Real Utopian Proposals for reducing Income and wealth Inequality

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Final draft

October 1999

To appear in *Contemporary Sociology*, January 2000

At the core of many, perhaps most, emancipatory visions of the good society is a belief in the desirability of low levels of inequality in the material conditions of life. This is an integral part of classical Marxist ideas of socialism and communism, the models of 19th century utopian socialists, the visions of leftwing anarchists, the pragmatic programs of the more radical forms of social democracy, the experiments of the Kibbutzim, but also, at least implicitly, of contemporary models of deliberative and associative democracy, and more radical currents of feminism and environmentalism. These different traditions differ sharply in their concrete institutional designs and in their rationales for desiring relative material equality, but they all share a roughly common belief in the importance of low levels of economic inequality as a constituent element in their utopian visions.[1]

In this paper I will explore three recent proposals for how contemporary developed capitalist societies might move significantly in the direction of more egalitarian distributions of standards of living: large *stakeholder grants* to be given to all citizens upon reaching the age of majority; *unconditional universal basic income*; and, a specific form of *market socialism* based on a sustainably egalitarian distribution of stock ownership. All of these proposals attempt to be what might be termed "real utopian models" (Wright, 1994), models which are attentive to questions of institutional coherence and workability and yet which also embody genuinely emancipatory values and visions. They differ in the specific equality-inducing mechanisms which they propose and in the degree to which they threaten the larger institutional matrix of capitalism, but they all take the problem of how to advance equality seriously.

In order to set the stage for the elaboration of these three institutional models, I will first briefly review the reasons why one might believe that reducing economic inequality is a desirable goal in the first place. These are not necessarily the rationales held by the defenders of the three proposals we will examine, but they are reasons that are broadly supported by radical egalitarians. This normative discussion will be followed by an even briefer review the central mechanisms within capitalist economies that shape the actual distribution of standards of living and generate the patterns of inequality which we empirically observe. We will then examine the three proposals in terms of the ways in which they counter these inequality-generating mechanisms in light of the normative justifications for reducing inequality. The paper will conclude with a discussion of the problem of political implementation. The three proposals differ in what might termed their political achievability (in contrast to their institutional feasibility). To many people all three of them, but especially market socialism, will seem like political pie-in-the-sky fantasies rather than realistic political projects. The question we will address at the end of the essay is why, in spite of such skepticism about political implementability, a serious exploration of these proposals is valuable.

1. *Normative foundations*

There are five basic reasons why one might desire institutions which would produce relatively egalitarian distributions of standards of living:

First, relatively unequal distributions characteristically generate more human suffering than relatively equal distributions. This need not logically be the case: if high levels of income inequality generate high enough rates of economic growth, it could in principle be the case that the poor would be better off under more unequal distributions. This is the reasoning behind "trickle down" claims of neoliberal economics – give the rich more money and the poor will ultimately be better off. In a more sober vein it is the underlying rationale for John Rawls' philosophical justification for inequality under the maximin "difference principle": inequalities are justified to the extent that they maximize the welfare of the worst enough. Nevertheless, since it is generally the case that reductions in inequality also reduce the suffering of people at the bottom of the income distribution, one of the reasons to prefer relatively equal distributions is a general desire to minimize such suffering.[2]

Second, unequal distributions of wealth and income in the present generation characteristically generate inequalities in opportunities for future generations, and within a variety of normative traditions inequalities in opportunities that are not the result of one's own choices and actions violate principles of justice. Since large disparities in standards of living will tend to generate large disparities in real opportunities for children, and since children do not choose their parents, reductions in inequality among parents are desirable in terms of opportunity-based principles of social justice.

Third, inequalities in income and wealth generate inequalities in what Philippe Van Parijs has called "real freedom". Particularly when wealth is sufficiently unequally distributed that some people have the option of living off returns to capital investments, they have much greater freedom and autonomy than people who must enter the labor market in order to obtain their subsistence. This is a distinct issue from the first two: inequalities may not generate abject poverty, and the inequalities in opportunities for children could be quite muted, and yet there could be large differences in the real freedom of people because of inequalities in the distribution of wealth.

Fourth, large inequalities of wealth and income are likely to undermine democracy (equality of political power and influence) by giving some people much greater resources to influence political processes than others. This can take many forms, from the direct role that money plays in electoral politics, to more indirect ways in which concentrations of wealth create structural forms of power (for example, via the constraints on democratic decisions imposed by the fear of disinvestment and capital flight). To the extent money can be translated into political power through various mechanisms, political equality is weakened by economic inequality. Thus, even if one does not feel that economic inequality per se is likely to violate principles of social justice, one might still oppose high levels of inequality on the grounds that it weakens democracy.

Finally, income inequality may be objectionable in part because it fractures community, generates envy and resentment and makes social solidarity more precarious. This is an especially salient issue to people in the communitarian tradition of social thought. But the issue has a broader relevance even to people not especially sympathetic to the overall communitarian perspective since social solidarity is valuable for many aspects of the good society – personal security, mutual respect, the provision of public goods, etc.

These five rationales in support of greater economic equality have different weight for different traditions of social thought and their political expressions. The argument for reducing suffering is the most salient in the socialist tradition; equal opportunity for children is the most relevant for liberals; equality of real freedom is salient for both socialists and liberals; the argument for political equality is the most salient for radical democrats; and the argument for social solidarity the most salient for communitarians. Still, for most people who see economic equality as a virtue, all of these considerations would have some weight.

