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# 1

## Stakeholding – a New Paradigm in Social Policy

Keith Dowding, Jurgen De Wispelaere and Stuart White<sup>1</sup>

### 1 Welfare policy in turmoil?

In recent years welfare policy has been through turmoil. Because of large shifts in a number of key trends – demographic, socio-economic, political – immense pressure has been put on the traditional pillars of the modern welfare state, causing them to ‘crumble’ (Goodin, 2000). The outcome can today be viewed in terms of widespread inequality, poverty, unemployment, social exclusion and, perhaps most importantly, a widespread sense of insecurity in many aspects of social life, notably the labour market (Standing, 1999, 2002). In addition, there is a general feeling that traditional responses to these problems may not be up to the job. Market-based strategies have largely failed to deliver the goods: in many cases they have exacerbated the situation. At the same time the traditional Socialist solutions of corporatist and statist interventionism are often thought to be discredited (Ackerman, this volume), leaving the Left in search of new answers to old, but ever pressing questions.

In an influential book, the French sociologist Pierre Rosanvallon (2000) suggests that the (in)famous ‘crisis of the welfare state’ went through three stages – each progressively weakening the welfare state. The first two, respectively ‘financial’ and ‘ideological’ are well-known and their impact has been analysed in political science, economics and political economy (for a recent discussion of these issues, see Pierson, 2001). It is the third stage, however, that according to Rosanvallon gives rise to the *new social question*. In the third stage of crisis, it is the *philosophical underpinnings* of the welfare state that are affected: the very ideas of social solidarity and social justice that underlie the modern concept of the welfare state (Baldwin, 1990) are retreating, giving way to a

situation that is perhaps best described with Durkheim's notion of anomie. The challenge for the coming decades is not merely to give an answer to questions of financial and political stability in the area of welfare reform (though they are of crucial importance); what is needed is nothing less than the emergence of a *new social paradigm*, a radical perspective in social and political thought that has the capacity to merge the efficient coordination of markets with the equality and social inclusion of state-directed intervention. Responding to this need, a number of writers have begun to lay out and explore what may be termed a 'stakeholding' paradigm, and it is this paradigm with which we are concerned in this volume.

The core of the stakeholding paradigm can be elaborated in a number of ways. To decide between alternative forms of stakeholding, we need to first clarify the basic values that motivate the stakeholder agenda, and we need then to consider what kind (or kinds) of policy best serves these values. In this introductory essay we provide an overview of the main strategic choices facing those who favour the idea of stakeholding, and of the main values that we think inform these choices. In the chapters that follow, the contributors will develop their own, differing positions on which values are most important, and on what given values imply, and thus, in turn, on what form of stakeholding is most desirable. Our hope is that by reflecting on the debate provided by these contributors, the reader will be able to make a more informed assessment of the relative merits of different forms of stakeholding – and, indeed, of the core idea of stakeholding itself.

## 2 The idea of the stakeholder society

Stakeholding is a fashionable word but it is currently used to mean a number of different things and not all of them are the concern of this volume of essays (see Kelly and Gamble, 1997 for a sample). In one familiar sense of the term, stakeholding refers to a theory of how business (and, indeed, other) enterprises should be organized and managed. Firms are seen as sites in which the interests of various 'stakeholders' are implicated: those who advance the firm's capital; those who provide it with labour; those who buy its products; perhaps even the environment or the wider society. The stakeholder theory of enterprise, developed by economists such as John Kay (Hutton, 1994; Kay, 1996), argues that the economy flourishes when decision-making processes within firm give formal rights of representation to all the firm's various stakeholders. This model of the corporate stakeholder firm is contrasted

with the orthodox capital shareholder model of the firm in which decision-making power resides wholly with the firm's owners. There is a lively debate within economics about the respective strengths and weaknesses of these two models of business organization (Prabhakar, 2003).

This book will not review or make any contribution (at least directly and intentionally) to that debate. We are concerned with stakeholding in a much broader sense (Leadbeater and Mulgan, 1996). We are concerned in this book with what might be called individualized stakeholding (Prabhakar, 2003) which refers to a particular paradigm within social policy that looks to empower individuals by granting them or helping them to acquire assets or a near equivalent guaranteed future stream of income. These assets or income streams are, metaphorically, 'stakes' in the economic system, enabling individuals to participate in the economy and enjoy its rewards on a more secure and equitable basis than they otherwise would. We will say more about possible forms of stakeholding below, but for immediate illustrative purposes, stakes might take the form of a basic capital grant, received by all citizens on maturity, or they might be a periodic income paid to each citizen as of right without any test of means or willingness to work (a basic income or citizen's income).

It is also suggested that traditional welfare policies are ameliorative, rather than preventative: they take the background distribution of assets and economic opportunities as a given, and they then seek to mitigate the worst effects of this on the final distribution of income. Stakeholding proposals, by contrast, tend to be more preventive in orientation, being targeted directly at changing the background distribution of assets and opportunities so as to make it less likely that the economy will produce unacceptable distributions of income (Perri 6, 1999; Nissan and Le Grand, this volume). Asset values have appreciated considerably in recent years, widening the gap between those with and those without assets. So why not attack asset inequality directly, rather than just mitigating the symptoms of this through conventional welfare policies? There is, moreover, growing evidence of how low wealth diminishes life-chances and quality of life independently of low income, the more usual concern of policy (Bynner and Paxton, 2001). This has led policy thinkers and political theorists to think more about the importance of assets and the potential of stakeholder policies to promote egalitarian ends through a more inclusive distribution of these assets.

The basic idea is not new. Simplifying a little, the modern Left emerged as a protest against what one might call the proletarian condition: the condition of surviving precariously through the sale of labour-power to

an employer, an employer typically situated so as to drive a hard bargain and to dominate one's life within the workplace. One proposal for abolishing the proletarian condition is state socialism: to do away with the market and private ownership of the means of production, putting common ownership and planned coordination in its place. But state socialist ideas emerged in competition with other currents of Left thinking that proposed alternative, stakeholder-style remedies to the ills of the proletarian condition. These ideas have only recently re-emerged into mainstream philosophical and policy writings.

Particularly important here is the social republican current of Left thinking which can be traced back at least as far as the late eighteenth century, to the economic writings of Jean-Jacques Rousseau (1755) and to the theory of citizens' social rights developed by Thomas Paine (1797). In his *Agrarian Justice*, Paine argued that all citizens should receive a capital grant on maturity of some £15, financed from a tax on 'ground rents' and other forms of wealth. Paine (1987: 483) argues: 'When a young couple begin the world, the difference is exceedingly great whether they begin with nothing or with fifteen pounds apiece. With this aid they could buy a cow, and implements to cultivate a few acres of land; and instead of becoming burdens upon society (...) would be put in the way of becoming useful and profitable citizens.'

This current of social republican thinking developed and continued to exert influence well into the nineteenth century, interacting, in the British case, with movements such as Cooperativism and Chartism. Intellectuals and activists such as John Stuart Mill, Giuseppe Mazzini, and the artisan William James Linton, were all influenced by this movement of ideas and, especially in Mill's case, contributed to the development of this intellectual tradition. Outside of Britain, social republican ideas found expression in the 'Mutualism' of Pierre-Joseph Proudhon in France, and in the philosophy of workers' movements such as Terence Powderly's Knights of Labor in the USA. The social republic is, unlike state socialism, a society in which the market and private ownership of the means of production are central institutions. But the vision is emphatically not of a society divided into bourgeois and proletarian, but of a commercial society in which a system of generous stakeholder property rights works to lessen and prevent the emergence of such a division, of a dynamic economy made up of independent citizen-farmers or citizen-artisans (White, 2000b). An alternative both to laissez-faire liberalism and communism, social republican platforms, such as the Chartist platform of 1851, combined demands for political democratization with demands for greater economic independence and equality of opportunity

for producers within a reformed private ownership market economy. Specific commitments included land reform (usually some form of land-nationalization), low-interest ‘national credit’, and other measures to encourage cooperative retail and production.

