

Part Three

Toward a Practical Politics of Property-Owning Democracy: Program and Politics

Realizing Property-Owning Democracy

A 20-Year Strategy to Create an Egalitarian Distribution of Assets in the United States

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The aim of this chapter is to elucidate a set of specific proposals for bringing into existence the basic elements of a Rawlsian property-owning democracy over a 20-year period, using the United States as an example. As I show, a relatively modest redistribution of wealth in the United States could easily finance a universal system of substantial assets holding, a reform that would substantially improve the life prospects of the majority of Americans. Importantly, this can be achieved through taxation focused *only* on the most wealthy (top 1%), and would not require draconian levels of taxation even of that group. I then go beyond the general remarks about property-owning democracy offered by Rawls to consider in detail three key issues: how to begin breaking up huge accumulations of wealth, how to distribute access to real property (land and housing) and cash savings widely, and how to alter who owns productive capital (i.e., the means of production). In the final section, I raise some questions left unanswered by Rawls's scheme of property-owning democracy, with particular attention to the extent of economic planning property-owning democracy in practice will require.¹

Rawls never develops, nor purports to develop, a full-fledged, systematic account of property-owning democracy. What he has done is indicate the general outlines of the sort of political economy that might be consistent with justice as fairness. In the broadest possible terms, a property-owning democracy will be a market economy in which holdings of capital are widely dispersed across the population. The view is that fair equality of opportunity and limited inequality can be better achieved through a more broad-based distribution of initial holdings rather than by relying on the mechanism of “after-the-fact” redistributive taxation (Rawls, 1971). Needless to say (and as Rawls is well aware), this sparse account

leaves many specific questions about how property-owning democracy can be implemented in practice unanswered.

In the next section I thus present a somewhat more detailed interpretive reconstruction of the property-owning democracy idea that builds upon the sketch Rawls provides. My aim is to describe an institutional configuration that could guarantee a meaningful share of property to *all* citizens, not just those who happen to be chosen to benefit from (dispersed) inherited wealth. Simply put, a property-owning democracy (POD) should not be a society in which some have property and others do not, combined with a cap on maximum property holdings or inheritance; call this interpretation of the concept “minimalist property-owning democracy.” Rather, a POD should be a society in which *all* citizens have tangible (i.e., alienable) property, and enough of it to materially affect their life prospects and possibilities for exercising personal liberty. Here I follow DiQuattro’s interpretation of Rawls as favoring a social system not based on class distinctions between owners and non-owners of capital and property (DiQuattro, 1983). This interpretation is also motivated by what might be termed a republican concern with fostering independence from domination by private interests, which in turn requires that individuals have sufficient economic holdings so as not to be forced into relations of social domination in order to secure their material existence (Pettit, 1998, Dagger, 2006; see also Hsieh, Chapter 7 in this volume).

Redistributing Wealth, I: Taxing Large Estates and Incomes

The *sine qua non* of a Rawlsian property-owning democracy is the creation of a society in which wealth (including savings, real property, and productive capital) is not held by a small minority of citizens, but is widely distributed. Wealth in the United States is now extraordinarily concentrated at the very top. In 2007, the wealthiest 5% of Americans, measured by net household assets, held nearly 62% of all wealth in the United States, including 72% of financial (non-home) wealth.² The top 1% of wealth holders in the United States held 34.6% of all wealth, including 42.7% of financial wealth and 49.3% of directly held stock and mutual funds (Wolff, 2010, tables 2, 9). And, at the very top, the richest 0.5% of Americans hold over 25% of total net worth (Mishel, Bernstein, and Allegretto, 2006, table 5.7).³ Conversely, the bottom 60% of the asset distribution held just 4.2% of all wealth (Wolff, 2010, table 2). Further, the collapse in home and stock values since 2007, while reducing net asset levels across the board, have actually exacerbated levels of wealth inequality: economist Edward Wolff estimates that the value of median net assets plunged 36% between 2007 and 2009, compared to just a 17% drop in the mean. Simply put, households whose main asset is their home were hit much harder than rich households with diversified assets. In addition, the proportion of households with zero or negative assets increased rapidly, from 18.6% to 24.1% in just two years. Wolff thus estimates that in 2009, the share of net assets held by the top 1% of wealth holders rose to 37% (Wolff, 2010, pp. 33–34).