None of these rationales for reducing inequalities in the material conditions of life inherently imply a practical political project of *absolute* equality. The anti-suffering rationale supports further reductions of inequality only in so far as those reductions do not make the poorest members of a society worse off. The equal-opportunity rationale supports further reduction of inequality only to the extent that these enhance opportunities for those with the least opportunity. Real freedom for all would not support a level of redistribution which effectively reduced everyone's real freedom. Radical democrats would not object to levels of inequality that could not be translated into inequalities of political influence. And communitarians would not object to inequalities that were consistent with civility, reciprocity and solidarity. In each case, therefore, there are *empirical* rather than purely normative considerations in deciding how much inequality is morally tolerable.

These empirical considerations enormously complicate the questions of institutional design, particularly since most egalitarians believe in more than one of these rationales for reducing inequality and the empirical constraints may be quite different for different goals. Thus, for example, the maximin level of inequality with respect to the value of minimizing suffering may be different than the level required for democratic equality, and both of these may differ from the level that is optimal for social solidarity. It is almost certainly impossible that there exists any institutional design which would effectively maximize all of these objectives simultaneously. The construction of real institutions, therefore, will always confront messy – and perhaps normatively painful – trade-offs, where different goals have to be balanced against each other rather than any one having absolute priority over the others. In evaluating alternative proposals for reducing inequality, therefore, one of the issues is how they balance these various normative objectives.

2. *Mechanisms of income acquisition in capitalist society*

In capitalist societies, people acquire income in five basic ways:[3]

(1) through labor markets

(2) through returns on capital assets of various sorts

(3) through transfers from interpersonal networks

(4) through the income gained by selling the products of their own labor

(5) through transfers from states

The total level of inequality in standards of living in a society is a function of (a) the degree of inequality generated by each of these mechanisms, and (b) the ways in which inequalities generated by one mechanism counteract or reinforce inequalities generated by other mechanisms.[4]

The first two of these mechanisms generate considerable inequality which tends to be mutually reinforcing. Thus, in all developed capitalist societies a considerable amount of inequality is generated by labor markets. These inequalities will tend to reinforce inequalities in returns to capital assets since high earners in labor markets are likely to capitalize a significant part of their discretionary income.

The third income-acquisition mechanism -- transfers along interpersonal networks -- takes two principle forms: inter-generational transfers, especially from older to younger generations, and transfers within families between spouses. The first of these will tend to reinforce inequalities generated by labor markets and capital investments. While it does happen that rich parents transfer wealth to children with low-labor market earnings capacity, on average inter-generational transfers reinforce inequalities already present in the receiving generation. Income transfers between spouses within households reduce inequality in actual standards of living between men and women (i.e. the inequality between a husband's and wife's earnings is greater than the inequality of their standards of living if there is even partial income pooling). Such transfers, however, may have little effect on the overall level of inequality across individuals since there is a positive correlation between the earnings of husbands and wives.[5]

The remaining two income-generating mechanisms probably, in general, tend to reduce overall inequalities in standards of living. Most people who receive income from the sale of the products of their own labor – farmers, writers, artisans, shopkeepers – will not typically be recipients of large intergenerational transfers, large returns on capital investments or high labor market earnings. While there may be a fair amount of inequality within this category, it is not likely to powerfully reinforce inequalities generated by the first three mechanisms.

The most important income-generating mechanism for potentially counteracting the inegalitarian effects of markets and inheritance is undoubtedly government transfers and tax systems. These counteracting effects can come from both the taxation side and the spending side of the process. To the extent there is progressive taxation on labor market earnings, then quite apart from the uses to which those taxes are put, post-tax earnings distributions tend to be more egalitarian than pre-tax distributions. Even in the case of taxation on capital gains and inheritances – neither of which is highly progressive – it is still the case that the post-tax distribution of income generated by these mechanisms is less inegalitarian than the pre-tax distribution (since most people pay zero tax on zero income from these sources).

In actually existing capitalist societies, the most decisive mechanism for potentially counteracting the inegalitarian effects of other income-generating mechanisms lies in various kinds of government spending and regulatory policies. Government transfers need not, of course, enhance equality. In the United States one of the most massive government transfers takes the form of housing subsidies via income tax deductions for mortgage interest payments. Since these transfers are much bigger for wealthy people than for poor people – both because of larger mortgages and because the deductions apply to higher marginal tax rates – the post-transfer distribution of income in this case is much more unequal than the pre-transfer distribution. Similarly, government subsidies to university tuitions are a moderately regressive form of redistribution, benefitting the middle class much more than the poor.[6]

Nevertheless, it is still the case that within capitalist societies, government transfers of one sort or another constitute the major device by which market-generated inequalities are counteracted, however modestly. With some notable exceptions, such programs have tended to be means-tested and targeted rather than fully universal.[7] That is, they identify some category of people in need of nonmarket income support – poor children, the unemployed, the poor who are also disabled, etc – and then direct resources to people in this category. In some ways such a targeted, means-tested approach seems attractive. After all, in principle, it is possible to get "more bang for the buck" if the funds available for redistributive purposes were directed in a focused manner to the relevant groups of people. In practice, as many have noted, there are serious potential disadvantages to means-tested programs: they tend to stigmatize recipients; the amount of funds available for redistribution tends to be reduced since the political coalition that benefits from redistribution is restricted; and, they tend to reinforce minimalist normative grounds for egalitarian policies. For these reasons, radical egalitarians have generally preferred universal, non-means tested programs of various sorts. In effect, while *statically* means-testing seems like a good way to maximize resources going to the neediest segment of the population, *dynamically*, means-testing reduces the amount available for redistribution.