Contemporary stakeholder thinking is one major expression of an ongoing rediscovery, or perhaps reinvention, of this social republican ideal. This ideal does not involve a repudiation of the welfare state. But it points social democracy beyond the welfare state and the prevention of poverty, expanding and renewing the Left’s ambition to build a society in which both economic and political power are more widely dispersed. As John Rawls puts it in the preface to the revised edition of *A Theory of Justice*, ‘[t]he idea is not simply to assist those who lose out through accident or misfortune (although this must be done), but instead to put all citizens in a position to manage their own affairs and to take part in social cooperation on a footing of mutual respect under appropriately equal conditions’ (Rawls, 1999: xiv–xv).

Economies, like the polities in which they are embedded, have constitutions, even if these are implicit and unwritten. In the British context, for example, it is part of the nation’s unwritten economic constitution that the economy be oriented towards private ownership and to a market-determined allocation of resources. But certain basic ‘social rights’ (Marshall, 1963 (1949)) are also a key part of the nation’s unwritten economic constitution: centrally, the right to a decent primary and secondary education and the right to health-care. Stakeholder policies offer the prospect of revising the unwritten economic constitution in a more inclusive egalitarian direction, adding a new social right, the right of social inheritance to a decent minimum of capital (or to a near equivalent guaranteed income stream). As such, they connect with a long tradition of egalitarian thinking that has sought to promote the values of freedom and equal opportunity in a way that is compatible with a market economy, rather than through the substitution of bureaucratic coordination for market processes.

### 3. Stakeholder policies: a simple typology

The idea of the stakeholder society represents a broad ideal, encompassing a host of ‘stakeholder policies’. In order to clarify the focus of our investigation further, we take a brief look at the various forms of stakeholding that feature in the contemporary debate. Simplifying for convenience, we may distinguish at least four different general types of stakeholder

policy: universal basic income, universal basic capital, targeted asset-building and universal asset-building. Of course, the state can influence the distribution of assets and opportunities in many ways other than by policies of these four general kinds. Universal education and health-care systems, for example, represent a major contribution to creating and sustaining a degree of asset equality amongst citizens (Fogel, 2000). Taxes on wealth transfers, such as the oft-proposed accessions tax<sup>2</sup> (Meade, 1989), might also promote a wider sharing of wealth. However, we will not discuss all of these policies directly here.

### 3.1 Universal basic income

Universal basic income is the proposal that all citizens receive a uniform income grant as a right without a means test or a requirement to work (Van Parijs, 1992a, 1995). It makes sense to distinguish between the radical or 'pure' form of basic income and more modest versions that relax one or more of these dimensions. For instance, the radical form of basic income can be relaxed to differentiate the level of the grant between children, adults or the elderly (basic pension), or allowing for grants that remain sensitive to household composition or geographical location.<sup>3</sup> The most important dimension, however, is the unconditionality requirement: many scholars, for ethical or political reasons, subscribe to Tony Atkinson's (1972, 1996) *participation income*, which demands that recipients undertake some broad notion of civic activity (care work in the family, volunteering, education, for example) in return for the grant (see White, 2002 for discussion).

The idea of a universal basic income has a long history. Historical pedigrees include proposals by the sixteenth-century Humanists Thomas More and Johannes Ludovicus Vives, seventeenth-century Republicans Condorcet and Paine, and the eighteenth-century Utopian Socialists Fourier and Mill, as well as a host of influential thinkers in the nineteenth century.<sup>4</sup> In political philosophy the proposal has re-emerged largely because of the work of one man – Philippe Van Parijs. In a number of publications – notably his book *Real Freedom for All* (1995) – he has mounted a sophisticated defence of what he often calls a 'disarmingly simple idea' (Van Parijs, 1992a).<sup>5</sup> As can be appraised from the contributions to this volume, Van Parijs's idea has spurred an intense academic debate, resulting in many books, edited collections, as well as special journal issues devoted to the analysis of basic income and cognate proposals. Advocates include many prominent academics, including Nobel Prize winners such as James Meade, Herbert Simon and

James Tobin, but many controversies remain and are taken up in the contributions below. In addition and perhaps more importantly, universal basic income has started to influence policy-making in various countries,<sup>6</sup> made a marked entrance in the political arena in countries like Brazil and South Africa, and has shaped an increasing number of national organizations and international networks devoted to its advocacy.<sup>7</sup>

### **3.2 Universal basic capital**

The main ‘competitor’ within the stakeholding family of universal basic income is the idea of universal basic capital. Essentially, universal capital grants aim to provide all citizens with a uniform capital grant on maturity. In some versions the proposal is for what might be called a development account or grant: use of the funds is restricted, in this case, to a range of specific purposes that are linked to approved personal development goals (Haveman, 1988; White, 1991; Unger and West, 1998; Nissan and Le Grand, 2000; Kelly and Lissauer, 2000; Regan, 2001b; Paxton, 2001; Halstead and Lind, 2001). These approved purposes might include education and training, setting up a small business, or a house purchase. In other versions, the proposal is for what might be called a life account or grant: in this case, account holders are free to use the funds as they like (Ackerman and Alstott, 1999; Regan, 2001a). Hybrids can be readily imagined.

Julian Le Grand and David Nissan (this volume, Nissan and Le Grand, 2000) and Ackerman and Alstott (1999, 2003; also Ackerman, this volume) lay out the basic principles of the universal basic capital form of stakeholding, and the normative ideas or intuitions underlying it. Universal basic capital is the form of ‘stakeholding’ that is usually referred to when the stakeholder society is discussed in the academic literature (outside of the business literature mentioned above). The most immediately ascertainable distinction between basic income and basic capital forms of stakeholding is that the former is concerned with guaranteeing ‘streams’, whereas the latter provides citizens with a capital stake in society. However, whether this distinction is as clear-cut as might seem is heavily disputed since under certain conditions ‘streams’ can be transformed into ‘stocks’, and vice versa (van der Veen, this volume; also Van Parijs, 2001). Leaving technicalities aside, there are nevertheless ethical arguments that may arise favouring one over the other. These arguments are discussed in the contributions below.

One particular advantage of basic capital over basic income, Ackerman (this volume) argues, is that it coincides better with ‘ordinary

morality' – commonly held views about what is morally required in order to 'deserve' publicly funded grants. This has immediate implications for the political feasibility of 'capital' as opposed to 'income' forms of stakeholding (Goodin, this volume). In line with this argument the Labour government in Britain has recently floated a modest proposal of this kind (HM Treasury, 2001a,b). In its initial consultation paper, the government set out the plan for a *Child Trust Fund* – what journalists have called 'baby bonds' – in which, at birth, 'every baby would receive an endowment' that would grow over time so that on maturity each citizen would have at least a modest amount of financial assets (HM Treasury, 2001a: 17).<sup>8</sup> The government initially declared its sympathy for restricting the uses to which these funds could be put. But it also frankly acknowledged the 'regulatory and implementation issues' (HM Treasury, 2001a: 18) raised by restricting the way citizens might use these funds, and restriction as to use was not a feature of its final proposal (2001b).