Mean wealth holdings of the top 1% of American households in 2004 totaled roughly \$14.8 million (2004 dollars) (Mishel *et al.*, 2006, table 5.9).⁴ Mean net assets for all households were roughly \$430,000, with the median household having \$78,000 (Mishel *et al.*, 2006, table 5.4). If a one-time redistribution were effected with the goal

of providing all households with \$100,000 in net assets, and all of the money were redistributed from that top 1% of households, the top 1% would still have about 70% of their current holdings.⁵ In short, a redistribution of about one-third of current wealth held by the richest Americans could provide a strong cushion of security for each and every American household. This would result in a dramatic improvement in welfare – in particular for the bottom 40% of households, who hold an average of \$2,200 in net assets. (Many of these households are in fact net debtors.)

Publicizing that fact must be a central goal of advocates of property-owning democracy. It is important to understand both the existing scale of inequality and the fact that redistribution on a scale which falls well, well short of “confiscatory” taxation would suffice to dramatically alter the degree to which the lower half of the economic distribution enjoy a meaningful measure of economic security.⁶ But numerous difficult questions remain about *how* exactly to effect such an alteration.

Three general strategies can be distinguished. One would be, as just suggested, to pursue a one-time, large-scale redistribution, with the intent of altering the distribution of assets as rapidly as possible. The second would be to institute a more moderate package of taxes on wealth and high incomes that would operate slowly to level out inequalities over time – the path apparently favored by Rawls (1971), and the path which corresponds to most contemporary proposals for a wealth tax. The third approach would focus less on redistributing *existing* wealth, and instead focus on making sure *new* wealth is produced and distributed in a far more equitable manner.

In practice, all three strategies may well be required if anything like a property-owning democracy is to be achieved within a reasonable time frame (say the next 25 years). Roughly speaking, the proposal to tax away one-third of assets held by the top 1% to fund a universal system of assets holdings would involve redistribution of about \$5 trillion in current dollars.⁷ The political difficulties of effecting a redistribution approaching that scale are, to say the least, severe. Even a government committed to the goal of rapidly redistributing assets that managed to come to power and maintain strong popular support would face challenging dilemmas. Generally speaking, the larger the proposed intervention in the form of a wealth tax, the higher the likelihood of both (a) potentially unpleasant economic consequences and (b) inviting a political backlash that makes the long-term project of building a property-owning democracy unsustainable.

One economic difficulty is that wealthy households will seek and find ways to move their financial assets abroad so as to evade taxation, following the current example of many of the super-rich as well as many multinational corporations. Concerns about wealth leaving the country and global competitiveness have played a key role in persuading EU countries such as Spain and Sweden to reduce or abandon wealth taxation schemes in recent years. In the absence of a truly global taxing authority, this is not a difficulty that can be avoided, though it will be most severe for relatively small economies where wealthy households have relatively low exit costs. Physical, non-movable property (i.e., housing) represents a very large share of wealth holdings for the average American, but a relatively small proportion of holdings for most super-rich households. Cash assets in savings accounts can be transferred around the world instantly, and if a large-scale redistributive “moment” were known to be forthcoming in a single country, an exodus of such capital would be certain to follow.

How then could a property-owning democracy regime possibly get at accumulated wealth and counteract the problem of tax-evading capital flight (assuming for the moment highly favorable political conditions)? This is a problem Rawls never had to consider, since a presupposition of his theory of justice was the existence of a “closed,” self-contained society and economy (Rawls, 1971). One route to a solution would be to enact policies that gave substance to that initial assumption – such as controls on capital flows, including taxation of cash assets leaving the country. Similarly, Brian Barry proposes implementing stiff penalties for “tax exiles,” including not only loss of citizenship but loss of a right to return except for compassionate leave (Barry, 2005; see also Ackerman and Alstott, 1999, who propose similar measures). Another route is to impose taxes on those assets which are immovable – in particular, land – so as to capture what Henry George (1884) termed the “unearned increment.” A third approach would be to settle for wealth taxes that are sufficiently modest – Edward Wolff (1996) has proposed a 0.3% wealth tax on the top bracket, while Ackerman and Alstott (1999) propose a 2% tax – to be unlikely to generate a serious tax refugee problem.