The three "real utopian" proposals we will review are all fully universal. They each attempt to realize at least some of the normative objectives discussed earlier by using state power to alter the distribution of economic resources generated by markets and interpersonal transfers. Where they differ is in the kind of resources they redistribute and the mechanisms they establish to accomplish that redistribution.

3. *Three Proposals*

(1). Stakeholder Capitalism

The Mechanism

Bruce Ackermann and Susan Alstott (1999) have proposed a redistributive strategy which they dub "The Stakeholder Society". The basic device is very simple: Upon reaching the age of 21, every citizen is given a lump-sum grant – a "stake" – of $80,000 to use in whatever way they see fit. The same level of grant is given to rich and poor alike. The stake is generally unconditional on "merit" or other forms of social contribution, although Ackerman and Alstott feel that it would be appropriate to deny or reduce the grant to people convicted of felonies after the age of 18 but before the age of receipt of the stake. People could get access to their stake before the age of 21 to cover tuition and other expenses associated with higher education, but after age 21 no restrictions whatsoever would be placed on the use of the grant. It could be blown in a weekend in Las Vegas, invested in safe mutual funds, or used to purchase a house.[8]

A variety of mechanisms could be imagined for funding the stake. Ackerman and Alstott propose two revenue sources: a 2% wealth tax, and a stake-based estate tax in which before anyone can inherit anything from an estate, the stake ($80,000 compounded at some interest rate over the adult life of the person) would be paid back to the society. Initially the entire cost of creating stakes would come from the wealth tax; gradually over time, the stake estate tax would take over. If most people used their stakes to enhance their lifetime wealth, then the latter could eventually completely replace the wealth tax; if most people used their stakes for fancy cars, then the wealth tax would remain important. Ackerman and Alstott make estimates of what would be the cost of the program, and while substantial, it is certainly within the fiscal capacity of the American economy.

Rationale

The stakeholder model addresses one important source of inequality of opportunity: the fact that young adults have different levels of family resources on which to draw in launching their life plans. Specifically, the $80,000 stake reduces inequality of opportunity individuals face in entering several different markets within which personal assets play an important role: education markets, housing markets, investment markets and credit markets.

In the absence of a sizeable stake, the opportunities people face in getting tertiary education depends significantly on parental assets since children of wealthy parents can better afford tuitions and the foregone earnings during the period they are attending school. Programs such as student loans for low income students only partially counteract such inequalities of opportunity since the debt burden of such loans is a significant obstacle, particularly given uncertainties about the economic payoff of higher education and the risk of noncompletion of a degree program.[9] The $80,000 stake would significantly reduce this differential advantage. The stake would also directly reduce inequalities in opportunity within housing markets by providing downpayments and funds to reduce the size of mortgage loans to a level compatible with relatively modest earnings. More broadly in credit markets, the stake provides a source collateral for loans which could be used to start small businesses. Finally, the stake directly provides funds to people without any family-derived assets that can be used to enter investment markets. The stakeholder model, therefore, would contribute to greater egalitarianism for each of the market-based mechanisms of inequality: it would reduce inequality in labor markets by making higher education more accessible; it would reduce inequality in returns to capital assets by giving everyone the potential to invest in capital markets; it would counter inequalities in income from kin-networks by giving everyone access to resources traditionally available only through such ties; and it would reduce inequalities in self-employed income by increasing the opportunity for people without other assets to become self-employed.

As a way of advancing egalitarian values around equality of opportunity, the universal stakeholder grant scheme has several virtues. It requires minimal government regulation and monitoring, so it does not face arduous – and costly – information conditions. It affirms the value of personal responsibility and accountability and avoids the paternalism that typically accompanies more targeted transfers. It helps solve certain market failures which reduce overall economic efficiency – notably market failures in credit markets.[10] And the stakeholder grants directly deal with an aspect of the inequalities generated in capitalism that is particularly objectionable within the moral compass of capitalism itself: the fact that through no fault of their own, many people are denied access to assets which significantly determine their life chances within markets. Even many conservative defenders of the moral and practical virtues of capitalism are likely to recognize that this is a source of injustice and thus be symapthetic to stakeholder grants as an appropriate remedy.

Problems

Of the three proposals we examine in the essay, the stakeholder grant structure poses the fewest problems of technical feasibility; there is little doubt that it is practically implementable and economically sustainable. The main issue, then, is the extent to which it would effectively accomplish the multiple goals of an egalitarian agenda. The stakeholder grant proposal is attractive to people who basically endorse capitalism and want to interfere as little as possible with the sanctity of property rights and the efficiency of markets. But how effective is it likely to be with respect to the broader egalitarian normative agenda laid out at the beginning of this essay?

First, it is inevitable that as a lump-sum grant to young adults, in a significant proportion of cases the resource will be rapidly dissipated – either squandered in short-run consumption, or lost in unsuccessful investments. Whether or not one feels that the individuals involved are morally responsible for such dissipation, in terms of the life-time reduction in suffering, by itself stakeholder grants may thus have only modest effects. In situations where such stakeholder grants were dissipated, they would do nothing to alleviate the poverty of children.