### 3.3 Targeted asset-building

Targeted asset-building proposals imply that some citizens, generally those judged to fall below some specified level of income or wealth, should receive subsidies to enable them to accumulate assets. Many diverse policies fall under this heading. One possibility is to offer tax relief on savings to low- or moderate-income households to encourage them to save more. However, traditional tax relief methods do not seem to reach down to the poorest, most asset-deprived households. Another possibility, which many think more promising in this respect, is exemplified by the *Individual Development Accounts* (IDAs) recently pioneered in the USA (Friedman and Sherraden, 2001; Beeferman and Venner, 2001; Gamble, Kelly and Paxton, this volume).

IDA schemes have the following structure: eligible individuals (those with incomes at or below some proportion of the poverty line) agree to save for specified purposes (for example, a training course) and for every dollar they save the government provides a matching contribution in the ratio of 1:1 or higher. The schemes are administered by local organizations, based in low-income communities, and offer savers training in financial literacy: indeed, participation in programmes designed to build financial literacy may be a requirement of receiving the government's matching contribution. Underpinning the IDA schemes is a so-called 'institutional' theory of non-saving – that the poor fail to save less because of low income than because they lack the

relevant kind of knowledge and access to saving institutions. In this volume, IDAs in the specific form of '*Individual Ownership Accounts*' that have provided a model for the *Savings Gateway* recently proposed by the British government (HM Treasury, 2001a) are discussed below by Andrew Gamble, Gavin Kelly and Will Paxton. They consider various practical proposals for introducing such accounts and consider numerous problems and solutions, while Cécile Fabre offers a critical review of some of the scheme's ethical assumptions.

### 3.4 Universal asset-building

Under proposals of this kind, the state establishes a regulatory framework that encourages or even requires *all* citizens to accumulate at least a minimum quantity of specific assets. This idea has clear application, for example, in the realm of pensions policy (Field, 1996). Specific proposals of course allow for significant variation: for instance, the state can opt to make such schemes more or less redistributive, and thus more or less egalitarian in their net effects, depending on how far it subsidizes the contributions of the low paid or unpaid with contributions it extracts from the better off. In what follows this type of stakeholder policy is not discussed; instead contributors focus primarily on basic income, basic capital and targeted asset-building policies.

## 4 Normative arguments in the stakeholder debate

This volume focuses primarily on one particular aspect of the stakeholder debate: the normative principles and ethical values underpinning various proposals. Competing ethical rationales in favour of or against stakeholder policies, or even the stakeholder paradigm itself, will be systematically discussed in the remaining chapters. In this section we will briefly outline the main normative arguments in the stakeholder debate.

### 4.1 Entitlement

One kind of argument for stakeholding centres on the claim that each individual has a right to an equal (tradable) share of certain scarce external assets, which can be understood as some sort of entitlement. Liberal-egalitarian political theorists often regard entitlement theories with a measure of suspicion. But stakeholder theory appears to provide arguments that allow for an entitlement theory which satisfies strong egalitarian intuitions (for a critique, see Fabre, this volume).<sup>9</sup>

The argument runs as follows. In order to respect individuals' entitlements or rights to an equal (tradable) share of scarce external assets, the state should appropriate the current market value of these assets, through taxation, and return the funds to individual citizens as a uniform income or capital grant (Steiner, 1994; Van Parijs, 1995). What sort of external assets should we be concerned with? First, most versions of this type of argument include *natural resources* as assets which should enter the pool for financing the stake (Robertson, 1996). But, for a number of reasons, distributing the value of natural assets may not prove sufficient to alleviate the social problems discussed above, and an additional source of funding may be required.<sup>10</sup> Moreover, it may be hard, conceptually and normatively, to distinguish typical natural resources such as land or solid fuels from other types of external assets; if this is the case then surely one would have to consider those resources as part of the funding base for a stakeholder society. Thus, Hillel Steiner (1994) has argued that the *estates of dead persons* should contribute towards raising the stakes of every citizen.<sup>11</sup> Van Parijs (1995), in turn, suggests that what he calls 'job assets' in fact constitute by far the largest source of external assets. According to Van Parijs (1995: 129), jobs 'can be viewed as taps fitted on to a pool of external assets to which all have an equal claim'. Now, if individuals have entitlements to an equal tradable share of job assets, they also have a right to an equal share of the 'employment rents' attached to these assets. Once these employment rents are included in the funding base for the stakeholder society, the value of citizens' stakes increases significantly.

Typically, these arguments (which contain a strong echo of arguments voiced in the nineteenth century by 'left libertarians' such as Herbert Spencer and Henry George) make reference to one or more values such as freedom, equality and so forth. The arguments typically start from the claim that there is, as it were, a right to equal (or 'maximin') freedom or opportunity from which is derived the right to equal (or maximin) shares of certain, freedom-endowing resources (Van Parijs, 1995; Ackerman and Alstott, 1999). But, unlike arguments that are directly rooted in theories of freedom or equality that tend to leave unanswered the question of how policies are most appropriately financed, entitlement arguments of this kind tie the proposed stakeholder policies to specific tax bases. Stakes and taxes are two sides of the same social justice coin, both being essential to implementing the claimed underlying resource entitlement. Arguments of this sort typically come with very definite implications as to how stakeholder proposals ought to be funded.

There are two further implications of the entitlement argument for the stakeholder society worth spelling out. First, entitlement arguments of the sort described above are clearly universalistic in character: they affirm that each and every citizen has a right to an equal (or at least maximin) share of specific external resources. The ideal policy would thus seem to be the radically universalistic one of taxing all holdings of the relevant resources at 100 per cent and to include everyone in a uniform share-out of the resulting funds. But some scholars have suggested that a more selective policy approach is consistent with the underlying philosophy: in principle, one could achieve the same outcome by taxing only those with holdings above a per capita level and then distributing the funds raised only to those with holdings below this level. The issue of justice and taxation is of course a complicated matter,<sup>12</sup> and is taken up further by Cécile Fabre and Robert van der Veen (this volume).

Second, it is often suggested that entitlement-based arguments defend a policy of unconditionality in the use of stakes: the stake is, according to this view, a monetization of a right each citizen has to equal/maximin tradable shares of specific resources. Thus, in the same way that it would not be proper for the state to tell individuals what they should do with resources that they have a tradable right to, it would not be proper for the state to direct citizens as to how they may or may not use their stakes. But this raises the question of whether all individuals can in fact plausibly be said to have such strong entitlements to equal or maximin tradable shares of specific resources. Gijs van Donselaar (1997, this volume) in particular opposes this view, grounding his argument in a concern about stakes having the capacity to increase social 'parasitism'. Briefly, van Donselaar denies that individuals all have uniform stakes in society's assets; instead, he argues that a just distribution of external resources depends on the 'independent interest' that people have in making use of these resources (that is, their interest in using the resources independently of the use that others wish to make of them). To distribute a given asset to all equally, regardless of the pattern of independent interests, will allow those who end up with more resources than they have an independent interest in using to extract exploitative rents from those who have an independent interest in using more than an equal share (van Donselaar, 1997, this volume; see also Ackerman, this volume). Entitlement to the value of 'stakes' should be distributed in a way that discriminates between those who do and those who do not have independent interests in using the resource in question. In particular, the funds raised by taxing 'job assets' should be distributed only

amongst those interested in getting a job, and not to ‘surfers’ who prefer leisure to taking available work.<sup>13</sup>

