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Basic Income, Stakeholder Grants, and Class Analysis

Erik Olin Wright

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.¹

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)

In the Marxist tradition, two of the central indictments of capitalism stem from this class relation: first, workers are *exploited* because they must work harder and longer for capitalists than is needed simply to provide for their own standard of living; and second, they are *alienated* because they enter into employment relations within which they are deprived of power over both their laboring activities and the fruits of that activity. Both of these properties of the class relations of capitalism are rooted in the core power imbalance that accompanies private ownership of the means of production in capitalism. These indictments of capitalism are not, in the first instance, claims about *injustices* in capitalism. They are claims about how a particular form of class relations imposes harms on people. The thesis is that the lives of most people would be better if the exploitation and alienation generated by private ownership of the means of production were reduced or eliminated.²

The traditional Marxist remedy for this power imbalance was socialism. Socialism reunited workers with the means of production – and thus with their means of subsistence – in the form of collective ownership of the means of production organized through the state. This, it was thought, would end capitalist exploitation, since workers would democratically control the surplus generated by production, and it would end alienation, since workers would control the conditions of production.³

Critics of the power imbalances of capitalist class relations are now much less sanguine about the possibility of comprehensive socialism as a solution to the harms generated by capitalist relations.⁴ While the historic experience of the Soviet Union is not decisive proof of the impossibility of comprehensive economic planning, it now seems to most critics of capitalism that markets cannot be dispensed with, and thus alternatives to “actually existing capitalism” need to be compatible with well-functioning market institutions.

In this theoretical and normative context, both Stakeholder Grants and Unconditional Basic Income (UBI) can be thought of as strategies of potentially transforming class relations within capitalism in ways that partially counteract the power imbalances of those relations.⁵ Both of these proposals accept the basic economic framework of capitalist society – private ownership of the means of production, robust markets, investment driven by profit maximization, and so on. Both of these proposals see the efficiency properties of markets as sufficiently important that any redistributive project must operate within constraints imposed by well-functioning markets. But both proposals also believe that quite substantial redistribution is possible within

these constraints. What I will argue is that while both of these proposals, if sufficiently generous, would impact the power imbalances of capitalist class relations, basic income does so in a way which is likely to have more profound consequences for the character of class relations in capitalist society. This is not a claim that with respect to the arguments of liberal-egalitarian theories of justice, basic income better satisfies principles of justice than do stakeholder grants, nor is it a claim that on pragmatic grounds basic income is either more efficient or more politically feasible than stakeholder grants. These are important issues, but I will not address them. What I will try to show is that with respect to the goal of redressing the power imbalance between labor and capital, basic income is likely to have more profound effects than stakeholder grants.

Stakeholder grants give each citizen, upon reaching the age of adulthood, a lump-sum grant of assets that they can use for any purpose they choose. Ackerman and Alstott propose that this stake be \$80,000. From the point of view of its impact on class relations, the critical issue is whether the stake is sufficiently large to enable the recipient to realistically begin a small business (perhaps by leveraging additional funds from credit institutions).⁶ If the stake makes this possible, then it effectively makes it possible for workers to acquire their own “means of production,” thus potentially breaking their dependency on selling their labor power in order to acquire their means of subsistence. Unconditional Basic Income gives each person a monthly stipend sufficiently high to live at what might be considered the no-frills respectable economic level. It thus challenges the power imbalance within class relations of capitalist economies by directly reuniting people with the means of subsistence, rather than with the means of production needed to generate their means of subsistence.

In one sense, of course, basic income and stakeholder grants are convertible one into the other: If a person put the \$80,000 stake into a low-risk account of some sort that yielded 6 percent return a year, then in about 20 years it would yield an income of over \$1,000/month. Similarly, if a person received a basic income and simply saved it in a low-risk account while continuing to work in the ordinary labor market then eventually it would become a stake. The difference, then, between the two programs is that in a basic income system you are guaranteed a flow of resources, but must take initiative and wait to acquire a stake, whereas in a stakeholder grant system you are guaranteed a stake, but must take initiative and wait to acquire an income.

In the discussion that follows I will bracket the question of the economic feasibility of either a system of stakeholder grant or basic

income. In both cases this obviously depends upon the level of generosity of the program. I will assume that the sustainable level of stakeholder grants is sufficiently high to make self-employment a feasible option for virtually everyone and that the monthly stipend of a basic income is sufficiently high to provide for a culturally acceptable, modest standard of living. The question, then, is which of these would, in the long run, have the deepest ramifications for class relations in capitalism.