Second, it is far from clear that eliminating obstacles to tertiary education through stakeholder grants would dramatically reduce the inequalities in labor markets. The United States already has a higher proportion of its population receiving tertiary education than almost any other country, and yet has the highest levels of labor market inequalities among the developed economies.

Third, as a redistributive mechanism, stakeholder grants reinforce a highly individualist capitalist ethos in which individuals are held responsible for their own fate and there are no binding moral obligations on communities to take care of its members. If one believes that strongly egalitarian values are sustainable only where norms of mutual caring and solidarity are strong, then a system of stakeholding grants might, in the long run erode the cultural conditions needed to maintain popular support for the grants themselves.

Finally, stakeholder redistributions would do almost nothing to reduce the kinds of inequalities that subvert democracy. Large concentrations of wealth would remain intact, and private capital mobility would continue to constraint democratic power. As part of a larger package of egalitarian measures, stakeholder grants could contribute to the egalitarian normative project by providing significant financial assets to young people who otherwise would have no access to such assets, but it is unlikely that, by itself, this would dramatically reduce the overall problem of inequality.

(2). Universal Unconditional Basic Income Grants

The Mechanism

The idea of unconditional basic income has a long pedigree, but has recently been revived, particularly in European discussions (Van der Veen and Van Parijs 1986; Purdy, 1994; Van Parijs, 1992). The proposal has come under a variety of names: universal basic income; demogrant;

citizen dividend. While the details may vary, the basic idea is quite simple: Every citizen receives a monthly living stipend sufficient to live at a culturally-defined respectable standard of living, say 125% of the "poverty line." The grant is *unconditional* on the performance of any labor or other form of contribution, and it is *universal* – everyone receives the grant as a mater of citizenship right. Grants go to individuals, not families. Parents are the custodians of minority children's grants.

With universal basic income in place, most other redistributive transfers are eliminated – general welfare, family allowances, unemployment insurance, tax-based old age pensions – since the basic income grant is sufficient to provide everyone a decent subsistence.[11] This means that in welfare systems which already provide generous antipoverty income support through a patchwork of specialized programs, the net increase in costs represented by universal unconditional basic income would not be extraordinary, particularly since administrative overhead costs would be so reduced (since universal basic income system do not require significant information gathering and close monitoring of the behavior of recipients). Special needs subsidies of various sorts would continue, for example for people with disabilities, but they are likely to be smaller than under current arrangements. Minimum wage rules would be relaxed or eliminated: there would be little need to legally prohibit below-subsistence wages if all earnings, in effect, generated discretionary income.

Rationale

Universal basic income has a number of very attractive features from the point of view of radical egalitarianism.[12] First, it significantly reduces one of the central coercive aspects of capitalism.

When Marx analyzed the process of "proletarianization of labor" he emphasized the "double separation" of "free wage labor": workers were separated from the means of production, and by virtue of this were separated from the means of subsistence. The conjoining of these two separations is what forced workers to sell their labor power on a labor market in order to obtain subsistence. In this sense, proletarianized labor is fundamentally unfree. Unconditional, universal basic income breaks this identity of separations: workers remain separated from the means of production (these are still owned by capitalists), but they are no longer separated from the means of subsistence (this is provided through the redistributive basic income grant). The decision to work for a wage, therefore, becomes much more voluntary. Capitalism between consenting adults is much less objectionable than capitalism between employers and workers with little choice but to work for wages. By increasing the capacity of workers to refuse employment, basic income generates a much more egalitarian distribution of real freedom than ordinary capitalism.

Second, universal basic income is likely to generate greater egalitarianism within labor markets. If workers are more able to refuse employment, wages for crummy work are likely to increase relative to wages for highly enjoyable work. The wage structure in labor markets, therefore, will begin to more systematically reflect the relative disutility of different kinds of labor rather than simply the relative scarcity of different kinds of labor power. This in turn will generate an incentive structure for employers to seek technical innovations that eliminate unpleasant work. Technical change would therefore not simply have a labor saving bias, but a labor humanizing bias.

Third, universal basic income directly and massively eliminates poverty without creating the pathologies of means-tested antipoverty transfers. There is no stigmatization, since everyone gets the grant. There is no well-defined boundary between net beneficiaries and net contributors, since many people and families will freely move back and forth across this boundary over time. Thus, it is less likely that stable majority coalitions against redistribution will form once basic income has been in place for some length of time. There are also no "poverty traps" caused by threshold effects for eligibility for transfers. Everyone gets the transfers unconditionally. If you work and earn wages, the additional income is of course taxed, but the tax rate is progressive and thus there is no disincentive for a person to enter the labor market if they want discretionary income.

Fourth, universal basic income is one way of valorizing a range of decommodified caregiving activities which are badly provided by markets, particularly caregiving labor within families, but also caregiving labor within broader communities. While universal income would not, by itself, transform the gendered character of such labor, it would counteract the inegalitarian consequences of the fact that such unpaid labor is characteristically performed by women. In effect, universal basic income could be considered an indirect mechanism for accomplishing the objective of the "wages for housework" proposals by some feminists: recognizing that caregiving work is socially valuable and productive and deserving of financial support.[13]

The effects of basic income on democracy and community are less clear, but to the extent that basic income facilitates the expansion of unpaid, voluntary activity of all sorts, this would have the potential of enhancing democratic participation and solidarity-enhancing activities within communities. It would do little, however, to counter the large concentrations of wealth that distort egalitarian principles of democratic governance.