#### 4.2 Individual freedom

A concern for individual freedom also looms large in the rhetoric and philosophy of stakeholder theorists. The essential insight, elaborated and refined by different authors in different ways, is simply that personal freedom depends on reasonable access to a minimally decent share of resources and that stakeholding policies are necessary to provide access to this minimum. If freedom is understood as the ability to do as one wishes without being subject or vulnerable to interference by others (Pettit, 1997; Skinner, 1998) then asset poverty reduces freedom directly by reducing the range of actions that it is possible for the asset-poor individual to perform without the permission of others (Waldron, 1993c; Cohen, 1997b). Moreover, in the effort to escape poverty, poor individuals may agree to trades that compromise their independence, for example, to labour contracts giving others considerable power of arbitrary interference in their lives. All too easily, the poor find themselves living at the mercy of those on whom they depend for a living, and so constrained to act in ways that those on whom they are dependent find acceptable.<sup>14</sup> Stakeholding then represents an emancipatory strategy that promises to end this state of unfreedom and domination by giving each citizen the material independence necessary to have effective freedom from actual interference by others and from the dependency that makes one all too vulnerable to arbitrary interference. Arguments along these lines can be found in Walter (1989), Van Parijs (1992, 1995), Ackerman and Alstott (1999), Fitzpatrick (1999).

But if freedom is the primary value for stakeholding, what implications does this have for the form of stakeholder policy? First, it might be argued that a concern for freedom supports the adoption of the more permissive forms of stakeholder policy, in particular that of giving all citizens a lump-sum endowment on maturity that each is then free to use as they wish.<sup>15</sup> However, this conclusion is by no means as obvious as at first sight it might appear. Those who support conditionality in the use of stakes, for example, might argue that material independence is of such importance that it should not be too easily alienable. In the same way that people’s interest in personal freedom is protected by prohibiting voluntary enslavement (Mill, 1985), it might be argued that restrictions on how stakes can be used are justified as a way of protecting individuals from the vulnerability and dependency that would come

from a reckless blowing of their stakes. Much depends on how we flesh out the value of individual freedom – as the absence of constraints on choice and options, or as the absence of arbitrary interference and domination.<sup>16</sup> Depending on which view one takes, freedom arguments generate different conclusions and this precludes a speedy conclusion as to the appropriate form of stakeholding even amongst those who agree that freedom is the primary value underpinning the stakeholder society. Moreover, freedom is by no means the only social value. Our freedom is quite properly limited in all sorts of ways that seem necessary to secure justice. One cannot rule out a priori that some restrictions on use of (or eligibility for) stakes may be justified on grounds of justice, even if this is at the expense of some freedom (White, this volume).

But there appears to be a second complication in the freedom-based justification of the stakeholder society. Fabre (this volume) points out a tension between equality of opportunity and the related concept of autonomy, arguing that stakeholding concentrates more on the former. The educative aspects of stakeholder arguments may however, also be thought to enhance autonomy. The issue concerns the importance of *personal character* to the success of stakeholder policies. Many advocates of stakeholder policies will find a focus on individual character invidiously moralistic. But it might be argued that the success of stakeholder initiatives depends in part on the capacity of stakeholders to plan ahead, to think about the future and to prioritize longer-term interests over short-term advantage – counteracting David Hume’s ‘narrowness of the soul’. Without those capacities, individuals will make poor use of their stakes, and their material independence will be precariously held and frequently lost (compare Goodin, this volume; van der Veen, this volume).

Accordingly, it might be argued that part of the aim of any stakeholder policy must be not only to spread assets to all citizens, but to educate them in the effective management of their asset holdings and encourage the development of the virtues of forward planning and self-discipline. Considerations of this sort surely underlie Ackerman’s and Alstott’s (1999) insistence that eligibility for capital grants be restricted to those who lack a criminal record and who successfully complete High School: such restrictions give individuals an incentive to stay on the right side of the law and to finish school and this, in turn, will nurture dispositions towards forward thinking and personal responsibility. At the same time, it can be argued that stakeholder policies, precisely by ensuring that every citizen has some minimum endowment of wealth on maturity, make it that much easier to inculcate these virtues.<sup>17</sup> But failure associated with

personal character, bad education or socialization is only part of the 'stakeblower' story. In reality, structural and institutional elements regularly interact with personal actions (or inactions), rendering it hard to pinpoint the exact location of 'stakeholder failure'. This raises the further issue of what is to be done when one gambles and loses (Goodin, this volume). Because of design features, basic capital forms of stakeholding are more troubled by this prospect than those forms that take the form of a regular income stream or allow for 'second starts' (van der Veen, this volume). One of the key arguments of stakeholding against traditional welfare policies is that it does not undermine market processes, indeed strengthens them, but this renders them hostage to the spirit of entrepreneurial behaviour and the associated notion of risk-taking. One might then question the egalitarian credentials of forms of stakeholding that deliver equality of opportunity – but *only once* at the point when you get your initial stake (Fabre, this volume). Advocates of stakeholding have not yet given full consideration to these important matters of equality and responsibility (for discussion of some complex related philosophical issues, see Ripstein, 1999; Lake, 2001).

### 4.3 Equality of opportunity

Stakeholding proposals are frequently defended in terms of their contribution to equality of opportunity (Haveman, 1988; Le Grand, 1989; Unger and West, 1998; Ackerman and Alstott, 1999; Freeman, 1999). Equality of opportunity is a hotly contested concept. Some theorists understand the concept in essentially meritocratic terms: equal opportunity obtains when people from different social backgrounds have the same opportunity to develop their natural abilities and to reap the market-determined rewards of exercising these abilities (Miller, 2000). Others understand the concept in more radical terms, as requiring that the rules of economic cooperation control for a wide range of 'brute luck' inequalities, including inequalities in natural ability (Dworkin, 1981; Cohen, 1989). Understood in either way, stakeholding proposals promise to promote equal opportunity to some extent. Universal capital grants, for example, can be expected to help equalize access to further and higher education, and to overcome the wealth constraints that prevent many people from ever being in a position to start their own business. Whilst governments in Europe already subsidize those going into higher education, young people who do not go into higher education do not get any equivalent helpful 'hand-up' at the start of their working life. A policy of universal capital grants would redress this inequality.

Most advocates of stakeholding take the meritocratic stance on equality of opportunity, with only a sidelong glance at other issues concerning opportunities. Where governments promote stakeholding, meritocracy rules. In its recent consultation paper, *Saving and Assets for All*, the British government sounds a resoundingly meritocratic note when it explains that one of the main motivations for its *Child Trust Fund* proposal is to promote ‘inter-generational mobility – extending to the children of low-income families the opportunities that might be taken for granted higher up the income ladder’ (HM Treasury, 2001: 1).

The appeal to equal opportunity in defence of stakeholding raises a number of questions. One question is how far a given stakeholder policy, taken by itself, will realize a given conception of equal opportunity (Fabre, this volume; Ackerman, this volume). And even if a given policy goes a long way towards realizing one conception of equal opportunity, a critic might argue that it does not suffice to meet the specific kind of equal opportunity that social justice really demands, for example because it does little or nothing to redress inequalities in income and wealth attributable to brute luck differences in natural ability. In addition, greater equality of opportunity is in principle compatible with considerable inequality of outcome (whether measured in terms of income, wealth, or some conception of welfare). Stakeholding is an approach to social policy that, while egalitarian in its essential thrust, is essentially individualistic: it gives people opportunity, but leaves them responsible for what they make of their opportunity (Pateman, this volume). What does society owe to those who make poor use of the opportunities that stakeholding affords? Is there a residual obligation to assist those who end up badly off?<sup>18</sup> How much account of ‘irresponsibility’ should be factored into these considerations?