None of those approaches are entirely satisfactory if the goal is to achieve a large-scale redistribution of wealth in a short period of time. This leads us back again to a focus not on taxing estates of the living but on taxing intergenerational transfers of wealth, both *inter vivos* and at death. As usefully recounted by Jens Beckert (2007), the United States in fact has a rich political tradition dating back to Jefferson and extending through the Roosevelts of favoring high taxation of inherited wealth, and favoring it for reasons Rawls would appreciate: to break up large estates. This tradition was given political substance by the introduction of estate taxes in the Progressive Era; and sharp increases in top rates during the New Deal; indeed, at the time Rawls published *A Theory of Justice* (1971), top rates on estate taxation were some 77%, compared to 45% in 2009 and 35% in 2011 and 2012 (Jacobson, Raub, and Johnson, 2007, figure D; Sullivan, 2010).⁸ (There was no estate tax altogether in 2010. Rates are scheduled to revert to 55% in 2013, but it is widely expected that the law will be changed again prior to 2013.) Nonetheless, wealthy estates have numerous ways they can avoid serious taxation at death, and while the nominally high rates of taxation on inheritance in the third quarter of the twentieth century may have moderated wealth distribution, it surely did not lead to the wide distribution of assets a genuine property-owning democracy would entail. Fiscally, the potential impact of higher estate taxes is relatively modest. In 2008, estate and gift taxes brought in nearly \$29 billion in federal revenue, equivalent to about 1.14% of total federal tax receipts; in the 1960s and early 1970s, estate and gift taxes regularly approached or exceeded 2.0% of federal receipts, peaking at 2.6% in 1972 (Congressional Budget Office [CBO], 2009; US Budget Historical Tables, 2011, tables 2.1 and 2.5). Most realistic proposals for increasing the estate tax, or replacing the current system with a proper inheritance tax, projects revenue increases from stiffer taxes of roughly \$40–60 billion a year (Cavanagh, Collins, Goldberg, and Pizzigati, 2009; Collins, Goldberg, and Pizzigati, 2010; this estimate is based on the “Sensible Estate Tax” legislative proposal of Washington Congressman Jim McDermott; see also Wolff, 1996.) While that total is far short of what would be required to finance a universal savings program, implementing stiffer inheritance taxes now could have very significant effects over the next 20 years as the baby boom generation enters retirement and the final stage of the life cycle (CBO, 2009).

The discussion so far indicates that there is no single policy instrument available capable of raising adequate funds to finance a universal system of savings that would provide substantial property to each household. Further, the goal of dispersing the largest estates quickly may not be practicable, given the limitations on implementing a steep wealth tax on the living and the inherently gradual process by which steep inheritance taxes shape the distribution of wealth. It is entirely possible, however, to specify a package of reforms aimed at increasing the effective taxes paid by the most wealthy that would be capable of generating enough revenue over a 10–20-year period to gradually finance such a system. Consider again the rough estimate that capitalizing a universal system of savings accounts, in which each household possessed roughly \$100,000, would cost roughly \$5 trillion; we may cautiously increase that estimate to \$6 trillion to account for increasing population growth in the United States over the next decade. Measured out over a 12-year period, capitalizing such a system would require a more manageable investment (or redistribution) of roughly \$500 billion a year. On the one hand, this is an impressive sum of money – nearly equivalent to the size of the annual defense budget in the United States and roughly equivalent to the current total of domestic discretionary (non-entitlement) spending. On the other hand, it is substantially less than the costs of either the Wall Street bailout or the Obama stimulus packages of 2008 and 2009, and would total about 3.5% of annual GDP.⁹ Moreover, in economic terms these transfers are not equivalent to the “costs” of say, military spending; that is, the money transferred does not disappear from the economy. All that changes is who controls how the money is used.