Problems

Unlike in the case of stakeholder grants, there are significant questions about the practical feasibility of universal basic income grants. Two issues are typically raised by skeptics: the problem of *labor supply*, and the problem of *capital flight*.

A universal basic income is only feasible if a sufficient number of people continue to work for wages with sufficient effort to generate the production and taxes needed to fund the universal grant. If too many people are happy to live just on the grant (either because they long to be couch potatoes and or simply because they have such strong preferences for nonincome-generating activities over discretionary income) or if the marginal tax rates were so high as seriously dampen incentives to work, then the whole system would collapse. Let us define a “sustainable basic income grant” as a level of the grant which, if it were instituted, would stabley generate a sufficient labor supply to provide the necessary taxes for the grant. The highest level of such grants, therefore, could be called the “maximally sustainable basic income grant.” The empirical question, then, is whether this maximally sustainable level is high enough to provide for the virtuous effects listed above. If the maximally sustainable grant was 25% of the poverty line, for example, then it would hardly have the effect of rendering paid labor a noncoercive, voluntary act, and probably not dramatically reduce poverty.[14] If, on the other hand, the maximally sustainable grant was 150% of the poverty level, then a universal basic income would significantly advance the egalitarian normative agenda. Whether or not this would in fact happen is, of course, a difficult to study empirical question and depends upon the distribution of work preferences and productivity in an economy.[15]

Apart from the labor supply problem, universal basic income is also vulnerable to the problem of capital flight. If a high universal basic income grant significantly increases the bargaining power labor, and if capital bears a significant part of the tax burden for funding the grant, and if tight labor markets dramatically drive up wages and thus costs of production without commensurate rises in productivity, then it could well be the case that a universal basic income would precipitate significant disinvestment and capital flight. It is for this reason that socialists have traditionally argued that a real deproletarianization labor power is impossible within capitalism -- that the necessary condition for sustainable high-level universal basic income is significant political constraints over capital, especially over the flow of investments.[16] The third proposal attempts to accomplish this.

(3). Market socialism as universalized egalitarian share ownership

The Mechanism

The term “socialism” has been the traditional rubric for a variety of proposals in which the state plays a central role in organizing economic activity for egalitarian (and other) objectives. In its Marxist variant, this has generally been taken to imply centralized state ownership of the principal means of production. The idea of “market socialism” has thus often been viewed as a kind of oxymoron: either one takes markets seriously, which implies highly decentralized forms of decisionmaking, or one takes socialism seriously, which implies some form of centralized coordinated, social ownership and control.

Recently John Roemer (1994, 1996) has proposed a model of market socialism that affirms the values of both terms. By socialism Roemer means a society within which capitalist exploitation has been eliminated and ownership of the means of production is held equally by all citizens. Socialism is not defined by the specific institutional form within which equal ownership is accomplished, and thus state ownership becomes only one of a variety of possible forms of socialism. In contrast to the traditional statist socialist model, Roemer proposes a mechanism for distributing ownership equally which relies on a stock market and decentralized decisionmaking rather than centralized bureaucratic administration.

Imagine an economy with two kinds of money which we will call “dollars” and “coupons”. Dollars are used to purchase commodities, whether for purposes of consumption or production. Coupons are used in only one kind of market: the market for shares of corporations. Shares are therefore denominated in coupons rather than dollars. Dollars cannot be used to buy shares, and dollars and coupons cannot be traded. Coupons also cannot be given as gifts (this is, in effect, selling them at zero price in dollars). Everyone, upon becoming an adult, is given an amount of coupons equal to their per capita portion of the total coupon-value of the shares in the economy. With these coupons, they purchase shares in corporations, either by directly investing in the stock market or by delegating some intermediary – call it a mutual fund – to manage their coupon investments on their behalf. The ownership of shares, then, gives people the usual rights of share owning in a capitalist economy – a right to a flow dividends (which are in dollars and thus can be used to purchase consumption goods) and a right to vote on corporate policies. At death, all of ones coupons revert to the common pool to be redistributed to the next generation. There is no inheritance of coupons.

There is one circumstance in which coupons can be exchanged for dollars: Corporations, when they issue new shares and sell them on the stock market for coupons take these coupons to the central bank and exchange the coupons for dollars thus acquiring the commodity-money they need for new capital investments. The Central Bank determines the exchange rate between coupons and dollars. This becomes a pivotal policy tool for economic planning by regulating rates of investment. Different rates of exchange could be specified for different sectors if, for public policy reasons, investments in some sectors was to be encouraged over others.[17]

Most people, being risk-averse, will invest in mutual funds with relatively balanced portfolios, but some will invest directly in the stock market. Over the course of a lifetime, therefore, some people will become relatively coupon-rich and others coupon-poor. Nevertheless, inequalities in coupon wealth will be fairly muted since no inter-generational transfers are allowed, and since the dollar poor cannot act on the temptation of liquidating their coupon holdings for cash. The proposal thus significantly differs from the coupon distribution schemes for the privatization of former state socialist economies, in which there were no constraints on the right of people to alienate coupons, and thus very quickly most people ended up with no shares and some with high concentrations.