These questions are all relevant in considering how far stakeholder policies should be seen as alternatives to more traditional social policies and how far they should be seen as complements. On one view, associated with ‘left-libertarian’ thinkers such as Hillel Steiner, stakeholder policies exhaust the demands of social justice, rightly understood (Steiner, 1994; Vallentyne and Steiner, 2000). It would be a violation of citizens’ rights for the state to offer assistance or to try to equalize opportunities beyond provision of the basic, uniform stake to all. On another view, stakeholder policies are properly seen as one element – albeit a vitally important, and perhaps neglected, one – in a broad package of policies aimed at realizing the (often competing) demands of social justice. In this vein, for example, Will Paxton describes ‘asset-based welfare’ as a ‘third pillar’ of welfare policy, complementing public service provision and cash transfers (Paxton, 2001).

#### 4.4 Democratic participation

Yet another value that frequently appears in arguments for stakeholder proposals is that of democratic participation (Pateman, this volume). Democracy (or at least, a healthy democracy) is said to require widespread and active political participation (Almond and Verba, 1963), and stakeholding is regarded by some as a key instrument in boosting democratic participation across society. It seems there are at least two mechanisms in play.

First, stakeholder policies are seen as securing the *material basis for effective political participation*. Political participation in modern polities requires time and money. Many stakeholder policies would allow citizens interested in devoting time to political activities – from running for candidate, over working in party offices to canvassing the streets on behalf of political candidates – to do so while granting them a means of income support. This is of course true in all unconditional versions of stakeholder policies, but also applies to most conditional proposals (for example, participation income). Most stakeholder advocates would readily admit that being engaged in political activities renders one eligible for this type of support. In addition, in some electoral environments, a stake might even provide additional capital for running a particular political agenda. While stakeholder proposals can hardly be expected to generate the amount of funds regularly spent on top-level electoral campaigns, they may go some way in providing a coalition of citizens to promote their favourite cause. In fact, one could even take it a step further and propose to earmark part of society's stake for purely political purposes – a type of voucher scheme only to be spent on supporting political candidates or parties.<sup>19</sup> The key challenge facing those who advocate stakeholder initiatives on these particular democratic grounds, however, remains to show how stakeholding proposals *in particular* are necessary to make democratic citizenship rights effective. Why aren't conventional public services and welfare policies sufficient in this respect? Other questions include: Are all forms of stakeholding equally effective in enabling democratic participation? Or does this consideration point clearly towards some types of stakeholding rather than others?

A second mechanism comes into its own in stakeholder proposals that have conditions attached to them. The recent literature on political participation is very concerned about the low levels of participation in politics – not merely voting turnout, since democratic participation can mean much more than simply voting. One of the challenges in effect is to somehow 'induce' citizens to become more actively engaged in

various aspects of the political process. By attaching some notion of ‘civic duties’ to stakeholder proposals, the latter could effectively become a tool for improving democratic politics. Different design questions emerge immediately. What expectations of citizen behaviour can the state engender with stakeholder policies? What forms of participation can be expected? Should we require citizens to participate directly in the political process in return for a publicly funded stake, or should we be content with the broad sort of participation requirements proposed by, for instance, Tony Atkinson (1996)? And will such participation in itself be sufficient to engender the sort of broad involvement that democratic theorists are keen to see emerge? These and many related questions are not the subject of this book, but it is worth pointing out how stakeholding may have broader implications that have yet to be fully explored.

#### 4.5 Efficiency

The emerging literature on ‘asset-based egalitarianism’ is replete with arguments that stakeholding initiatives will promote equality in a way that does not compromise, or even increases, economic efficiency. Bowles and Gintis (1998) discuss how ‘asset-based redistribution’ can result in efficiency gains. When asset users are distinct from asset holders the holders may not be able to make incentive-compatible contracts for efficient use of the assets. When assets are put into the hands of users (for example, productive capital is given to workers, houses are given to those who live in them), incentives to make efficient use of the assets improve. Other writers stress the way in which stakeholding proposals may release untapped entrepreneurial talent; or how they may help increase the supply of skilled workers with desirable knock-on effects on the equilibrium rate of unemployment or rate of economic growth. In the case of the basic income proposal in particular, there is a long tradition of what might be called ‘humane neo-liberalism’ which argues that with a substantial basic income in place, markets can be more thoroughly deregulated, resulting in efficiency gains (Brittan, 1983; Van Parijs, 1992a).

Such arguments can be very important in making the *political case* for stakeholding (van der Veen and Groot, 2000). Egalitarian politics is often perceived – and always portrayed by its opponents – as a zero-sum endeavour that will make some worse off in order to make others better off.<sup>20</sup> And this is thought to make it difficult to articulate an egalitarian project that can command widespread support. But if egalitarian

objectives can be advanced in an efficiency-promoting way, then, in principle, everybody can benefit from the adoption of such policies: in principle, the ‘winners’ from such policies could fully compensate the ‘losers’ and still have some left over to be better off than they were before. Egalitarians make their advances when they can find ways to pursue their objectives in this positive-sum manner (Van Parijs, 1992b; Rogers and Streeck, 1994; Bowles and Gintis, 1998). Does stakeholding promise such a ‘marriage of justice and efficiency’ (Van Parijs, 1992b)? One might of course question whether the alleged efficiency gains will ever materialize: the impact of how a given stakeholding policy is financed could, after all, produce inefficiencies that outweigh those that result from the policy. Moreover, even if there is a net efficiency gain, it may not be feasible in practice to fully compensate those who stand most immediately to lose from stakeholder policies – the asset-rich who might well bear the brunt of financing ambitious stakeholder policies. Moreover, even if we could compensate these ‘losers’, would it be desirable to do so? Could this not compromise the egalitarian objectives that animate stakeholder proposals? These and many related questions are taken up in subsequent chapters.

## 5 Critical reflections

Having briefly discussed the main ethical arguments that play in the advocacy of stakeholding, there are still a number of issues that remain unresolved in the stakeholding debate. The purpose of this section is to chart some of the key issues; they are more fully discussed in the remainder of this volume.

### 5.1 Conditional or unconditional?

Let us imagine that all citizens are endowed with a capital grant on maturity. For example, imagine that we have adopted the proposal outlined by Bruce Ackerman and Anne Alstott to give each citizen on maturity a lump-sum grant equivalent to \$80,000 financed from a tax on inheritance and wealth.<sup>21</sup> Should citizens have a right to use the funds so granted to them in any way they wish? Or, should they be free to use the funds only in a range of approved ways – for example, to help finance higher education or to set up a new business? Should the grant be effectively conditional on its responsible use?

Conditionality can also be built into the circumstances of initial eligibility for the capital grant, rather than into the terms of its use.<sup>22</sup> For

example, it might be proposed that the level of the grant should vary according to whether individuals participate in national service schemes: those who undertake some form of national service might be thought to have thereby earned the right to a higher capital grant. Or eligibility might be made conditional, as Ackerman and Alstott propose, on a minimum level of educational achievement and on the lack of a criminal record. Much of the discussion in this volume explores the vexing question of conditionality.

A case for a degree of conditionality in use of stakeholder grants can be made in at least two ways. The first is a *paternalist* argument that holds that conditionality is justified by the need to prevent account-holders using their capital grants in ways that would not well serve their own long-term interests. The second argument appeals to *considerations of distributive justice*. According to proponents of this argument, there is something unfair about a citizen inheriting a substantial capital grant and then using it to live a self-indulgent life that gives nothing back to the community in return (White, 1997, 2002, this volume; van Donselaar, 1997, this volume). Perhaps some degree of conditionality in how grants are used will encourage citizens not to make unfair use of their stakes in this way. Alternatively, conditions on initial eligibility for the grant might reduce the risk of (alleged) unfairness.

