxford, Polity, 2000), pp. 155–193, especially pp. 163–164.
- 20 In view of Erik Olin Wright’s class-power argument for CI over CG, I am not sure that only an appeal to Millian paternalism will settle the issue in favour of CI. This is, however, the appeal that Van Parijs makes in his book, *Real Freedom for All*. See Erik Olin Wright, “Basic Income, Stakeholder Grants, and Class Analysis,” chapter 4 in this book.
- 21 See Van Parijs, *Real Freedom for All*, especially pp. 89–130.
- 22 *Ibid.*, pp. 45–48.
- 23 *Ibid.*
- 24 See David Nissan and Julian Le Grand, *A Capital Idea: Start-up Grants for Young People* (London, Fabian Society, 2000).
- 25 Nissan and Le Grand, *Capital Idea*, pp. 12–13.
- 26 See Robert Haveman, *Starting Even: An Equal Opportunity Program to Combat the Nation’s New Poverty* (New York, Simon and Schuster, 1988), pp. 168–171.
- 27 See Roberto Mangabeira Unger and Cornel West, *The Future of American Progressivism: An Initiative for Political and Economic Reform*

- (Boston, Beacon Press, 1998), p. 62. Unger and West write: “American democracy should work toward the generalization of a principle of social inheritance. Everyone should be able to count on a minimum of resources. These resources are the tools of self-reliance, not an alternative to self-reliance. People should have a social-endowment account so that society can do for everyone a little bit of what family inheritance does for a few. At major moments in their lives – when they go to college, make a down payment on a house, or open a business – they should be able to draw on this account.” I interpret Unger and West to mean that the account should be geared specifically to these investment purposes, though, strictly speaking, what they say here does not rule out use of the account for other purposes.
- 28 See Ted Halstead and Michael Lind, *The Radical Center: The Future of American Politics* (New York, Doubleday, 2001), p. 101.
- 29 Halstead and Lind, *The Radical Center*, p. 101. They estimate that their proposed scheme would cost \$24 billion annually.
- 30 For an excellent discussion of these problems, see Michael Lewis, “Perhaps There Can be Too Much Freedom,” paper prepared for the Real Utopias conference, “Rethinking Redistribution: Designs for a More Egalitarian Capitalism,” A. E. Havens Center for the Study of Social Structure and Social Change, University of Wisconsin-Madison, May 2–5, 2002.
- 31 See Gerald Dworkin, “Paternalism,” in Richard Wasserstrom, ed., *Morality and the Law* (Belmont: CA, Wadsworth, 1971), pp. 107–126, especially pp. 120–123.
- 32 The idea of a prudential general will probably has to be qualified to some extent. In any given case, it is possible that a minority has values such that they would reject a proposed paternalistic intervention even in the state of sober, considered judgement we here imagine – for example, a religious group might regard the wearing of seat belts in cars as contrary to God’s will. Can paternalistic measures still be justified in view of the possible burden to such minorities? Adopting a Rawlsian approach to the question, we might ask whether parties in an original position, behind a veil of ignorance, would consent to a degree of paternalism as a way of protecting their long-term interests given this risk of burden. I think that a reasonable balancing of interests by parties in the original position would suggest something like a principle of supermajoritarian paternalism: measures are justified if a sufficiently large majority regard the measures as restrictions they would consent to in a state of considered judgement. The parties might also consider supplementary principles, such as one aimed at compensating minorities for their burdens based on how costly it is for members of the minority groups to pursue their goals as a result of paternalistic measures. I do not think the parties would choose a complete rejection of paternalism, for that would be to give effectively no weight to their very real interest in being

able to enact laws to protect themselves against their fallible selves. For Rawls's own discussion of the issue, see John Rawls, *A Theory of Justice: Revised Edition* (Cambridge: MA, Harvard University Press, 1999 [1971]), pp. 218–220.

33 Van Parijs, *Real Freedom for All*, p. 47.

34 See Ackerman and Alstott, *The Stakeholder Society*, pp. 133–142.

35 I should add that I think a hybrid citizen's stake with a similar structure can also be defended on non-paternalistic grounds, as a way of balancing justice-related concerns for freedom and reciprocity. I have developed this argument in another paper, "Freedom, Reciprocity, and the Citizen's Stake," in Keith Dowding, Jurgen De Wispelaere, and Stuart White, eds., *The Ethics of Stakeholding* (Basingstoke, Palgrave, pp. 79–93).

36 In discussion at the conference for which this paper was originally written, Julian Le Grand indicated that monitoring the use of development grants for the purpose of establishing a new business was particularly tricky, and that this problem had discouraged the British government from structuring the Child Trust Fund on the model of a development grant.

37 A further point to bear in mind concerns the degree to which there are administrative economies in stakeholder schemes: that is to say, the extent to which the cost of administering a single dollar of a development grant varies with the level of the grant. If there are economies of scale in the sense that the unit administrative cost falls as the average grant level rises, then the relative desirability of taking some of the stake as a development grant may increase as the generosity of the grant increases. Citizens may quite reasonably feel that it not worth paying, say, twenty-five cents to administer each dollar of a very modest development grant, but that it is worth paying, say, five cents to administer each dollar of a large development grant.

38 See Will Paxton, "Assets: a third pillar of welfare," in Sue Regan, ed., *Assets and Progressive Welfare* (London, Institute for Public Policy Research, 2001), pp. 17–33.

39 See John Rawls, *A Theory of Justice: Revised Edition*, pp. xiv–xvi, and *Justice as Fairness: A Restatement* (Cambridge: MA, Harvard University Press, 2001), pp. 135–140.

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## Basic Income, Stakeholder Grants, and Class Analysis

*Erik Olin Wright*

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At the core of the class analysis of capitalist society in both the Marxian and Weberian traditions is a simple idea: Workers are separated from the means of production and, by virtue of that, from their means of subsistence. As a result, they must enter the labor market and seek employment in order to acquire the means of life. This double separation – from the means of production and the means of subsistence – is the material basis for the basic power imbalance between capital and labor in capitalism: Workers must sell their labor power in order to live and thus, ultimately, are forced to accept terms of exchange and working conditions which they would not if they had viable options.<sup>1</sup>

This characterization of the power imbalance in the core class relations of capitalism is generally associated with Marxist class analysis, but the same basic idea is present in Weber as well. Weber writes that for workers in a capitalist economy:

... the inclination to work [depends on] the probability that unsatisfactory performance will have an adverse effect on earnings ... [This] presupposes [that] the expropriation of the workers from the means of production by owners is protected by force. (Weber 1922 [1978]: 151) ... willingness to work on the part of factory labor has been primarily determined by a combination of the transfer of responsibility for maintenance to the workers personally and the corresponding powerful indirect compulsion to work, as symbolized in the English workhouse system, and it has permanently remained oriented to the compulsory guarantee of the property system. (Weber 1922 [1978]: 153)