The state plays an absolutely central role in this model even though state ownership of the means of production does not occur. The state is necessary to enforce the "missing market" (to prevent the exchange of coupons for dollars), to organize the continual redistribution of coupons to each new generation, and to govern the exchange rate of corporate-owned coupons for dollars through the central bank. These interventions are essential for the reproduction of the egalitarian quality of the model and the efficiency of the allocation of capital, but they all involve articulating sate activity to market mechanisms rather than supplanting markets by the state.

Rationale

Market socialism as modeled by Roemer has two fundamental rationales. First, coupon-based market socialism directly eliminates one of the central sources of inequality since inequalities in incomes derived from inequalities in investments would be greatly attenuated.[18] While this would leave unaltered inequalities in earnings, there would no longer be a strong tendency for inequalities in labor market earnings to be reinforced by inequalities in unearned income from investments. Furthermore, market socialism eliminates this source of inequality without creating intolerable information and monitoring burdens on a centralized, coordinating authority as in state socialism.

The second principal rationale centers on democracy. By eliminating high concentrations of wealth, market socialism enhances democratic equality in two ways. First, and most obviously, high concentrations of capitalist wealth constitute a resource that can be deployed politically. Second, and perhaps less obviously, by dispersing share ownership so widely in the general population, it should become much easier to balance priorities people have as equal citizens in a polity with priorities they have as owners of means of production. In a conventional capitalist economy, democratic decisionmaking is highly constrained by the problems of capital flight and disinvestment when public policy measures have adverse effects on private capitalist interests. Market socialism would not completely eliminate economic constraints on democracy, at least not if competition on a global scale remains a feature of market economies. But it would reduce the pressures since there would be such a close correspondence between the distribution of political votes and "ownership" votes.[19]

This scheme can be considered a variety of "market *socialism*" – rather than simply a peculiar variety of capitalism – for two principle reasons. First, the state has a relatively high capacity for planning, albeit planning that works through market mechanisms. Democratically determined priorities for directions of economic development would thus have much greater play in coupon-based market socialism than in capitalism. Second, the exclusion of direct producers from ownership of the means of production -- a central feature of capitalist class structures -- has been largely overcome.

Problems

Like universal basic income, coupon-based market socialism faces many potential problems of unanticipated incentive effects. How will risk-taking around innovations be managed? How will principal/agent problems between stockholders and corporate managers be solved given the extremely high levels of diffusion of ownership? In order to contend with such problems, coupon-based market socialism will need to develop an elaborate array of institutional devices for the system to function well.

This raises more complex practical problems of institutional design than in the other two proposals. Stakeholder grants require a very simple apparatus for administration. The only feasibility issue really centers on costs which, in a rich country, are unlikely to be economically problematic for the tax system. Universal basic income poses more problems of feasibility, since there are incentive effects of the proposal which might ultimately make a satisfactory basic income unsustainable. Still, the basic institutional structure required for its administration remains simple. In contrast, coupon-based market socialism would require a sophisticated and complex institutional structure with the potential for many unintended consequences, incentive failures, principle/agent problems, and so on. To give just one example, as people age they will want to shift their coupon-based investments from shares in firms with strong growth potential to firms which pay out high dividends. This creates the potential for some firms to become “cash cows”, where people invest their coupons in the firm in exchange for such high dividend payouts that the firms drain their assets until the coupon value of the shares drops to zero. In effect this would amount to an indirect device by which people would be able to exchange their coupons for dollars, in violation of the basic logic of the model. To avoid this would require complex regulations and apparatuses for monitoring firm behavior. The administrative structure of coupon-based market socialism may carry many fewer burdens than was required of classical centralized state socialism, but nevertheless involves considerable complexity and because of such complexity it is hard to anticipate what the broader ramifications and unintended consequences of these arrangements might be.

4. *Conclusion*

There is no reason to regard the three proposals we have reviewed as competitors. Each of them deals with different dimensions of the inequality-generating process in capitalist societies, and in many ways their design features complement rather than contradict each other. Stakeholder grants counteract a specific feature of inequality generated by intergenerational networks of resource transfers and market failures within credit markets, conferring significant, liquid assets to people who could not obtain such assets through such networks. But in the absence of universal basic income, for many people such a grant will only temporarily have a significant impact on lifetime inequality. Universal basic income counteracts the inequalities generated by labor markets and property ownership by giving everyone a guaranteed flow of subsistence. It provides a guaranteed decent living standard for children without creating the pathologies of poverty traps and work disincentives characteristic of means-tested antipoverty programs. But in the absence of something like coupon-socialism, the threat of capital disinvestment and capital flight might restrict the sustainable level of basic income to a below-subsistence level. Coupon-based market socialism counteracts concentrations of wealth in capital assets by giving everyone near equal ownership of social production. But in the absence of basic income and stakeholder grants this will not eliminate poverty, large inequalities in labor markets and inequalities of opportunity in credit markets. A fully articulated "real utopian" design for achieving radical egalitarianism would need to combine aspects of each of these models.

While these three models, taken singly or as a package, may be normatively desirable, and while their respective designs may be institutionally feasible in the minimal sense of not relying on a perfectionist view of human motivations nor containing any fatal organizational contradictions that cannot be resolved with appropriate institutional tinkering, the question still remains whether or not they are remotely *politically feasible*. Two issues are particularly important here: first, the problem of creating majority political coalitions which would rally around these models; and second, the problem of viable intermediate reforms – partial realizations of the models – which could be instituted as half-way measures, stepping stones towards more radical versions in the future.