## 5.2 Income or assets?

We have imagined that each citizen receives a uniform capital grant on maturity. But should citizens receive their stake as a lump-sum on maturity or should they rather receive it as a guaranteed periodic income, that is, as a basic income – ‘stock’ or ‘stream’ (van der Veen, this volume)?<sup>23</sup>

Some argue that the lump-sum option is more equitable as everyone receives the same amount of money whereas the citizen’s income gives those who live longer a larger life-time endowment. Of course, they also have more life on which to spend that endowment. Another way of looking at the same question is that those who die young have much more to spend on each year of life from the initial endowment than those who live long. This is especially pertinent when we recognize that the aged need a great deal of health and social care. Outside of a specific thesis of human identity – and what should be equalized on the basis of that identity – there is no obvious argument based on either way of counting the egalitarian metric.

Others have suggested that basic income proposals are paternalistic in that it is a sum paid by the state on a regular basis as opposed to a one-off grant that individuals could invest or spend as they choose from the beginning. According to Carole Pateman (this volume; also Pateman, 2003) unconditional basic income is not paternalistic in any sense. There are many ways of losing a lump sum, not all of which require 'childish' behaviour. One egalitarian argument for providing basic income rather than a lump-sum capital grant is for reasons of social insurance. The lump sum could be lost if invested in an enterprise which was designed to secure the future income of the asset-holder but is lost due to the vagaries of the market. Over half of new businesses go under in the first two years of operation so any investment involves a risk. Basic income insures against one risking one's entire stake and ensures a steady stream of income. Risks must be taken from income or borrowing over-and-above that provided by the state. Some see such arguments as paternalistic. Certainly Ackerman and Alstott (1999) discuss this issue in terms of the whole stake being 'blown' by reckless adolescent squandering. Because of this, Ackerman and Alstott argue for a paternalistic intervention. They argue for a two-tiered stake consisting of a large grant on maturity *plus* a citizen's pension at state retirement age – an 'expanded stake' (van der Veen, this volume). Individuals are not allowed, in their proposal, to capitalize their future citizen's pension entitlements when young.<sup>24</sup> Others more explicitly see the social insurance aspect arguing that individuals' long-term interests are better served by providing the stake as a periodic guaranteed income (Van Parijs, 1995, 2001).

What are the wider implications of introducing paternalistic or social insurance considerations into the argument for stakeholding? One could argue that if proponents of basic income, for example, use social insurance or paternalistic arguments to defend their preferred form of stakeholding against an unconditional lump-sum capital grant, they cannot then dismiss other such arguments for more conditional forms of stakeholding on the grounds of individual freedom. But this argument in turn depends on whether we view these two cases as exhibiting the same amount of prudential paternalism – a matter of some contention. Cécile Fabre in Chapter 7 rightly suggests that proponents of both basic income and stakeholding often make claims on the basis of individual autonomy but ideas of social responsibility and the good of the community underlie much of their rhetoric. How well do these positions fit together?

### 5.3 Universalism

We have thus far assumed that each and every citizen receives exactly the same initial capital endowment or periodic income grant. But why should stakeholder policies take this indiscriminately uniform and universalistic shape? There are two ways in which stakeholder proposals can be modified. First, we may decide to target stakeholder policies towards the more asset-poor instead of handing them out to all citizens – an approach often referred to as ‘selectivism’. Second, we may want to give some grants or accounts to all citizens, but vary the level of grants in accordance with how asset-poor recipients are. This approach – called ‘progressive universalism’ (HM Treasury, 2001a,b) – has obvious advantages in terms of securing political support across party families.

Stakeholder proponents hold different views about the question of whether strict universalism is a matter of principle for the stakeholder paradigm, or whether justice in fact permits – perhaps even requires – that policies should be more targeted towards those who need it. In the latter case there is also difference of opinion about the reasons – ‘principled’ versus ‘pragmatic’ (Barry, 1996) – why some measure of targeting might be justified.<sup>25</sup>

Fabre (this volume), following Arneson (1989, 1990) and Sen (1982), points out that equality of resources does not imply equality of welfare. To the extent that both basic income and lump-sum grants are about the former this may pose a moral problem: those who are, for whatever reason, badly situated in the labour market (or in the education market, or in the health market, and so on) may have to use up more of their stake to reach a level of welfare comparable to those who are more advantaged. Should we not therefore adjust the level of the grant in accordance with individuals’ capacity to achieve welfare (even discounting certain ‘tastes’ and focusing on more objectively verifiable ‘needs’)? Carole Pateman (this volume) discusses a particularly salient version of this general objection: implicitly discounting power distribution within households implies that universalistic measures cannot resolve inequalities of welfare between the different partners within the household. She claims that advocates of ‘individualistic’ stakeholder proposals need to be made aware of this blind spot in their social outlook.

Next to these principled reasons for targeting stakeholders, forms of targeting often re-appear because of purely pragmatic considerations. Even the most radical defender of universalism may have to accept certain compromises lest she wants to render the debate entirely futile and vacuous. Once we look at the pragmatics of stakeholder proposals the

devil is often in the detail (Goodin, this volume) – not merely the details of the proposals themselves, but perhaps more importantly also the precise social, economic and political environment in which the policies operate (see De Wispelaere and Stirton, 2003). A well-known example of a purely pragmatic argument restricting the universalism of stakeholding is to be found in Atkinson's justification of a *participation income* on grounds of political efficiency, but many more scenarios are currently being investigated (Atkinson, 1995, 1996; van der Veen and Groot, 2000).

#### 5.4 Financial base?

Thus far we have said nothing about how citizens' stakes are to be financed. What sources of finance would be most appropriate? There is a clear divide here between stakeholder theorists who see the question of how to finance the stakeholder policy as one that is essentially independent of the policy itself, and those for whom the policy and its financing are interdependent issues, being two sides of the same basic requirement of justice. Ackerman and Alstott (1999), for example, fall into the first camp. They argue that their ambitious stakeholder proposal should be financed from a tax on inheritance and on wealth. But, while preferring this option, they explicitly state that they would accept a proposal that took the necessary funds from other sources, such as a sales tax. Philippe Van Parijs (1995), by contrast, falls into the latter camp. He argues that the state should seek to capture through taxation the market value of certain scarce 'external assets' and redistribute the revenue as a uniform income or capital grant. Note that both authors are not merely arguing for the legitimacy of a particular stakeholder policy, but for the legitimacy of specific taxes linked to a particular stakeholder policy.

Proponents of stakeholding do not necessarily look only to taxes to finance their proposals. Closely related to the growing interest in stakeholding is the proposal to establish a *Community Fund* under which the state obtains a portfolio of assets and uses the funds and their returns to finance public spending. Gerald Holtham, for example, has proposed a community fund invested in equities (Holtham, 1999; see also Meade, 1989; Crosland, 1956). 'A rate of return of 6% would allow 3 per cent per year to be devoted to health expenditure, some £1.5 bn annually, while the fund continued to grow at 3% per annum.' Holtham proposes hypothecating receipts from a reformed inheritance tax and capital gains tax, and allowing companies the option of paying taxes 'by

issuance of scrip, which would dilute the holdings of existing shareholders but not affect cash flow'. He suggests that by using these measures a fund of £50bn could be built up in about a decade. Robert Kuttner links the Community Fund idea explicitly to the idea of universal asset-building and universal capital grants (Kuttner, 1998). He proposes that the US federal government invest a proportion of the budget surplus it enjoyed until recently in shares, and allocate the fund to individual accounts that would be set up for all newborn children. The funds in the accounts would grow as the children mature, so that each would inherit a reasonable capital grant on maturity. Kelly and Lissauer (2000) explored a similar 'baby bond' idea in the British context, and one sees a clear echo of this idea in the British government's proposal for a *Child Trust Fund* (HM Treasury, 2001a,b; see Kelly, Gamble and Paxton, this volume, for a full discussion of these ideas).