STAKEHOLDER GRANTS

Being one's own boss is certainly a core aspiration of many workers in the United States. In my 1980 comparative class analysis survey, 58 percent of employees in the United States (66 percent of male employees and 47 percent of female employees) say that they would like to be self-employed someday (Wright: 1997: 116).⁷ Stakeholder grants would certainly increase the proportion of employees who would attempt this, and probably the proportion who would succeed as well. So, generous stakeholder grants are likely to have some real impact on capitalist class structures: A higher proportion of the population will be able to "be their own boss" in a capitalism with stakeholder grants than in one without.

Nevertheless, there are three main reasons why one would expect the overall impact of stakeholder grants on the power imbalances of capitalist class relations to be relatively modest. First, a certain proportion of recipients of stakeholder grants will simply use the grants for short-run enhanced consumption. From the point of view of the equal opportunity rationale of stakeholder grants this is perhaps unfortunate, but it is not a fundamental problem. The premise of the stakeholder grant program is that people should have the opportunity to take responsibility for their own futures and that giving people a stake significantly equalizes this opportunity. If some people are imprudent, this does not undermine the "starting-gate equality" objectives of stakeholder grants. Still, it does reduce the impact of stakes on class structure.

Second, a very high proportion of small businesses fail, typically within a year. There is little reason to assume that there will be a higher success rate in businesses started by young adults with stakeholder grants than currently exists among people who start small businesses out of their savings, and perhaps reasons to expect a higher failure rate (because of inexperience). In any case, most people who attempt to create small businesses with their stakes will fail. This does

not mean, of course, that the equal-opportunity rationale of stakeholder grants is vacuous – the opportunity to fail is an inherent feature of the opportunity to compete in a market economy. But it does limit the breadth of the impact of stakeholder grants on relations of class power.

Third, even for those small business which succeed, many will exist within various kinds of social relations that subordinate them to capital through credit markets or contractual relations such as franchises, suppliers, subcontractors and so on. This does not imply that the situation of a self-employed person in a small business embedded in such relations is no different from that of an ordinary worker: Self-employment still gives most people some measure of real autonomy. Still, for many people, being self-employed only modestly equalizes the power relations to capital within which they gain a living.

BASIC INCOME

A generous, unconditional basic income which would allow employees a meaningful exit option from the employment relation directly transforms the character of power within the class relations of capitalist society. First, in a capitalism with basic income people are free to engage in non-commodified forms of socially productive activity, that is, productive activity which is not oriented towards the market. 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 labor – the care of children, of the elderly, and, in many situations, of the ill. Non-commodified forms of 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. Unconditional Basic Income 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 capitalist employment relations, UBI would contribute to a greater symmetry of power between labor and capital even in the absence of collective

organization on the part of workers. 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 towards 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 relations. One of the factors which defines the context for the formation of working-class collective organization is the extent to which unions help employers solve various kinds of problems. As has been noted in discussions of union density, there seem to be two equilibria in these terms: capitalism appears to operate best under either high union density or low union density (Calmfors and Driffill, 1988; Wright, 2000). One of the contexts in which high union density is advantageous for employers is when there are chronically tight labor markets. In such situations, employers face the problem of escalating wages as firms bid up wages to poach employed workers from other firms. From the point of view of individual workers such wage escalation might seem like a good thing in the short run, but if this bidding process means that wages rise more rapidly than productivity, then in the longer run this is unsustainable and leads to a general destabilization of capitalist labor markets. In these contexts, then, a strong labor movement can enforce wage-restraint on employers and workers in exchange for greater economic security and a more stable economic setting for productivity-enhancing technical change.

Unconditional Basic Income generates some of the same pressures as tight labor markets and thus may lead employers to be more receptive to the high union density equilibrium. 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. Such closer collaboration, if it is stably institutionalized, constitutes a relative equalization of power within capitalist class relations. Insofar as UBI makes such a high cooperation equilibrium more feasible, therefore, it contributes to a shift in the balance of class power towards workers.

CONCLUSION

Taking these considerations together, if it is economically sustainable, Unconditional Basic Income 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 BI, 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 towards 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 would surely 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 harm. 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 ideal of political equality of citizens. Legal prohibitions on the selling of votes therefore is defended above all because of a judgment about the *collective* consequences of alternative distributions of power within our political institutions.