In these terms, coupon-based market socialism is clearly more problematic than the other two proposals. It is quite easy to imagine how majority political coalitions within capitalist democracies could form around the proposals for stakeholder grants or basic income. Indeed, in some European countries there is already some popular support for the basic income idea, and it is not far-fetched to imagine such coalitions succeeding at some point in the future. While the stakeholder grant proposal is not on the political agenda anywhere, there does not seem to be any fundamental reason why it could not become part of a pragmatic egalitarian program of reform. There are no social forces on the political horizon, in contrast, that back anything like market socialism.

Intermediary reforms are also easier to envision for stakeholder grants and basic income than for coupon socialism. A partial basic income or modest stakeholder grant may not have all of the virtuous properties of a full-blown programs, but they might be easier to institute and they could provide stepping stones to full-blown implementations in the future. In classical socialism it was easy to imagine "creeping socialism" in the form of gradual increases in state control over the economy, including partial nationalizations of the "commanding heights" of banking and industry. It is much harder to imagine what a viable half-baked coupon socialism would look like. Perhaps union pension funds or public sector pensions could be used as a vehicle for increasing social control over capital, and this in turn could create a context for institutional innovations in the direction of some sort of equal-ownership market socialism. But this is all quite vague and lacks the pivotal elements of the model's core institutional design. In the end, therefore, while coupon-based market socialism may be a "real utopian" model insofar as it specifies institutional mechanisms that, if implemented, would be sustainable and would advance the egalitarian agenda, it may lack the necessary political realism for it to become the basis of an historically feasible political projects.

One might well ask why radical egalitarians in the United States should bother thinking about proposals which have at best problematic political potential, such as basic income and stakeholder grants, and at worst no prospects whatsoever for becoming political realities, such as market socialism? Four issues seem especially relevant here.

First, one should be very skeptical about the possibilities of predicting very well what sorts of coalitions and reform packages are politically feasible in the future, except perhaps for the very near future. If one believes in a strong theory of history such as proposed in classical Marxism in which the demise of capitalism is seen as the inexorable result of its own internal contradictions, then perhaps it makes sense to think about very long-run political strategies of radical change: if the future state of society is basically predictable, then one can rationally formulate long-term political projects. If, on the other hand, one is highly skeptical of such predictions of the future, then there are simply too many contingencies and uncertainties to propose plausible scenarios of the Leninist "What is to be done?" variety for radically transforming American institutions in an egalitarian direction. What will in fact be possible fifty years from now is too contingent upon what are unpredictable developments. Convincing claims of political *in*feasibility, therefore, almost always reflect a relatively short time horizon.

Second, reform ideas that are institutionally coherent and functionally feasible are more likely to motivate coalition formation than reforms that are incoherent and functionally unworkable, so it is worth worrying about such coherence/feasibility conditions even in the face of ignorance about latent coalitions. One of the purposes of articulating coherent visions and designs is to change the probabilities for progressive coalitions to form in the future if the conditions become ripe, even if one has no real strategy for creating such conditions.

Third, it is also important to recognize that unworkable reforms have, form time to time, constituted the basis for coalition formations. In the current period, ironically perhaps, neoliberalism is an example: fully unregulated markets with a purely nightwatchman state is an unworkable and unsustainable institutional model, and yet has formed the programmatic basis for relatively strong political coalitions. Sometimes unrealistic reform proposals produce realistic reforms as by-products of the attempt.

Finally, it is valuable for democratic egalitarians to have an expanded menu of institutionally feasible models, since these serve motivational purposes and -- even more importantly -- become parts of discourses within which pragmatic, creative problem-solving can be enriched. Even the least achievable of the proposals we have examined -- Roemer's coupon-socialism -- may enhance the pragmatics of reformist discussion by suggesting ways in which the power of corporations might be transformed through reorganizations of property rights. Coupon socialism may be unachievable; but it may contribute to the development of designs for using pension funds to enhance democratic control over corporations. Given the deep uncertainty about the future, keeping alive in our radical egalitarian imagination an array of normatively attractive, coherent proposals is of value.

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Endnotes

1. I will frequently express the core value as being "low levels of inequality" rather than "equality" for two reasons. First, strictly speaking, "equality" is the end point of a spectrum of possibilities. One does not literally have more or less "equality", but differing degrees of inequality. Secondly, it is not clear whether the core value of radical egalitarians is actually complete equality or simply the elimination of all objectionable forms of inequality. Even the pure communist egalitarian maxim -- to each according to need, from each according to ability -- countenances certain forms of inequality since individual needs may vary in the amount of resources needed for their satisfaction. As the "Equality of What?" debate in the 1980s and 1990s has demonstrated, it is very tricky to nail down precisely what the content of the egalitarian ideal is. (See Arneson, 1989, Dworkin, 1981, Sen 1982). In any event, there is certainly much more consensus among people who consider themselves radical egalitarians about the desirability of dramatically reducing inequality in the direction of some normatively defined "minimum inequality" than there is about the desirability – or even the meaning – of complete equality.

2. There is also some good evidence that inequality itself generates human suffering quite apart from its association with poverty as such. For example, some recent epidemiological research by Lynch, Kaplan, and Parmuk (1998) has demonstrated that mortality rates vary systematically with measures of income inequality even after controlling for the level of poverty.