## 6 Outline of the book

From the previous discussion it has clearly emerged that support for stakeholding as a general idea is compatible with disagreement over a number of basic ethical and design questions which arise in elaborating this idea. The answers that theorists and policy-makers give to these questions depend to a considerable extent on the arguments they use to defend stakeholding in the first place. This is the primary concern of this book. Before moving to an in-depth discussion of different stakeholder policies, and their underlying ethical ideals, we want to provide a brief route map to the remainder of this volume.

*The Ethics of Stakeholding* is in two main parts. The first part charts various stakeholder proposals and discusses the main arguments in favour of a particular stakeholder policy. In Chapter 2, Julian Le Grand and David Nissan present their proposal – previously published as a Fabian Society paper (2000) – to give each adult citizen in the UK a (conditional) capital grant of £10,000. This proposal has obvious similarities with the one advanced by Ackerman and Alstott (1999) in the US, but important differences are noted and elaborated upon.

Gavin Kelly, Andrew Gamble and Will Paxton in Chapter 3 focus on another main contender in the stakeholder debate – Individual Ownership Accounts. The authors provide a comprehensive overview of the different types of IOAs and relate the background in both the US and the UK that has led these proposals to feature prominently in recent policy debates. This chapter provides a welcome introduction into one of the fascinating recent developments in stakeholder policy and provides

welcome insight into the similarities and differences of the UK and US cases.

Robert Goodin, in Chapter 4, discusses what he labels ‘project capital’, a basic capital grant which (in its basic version) includes *two* conditionality tests – a test to target these grants to those who are one-year unemployed and a test to sort out good from bad projects to spend public funds on. Goodin’s contribution devotes special attention to pragmatic arguments about the political efficiency of stakeholding.

In the final contribution to the first part, Stuart White presents his preferred form of stakeholding. This consists of a stake which contains a time-limited unconditional citizen’s income component plus a development grant, a capital grant linked to specified personal development purposes. White’s chapter not only merges two practical proposals into a coherent policy, but in doing so also attempts to resolve the tension between the values of reciprocity and freedom.

The second part of the book then takes a critical look at the different stakeholder policies on offer and at the ideal of stakeholding. Contributors from various positions in the spectrum of political philosophy assess stakeholding from their favoured perspective. In Chapter 6 Gijs van Donselaar challenges stakeholder policies for becoming a recipe for exploitation. Van Donselaar’s main concern is that, due to the unconditionality attached to most proposals, stakeholder recipients may enter into a parasitical relationship with those who are ‘net contributors’ to the scheme. The solution, for van Donselaar, is to restrict eligibility of stakeholder grants to those who want to make ‘independent’ use of them.

Where van Donselaar believes stakeholding fails because it is too egalitarian (strictly speaking), Cécile Fabre takes the opposite view. In Chapter 7 she investigates whether stakeholding is the egalitarian proposal it claims to be. Fabre shows how some stakeholder policies – her prime target is the Ackerman–Alstott version of basic capital – contain surprisingly inegalitarian aspects, not least in respect to the tax component associated with each proposal. Fabre believes these inegalitarian aspects are at least in part explained because stakeholder proponents are often more concerned with autonomy than equality as such.

Carole Pateman, in turn, believes that the focus on exploitation or equality is misguided. In fact, she argues, in Chapter 8, that proponents of the stakeholder paradigm have been going down the wrong track by focusing too narrowly on justice as the primary justification. Pateman then goes on to show how taking recourse to democratic arguments, as opposed to justice considerations, provides important insights in the

nature and workings of the stakeholder society – in particular where it concerns questions related to the gender distribution of labour (and power) within households and society at large.

Robert van der Veen, in Chapter 9, aims to provide a comprehensive assessment of the two most important stakeholder competitors: Ackerman and Alstott's capital grant and Van Parijs's basic income. Van der Veen's contribution first makes the case that on a number of dimensions both proposals score similarly. Under certain conditions, basic income and basic capital can be transformed into one another, at first sight rendering the whole debate somewhat futile. But next van der Veen explains that there remains a substantial difference between the proposals with respect to their 'cultural content of freedom': basic capital envisages a culture of property ownership, whereas basic income is primarily concerned with establishing a culture of disposable time. Van der Veen provides not only a very systematic and in-depth account of two chief stakeholder policies, but also relates their key distinctiveness to the social and cultural background in which these ideas came about.

Finally, Bruce Ackerman, one of the authors of *The Stakeholder Society*, assesses various arguments and criticisms presented in this volume. Starting from the idea that liberalism needs radical rethinking, he engages with his critics and reiterates and defends the views that have led him to write *The Stakeholder Society*. Faced with a body of criticism that is often informed by distinctively European concerns – considerations that sometimes appear inimical to the particularly American aspects of *The Stakeholder Society* – Bruce Ackerman's contribution allows us to discern which parts of the stakeholder paradigm can be easily 'exported', and which aspects in contrast are too heavily rooted in the local idiosyncrasies of the particular welfare regime where it emerged.

## Notes

1. We would like to thank Malcolm Torry, Will Paxton and Guy Standing for their comments on this chapter.
2. Whereas a conventional inheritance (or estates) tax is levied on the estate of a dead person, the tax paid varying with the size of the estate, an accessions tax is a tax levied on the recipient of a gift, inheritance or bequest, the rate of tax varying with the amount of wealth that the recipient has already received in these ways. In most proposals, individuals are allowed a limited 'accessions quota', a sum of wealth that may be acquired through gift, inheritance or bequest, without incurring any tax liability; and tax is then paid, possibly at a progressive rate, on all wealth received above the quota.