Power within class relations have some of these same public goods qualities. And in these terms, a relatively generous universal basic income – if it were sustainable – is likely to contribute to an equalization of such class power more than a generous lump-sum grant to young adults. 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.

NOTES

1 The claim that this relation is properly described as embodying a “power imbalance” may be contentious to some economists, since many economists see the labor exchange as a purely voluntary contract within which power is absent. Capitalists do not really have power over workers, the arguments go, because workers are always free to quit if they do not like what they are told to do. The counter-argument is that the capitalist ownership of the means of production is backed by force in the form of state-enforced property rights, and this gives them effective power over workers given the basic scarcity of capital and the necessity for workers to seek employment from some employer. For contemporary discussions of the power dimension of the relation between labor and capital that are addressed to the skepticism of neoclassical economists, see Bowles and Gintis (1990) and Bartlett (1989).

2 It may also be the case, of course, that issues of justice and fairness are closely linked to these indictments of capitalist class relations. The language

of “exploitation” certainly has a connotation of injustice even if, on closer inspection, it is not a simple matter to link a class analytic concept of exploitation to philosophically rigorous understandings of justice.

3 Socialism was also seen as a remedy for a third traditional Marxist indictment of capitalism: The “anarchy of the market” in capitalism generates various forms of waste, inefficiency and negative externalities. Socialism, as a system of democratic economic planning, was thought to be a solution to these macro-economic problems as well as the micro-economic issues of exploitation and alienation in the lives of workers.

4 By “comprehensive socialism” I mean an economy within which private ownership of the means of production has been largely abolished and markets have been replaced with democratic planning as the basis for economic regulation and coordination. One can, of course, be a skeptic of comprehensive socialism and remain a socialist critic of capitalism. The problem then becomes thinking through the ways in which socialist elements can be infused into capitalist relations in ways which neutralize the power imbalances of capitalism. Whether the limits on such a process mean that the amalgam in an optimal institutional equilibrium would be more socialistic or capitalistic is not something, I believe, which can be known in advance of institutional experiments.

5 In one of the earliest systematic defenses of basic income, Philippe Van Parijs and Robert van der Veen (1985) characterized unconditional basic income as “A Capitalist Road to Communism” which would by-pass socialism as a way of neutralizing the undesirable consequences of capitalist class relations for individual autonomy and freedom.

6 In Ackerman and Alstott's proposal, the central rationale for stakeholder grants is to remedy as much as possible a problem of inequality of opportunity generated by the fact that some young adults receive substantial inter-generational transfers of wealth and others – the large majority – do not. While using the assets from a stakeholder grant to underwrite self-employment is one of the uses to which the grants can be put, people are free to use the opportunity afforded by the grant in any way they see fit.

7 The proportions of male and female *workers* – rather than all employees – who would like to be self-employed in the United States are virtually the same as for all employees: 66 percent of male workers and 46 percent of female workers in the US report that they would like to be self-employed. The proportions of employees in other countries who want to be self-employed are generally much lower than in the US: 49 percent in Canada, 40 percent in Sweden, 31 percent in Japan, and 20 percent in Norway.

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Democratizing Citizenship: Some advantages of a basic income

Carole Pateman

The chapters by Philippe Van Parijs on basic income and Bruce Ackerman and Anne Alstott on a stake (or capital grant) contain very valuable insights into both these ideas. They also provide arguments about feasibility and the best way to present stakeholding or a basic income to gain public support. I am going to focus on the reasons for advocating a basic income and how a theoretical argument for it should be framed. By a "basic income" I am referring to the payment of a regular sum by a government to each individual (citizen) over an adult life-time, with no conditions attached. A "stake" means a one-time unconditional capital grant from a government to all individuals (citizens) at, say, age 21.¹

My view is that in the current political climate in the United States and Britain a stake is likely to prove more acceptable to public opinion than a basic income. Indeed, the Blair government in Britain has introduced the Child Trust Fund. The government is providing £250 for a capital account for each child born after 1 September 2002, to be invested until the child is 18 (parents can add a limited sum yearly). A basic income stands more chance of being introduced in Europe where, as Van Parijs illustrates in his chapter, income support policies have already moved in a direction where a basic income, albeit probably of a partial character, could be seen as a logical "next step."

Stakeholding, I agree, would be an advance over current arrangements in the United States and in Britain. But which is to be preferred: a capital grant or a basic income?

The answer to that question depends upon the reasons why each of these ideas is being advocated. All ideas and policies are invariably put forward for a variety of different reasons and involve different hopes