3. There are additional ways in which people acquire income, and even more broadly, acquire their standard of living. Theft is a way of acquiring income, and subsistence production is a way

of acquiring a standard of living.

4. The extent to which one of the mechanisms may counteract the effects of another is itself a function of two things: 1) the extent to which the patterns of inequalities generated by one mechanism correspond to or deviate from the patterns of the other, and 2) the relative weight of the relevant mechanism in the overall process of income determination.

5. Since on average the earnings of wives of high earning men are likely to be higher than the earnings of wives of low earning men, intra-household income pooling may increase overall levels of inequality across individuals.

6. If one includes all government spending with distributional consequences – including housing subsidies through mortgage tax deductions and education subsidies in public universities (in the form of tuitions that cover a small fraction of education costs) – then it could well be the case that the net effect of all government programs in the United States today only minimally, if at all, counteracts the inegalitarian mechanisms of the labor and capital market. It is, of course, extremely difficult to estimate the counterfactual distribution of income in the absence of current government transfers and tax policies since eliminating such transfers would have substantial unknown dynamic effects on the behavior of individuals.

7.Exceptions to means-tested, targeted forms of redistribution include universal child allowances, universal medical care and universal minimum old age pensions in some countries. One might argue that universal free public education is also a special kind of in-kind universal redistribution program. Many transfer programs combine universalist and means tested properties. The United States social security pensions would be an example.

8. There are a number of additional details which Ackerman and Altstott discuss at length: the problem of how to phase in the program since people aged 22 at the time the program begins would not be eligible for a grant; the problem of noncitizen resident aliens; the possibility of having the lump-sum given in smaller increments over several years – say $20,000/year over four years. While such details are, of course, important for any practical implementation of the idea, they are not central to the idea itself.

9. There are, of course, other ways of neutralizing the advantages of children from affluent families in education markets. One proposal is simply to make all higher education free and provide all students with a living stipend (perhaps time-limited) while attending school. To avoid the injustice of this simply constituting a massive transfer from people who do not get higher education to those who do – which overall would be a regressive redistribution – people who receive the free tuition and living stipend would be subject to a progressive "graduate surtax " on their future earnings *if those earnings exceed median earnings*. This would eliminate the problem of risk-aversion to the debt-burden of student loans since the repayment of the subsidy – the graduate surtax – only kicks in when actual future earnings reach a certain level. The surtax would stay in place until that part of the initial grant which constitutes a redistributive subsidy was repaid (perhaps with some interest). A proposal along these lines has recently been introduced by

the British Labor Party. For a discussion see National Committee for Inquiry into Higher Education (1997: chapter 20).

10. Credit rationing on the basis of collateral represents a market failure since many perfectly worthwhile, credit-worthy projects are denied credit because the lender cannot solve the information problem about the reliability of the borrower.

11. Other kinds of universalistic programs – like public education and health care – would continue alongside universal basic income. There is no claim in proposals for basic income that it would replace all forms of state subsidized consumption, only income redistributive programs.

12. Some egalitarians have objected to universal basic income on the grounds that it constitutes a form of exploitation of those who produce by those who live entirely off of the grant. Defenders of universal basic income argue that this is a misdescription of the process by which a surplus is produced and distributed in a complex society. For a discussion of this issue see Elster (1986), Widerquist (1999).

13. The net effects of universal basic income on gender inequality is ambiguous. On the one hand, the grants go to individuals not households, and this in and of itself reduces inequality between men and women. The grants also provide income for people engaged in unpaid caregiving work, and this too will disproportionately benefit women. On the other hand, universal basic income could reinforce the gendered division of labor within caregiving work making it harder for women

to resist pressures to assume full responsibility for such activities.

14. Even a miserly grant might have positive anti-poverty effects by constituting a kind of wage subsidy to the low end of the labor market. Such a grant would function something like the earned income tax credit currently in place in the United States, or a modest negative income tax as proposed in the early 1970s.

15. It is very difficult to make credible estimates of these effects because they are likely to involve significant nonlinearities and dynamic interactions. It is thus very difficult to extrapolate from the effects of existing earnings subsidy programs to generous basic income grants, or even from low level grants to high level grants.

16. See Wright (1994: chapter 7) for an extended discussion of the requirement for socialist institutions as a context for sustainable universal basic income.

17. A full elaboration of a model of coupon based market socialism would require a range of additional institutional details. For example, there needs to be some mechanism for dealing with small shops and firms that would remain privately owned, and some mechanism for converting private venture capital start-up firms into coupon-share corporations. There would also need to be an elaboration of how the banking system would work, since people with high labor market earnings would presumably save part of their income in banks and banks would make loans to firms. The banking system could thus become a backdoor mechanism for unequal claims on

corporate profits via interest rates on loans linked to savings assets.

18. In a Marxian framework this also implies the elimination of most forms of capitalist exploitation, since capitalist exploitation rests on the exclusion of direct producers from ownership of the means of production.

19. Roemer suggests that there is a third mechanism by which coupon-based market socialism would enhance democracy. For an important range of public policies designed to reduce "public *bads*" (the opposite of "public goods") like pollution, concentrations of ownership create actors with both a concentrated interest in producing the public bad and a concentrated capacity to act on that interest. A wealthy owner of a polluting industry has an interest and capacity in using that wealth as a political investment to block antipollution policies. Coupon market socialism, therefore, should increase democratic capacity to reduce these kinds of public bads.