3. Geographical location here mainly refers to the regional differences of living standards within a single polity. Living in London or New York is more expensive than living in rural UK or US, so some might think a uniform grant advantages those in rural areas (see Van Parijs, 1995 for an argument to the contrary).
4. A brief introduction to early and late modern thought on basic income and cognate proposals can be found at *BIENOnline* <[www.basicincome.org](http://www.basicincome.org)>. For more sustained research, see in particular Cunliffe and Erreyghers (2003) and Cunliffe, Erreyghers and Van Trier (2002) and references therein.
5. Van Parijs's most important contributions to the basic income debate include Van Parijs (1991, 1992a,b, 1995, 2001) and van der Veen and Van Parijs (1986).
6. On 4 October 2002 the Irish Government launched a *Green Paper on Basic Income* <[www.corii.ie/justice/basic\\_income/greenpaper/1660.pdf](http://www.corii.ie/justice/basic_income/greenpaper/1660.pdf)> as part of its *Partnership 2000 for Inclusion, Employment and Competitiveness* commitment. In its report the Steering Group on Basic Income advocated further debate on how to design and implement tax and welfare programmes to achieve the many positive effects associated with unconditional basic income schemes. For useful background discussion, see Clark and Healy (1997) and briefings by the CORI Justice Commission <[www.corii.ie/justice/basic\\_income/index.htm](http://www.corii.ie/justice/basic_income/index.htm)>.
7. The most important organization is the Basic Income European Network (BIEN). BIEN bi-annually organizes an international conference, sends out a newsletter to over 900 individuals and organizations which contains a listing of recent events and publications on basic income, and maintains a website <[www.basicincome.org](http://www.basicincome.org)>. BIEN also coordinates or assists in the working of a large number of national groups or associations committed to the promotion of basic income (see BIEN's web site for links and further information). Since 2000, the *US Basic Income Guarantee* (USBIG), an organization very similar to BIEN, has been focusing on promoting basic income in the US (for further information, see <[www.usbig.net](http://www.usbig.net)>). In the UK the relevant organization is the Citizen's Income Trust <[www.citizensincome.org](http://www.citizensincome.org)>.
8. It is not a *uniform* scheme, however: 'those with families on lower incomes would receive a larger sum' (HM Treasury, 2001: 17).
9. So-called Left-libertarians are the exception of course (Vallentyne and Steiner, 2000). Philippe Van Parijs's 'real-libertarianism' too has some key characteristics of entitlement theories (Vallentyne, 1997; de Wispelaere, 2000).
10. One reason may be that not all natural resources can be easily 'commodified'. On the stakeholder argument, the value of those natural resources that enter the production process must be distributed to all citizens, but what of those natural resources that do not enter the production process? This points to an interesting dilemma within the green argument in favour of stakeholding. Environmentalists often like basic income and cognate proposals because it is non-productivist and subsidizes alternative ways of life. But suppose, as some environmentalists argue, we were to make the funding of a basic income dependent on the use of natural resources by 'earmarking' a green tax? This would introduce an unfortunate double bind since the boosting of basic income revenue would depend on more natural resources being used, which is precisely the opposite of what environmentalists want.

11. More controversially, Steiner (1992) maintains the same applies to the value of a person's genetic make-up.
12. Murphy and Nagel (2002) provide a recent book-length treatment of the issue.
13. On the famous 'Feeding the Surfers' argument, see Van Parijs (1991, 1995: ch. 4) responding to a comment made by John Rawls (1974, 1993).
14. The same account of domination is used to explain how stakeholder grants may liberate those with few marketable skills from the stronghold of employers and high-skill workers, as well as how it frees women household workers from the stronghold of male earners in male breadwinner-type societies. In recent years the feminist angle is becoming increasingly important in the stakeholder debate (Pateman, this volume; also Alstott, 2001; Robeyns, 2000, 2001).
15. At first sight, an unconditional basic income too is compatible with this freedom requirement, but because basic income only hands out small grants on a regular basis (as opposed to a large one-off lifetime capital grant) it decreases the risks attached with 'gambling' with one's stake (Goodin, this volume). Some authors see this form of paternalism as a hidden constraint on freedom (see below, section 5.2).
16. Consider again the case of unconditional basic income: if we take the view that options should be as unrestricted as possible, regular basic income instalments appear to contradict our concern with personal freedom. But if non-domination is in fact our primary concern, mildly paternalistic in-built safety measures at the level of design do not violate personal freedom because while they strictly speaking restrict one's options, they do not imply any form of domination and help protect people against it. For a discussion of these two views of freedom see the debate between Van Parijs (1999) and Pettit (1999).
17. If, for example, financial literacy programmes are introduced in schools, children will probably be more eager to learn about financial management if they know that there is a 'stake' there, in their name, waiting for them on maturity. On the other hand, if children expect to inherit no stake on maturity, they may regard lessons in financial management as irrelevant to their life situation. The *educative* effects of different forms of stakeholding should be taken into account, therefore, in assessing their respective impact on individual freedom.
18. As is shown by Robert van der Veen's contribution in this volume, to the extent that basic capital forms of stakeholding propose an 'expanded' form of the stakeholder society, they would support such a residual obligation. Compare also Goodin (this volume) on the continuing need for social assistance.
19. In effect Bruce Ackerman and Ian Ayres (2002) suggest such a system of 'Patriot Dollars', radically redesigning the campaign finance in the US. Ackerman clearly views *The Stakeholder Society* as one part of an overall project to fundamentally reform social and political life in the US. For a discussion of these two components in Ackerman's just society, see Wigley (2002).
20. Or worse, in so-called 'leaky bucket' arguments egalitarian redistribution is considered to imply a dead-weight loss, amounting to a negative-sum game (Okun, 1975).
21. This is a simplification of what is, in fact, quite a nuanced proposal. More exactly, Ackerman and Alstott (1999) propose the following: (I) Grants: (i) All citizens will be eligible for an \$80,000 grant (1996 prices) to be received in four

instalments up to age 21. Those entering college will be able to use the grant to meet college fees. Access to the principal will be frozen for those who fail to graduate from high school. The level of the grant may also be cut for those with a criminal record, though the lost grant may be restored if criminals become law-abiding. (ii) All citizens will receive a citizen's pension of \$670 per month from age 65. (2) Taxes: (i) The basic grant will be paid for in the short-run by a 2 per cent tax on all individual wealth over \$80,000. In the long term, the grant will be financed from taxes on estates and gifts (with modest exemptions), with a wealth tax being retained to cover any shortfall from estate/gift taxes. (ii) The citizen's pension will be paid for by a tax on 'childhood privilege'. An individual's degree of childhood privilege is to be defined by reference to the level and stability of parental income during his/her childhood years. High and stable parental income puts one in the 'high privilege' category and leads to a high privilege tax. Illustrative figures: High, \$3800 pa; Medium, \$2090 pa; Low, \$380 pa. The introduction of the childhood privilege tax is to be accompanied by repeal of the payroll tax. Ackerman and Alstott envisage that this scheme will run alongside various forms of social insurance targeted at specific contingencies such as unemployment and ill health.

22. We can discern a third, 'hidden' or 'implied', form of conditionality attached to the level of the grant. Suppose we would have a fully unconditional basic income (in the two senses defined above) but we instal a measure that varies the *level* of the grant depending on how individuals behave overall. For instance, we could attach the level of the grant to a macro-economic performance indicator such as GDP or employment rates which would mean that the level of grant would decrease if more people were to opt out of formal employment, or if productivity were to decrease below a certain threshold indicator. This in turn would serve as a 'soft incentive' towards pushing people back into work, as it were. While such a scheme does not have any formal conditions attached to it, it is implied that, overall, individuals should contribute towards maintaining a certain level of production or employment, and so on.
23. Tangential to this dimension, but not entirely disconnected, is the question of whether stakes should be provided in cash or in kind. This dimension is relatively underexplored, but see Van Parijs (1995) for discussion.
24. Thus, it is not quite true to say that Ackerman and Alstott propose a universal capital grant rather than a basic income. More exactly, they propose a universal capital grant for working-age adults combined with a basic income for those above a certain age. See in particular van der Veen (this volume) for a discussion of the different components of the Ackerman–Alstott proposal and their complex interaction.
25. See van der Veen (1997) for discussion of the principled-pragmatic distinction in relation to universal grants (originally due to Barry, 1996). Essentially, principled arguments in favour of targeting would include moral arguments about why it is wrong to divert resources to the rich when they could (and rightly should) be spent on the poor directly. Stakeholder proponents use pragmatic arguments, by contrast, when they believe that, in ideal circumstances, we should not compromise on the principle of universalism, but that compromising on universality is a second-best strategy in a constrained policy environment to be preferred over not having any form of stakeholding at all.

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