Analysts at the progressive American think tank the Institute for Policy Studies (IPS) in 2009 spelled out a menu of tax proposals aimed precisely at raising taxes on the wealthy, which they estimate could in fact raise roughly \$450 billion in new revenue a year (Cavanagh *et al.*, 2009; see also Collins *et al.*, 2010). An important feature of this set of proposals is the strong emphasis placed on increasing taxation of not just the wealth but also the incomes of the rich and super-rich, for it is with respect to income taxes that the most regressive changes have taken place in the United States over the past half-century. IPS thus calls for immediately eliminating Bush-era tax cuts on income and capital gains (projected additional revenue: \$43 billion); creating a new top tax bracket of 50% for incomes over \$2 million (\$60–70 billion); taxing capital gains and dividends at the same rate as income from labor (\$80 billion); introducing a financial transaction tax of 0.25% (\$100 billion); reforming the estate tax so that it is paid by just 1 of 200 decedents, but at higher effective rates (\$40–60 billion); shutting down overseas tax havens used by the wealthy and corporations (\$100 billion); and ending a variety of subsidies for exorbitant CEO salaries (\$18 billion). Over a 10–12 year period, taxation of this kind should produce an accumulation of over \$5 trillion which could be used to steadily capitalize, year on year, a series of universal asset funds.¹⁰

Implementing this full menu of increased taxation on the wealthy is obviously a tall order politically. Linking these increased revenues to a systematic effort to capitalize a universal system of significant asset holdings over time would be equally challenging. The IPS report, for instance, links its proposed revenue streams to funding for important domestic priorities such as health care, environmental investments, and infrastructure. Since we can safely assume that a political coalition favoring property-owning democracy would also favor increased public investment to meet urgent needs

of that kind, it is certain that a full-blown agenda to pursue both universal asset funding *and* a progressive domestic agenda would require identification of yet further new revenue streams, and/or substantial cuts in other parts of the budget, with military spending and subsidies for corporations being the obvious candidates. A further complication is that there are excellent practical and political reasons for making the creation of new assets programs *universal* – that is, not means tested with reference to currently held assets. While such public assets might be liable to taxation for households above a certain wealth level, making these programs universal would increase their fiscal cost very markedly – the practical result being that the \$100,000 asset target per household would be reached either more slowly or at a greater tax bite. Given these considerations, if a system of universal asset holdings is to be recognized as a top political priority even among constituencies we should expect to be sympathetic to property-owning democracy, we must have a clearer conception of what that will entail.

Redistributing Wealth, II: The Structure of Universal Assets

An initial, rough starting point for thinking about how assets might be distributed in a property-owning democracy is to stipulate that each household should have access to roughly \$100,000 (current dollars) in net assets (though for obvious reasons at any given moment numerous households will fall below this threshold). Those assets should generally be diversified, both as a check against “losing all” and to promote the full range of independence and free standing associated with ownership of property. To lack “property” might variously mean that one has no savings, that one has no physical property, or that one has no stake in productive capital. To lack savings and real estate is to be at a disadvantaged, insecure position vis-à-vis employers and landlords. Likewise, since political influence closely follows control of productive capital, if ownership of such is highly concentrated, then a class society in clear violation of Rawlsian principles of justice is the overwhelmingly probable result. It is thus proposed that in an egalitarian property-owning democracy, households should ordinarily have substantial quantities of all three types of property.

For the purposes of this chapter, I will focus on the individual adult as the unit of analysis, and assume that the \$100,000 asset target noted above applies to households with exactly two adults.¹¹ This means that each adult should have access to \$50,000 in publicly provided assets. (Note that this figure is less than the “stakeholder society” proposal of Ackerman and Alstott, in part because it is intended to be made available to all working-age adults, not just those currently under age 18. Note also that the figure of \$50,000 will be steadily adjusted upwards as time goes on, assuming a mechanism is in place for linking dedicated revenue streams from taxation on the rich to ongoing capitalization of these funds.) It is proposed (as a starting point for discussion) that these assets take five principal forms: \$10,000 for housing acquisition; \$20,000 in cash assets (\$15,000 in an unrestricted fund, \$5000 in a restricted emergency fund); and \$20,000 in ownership of productive capital (\$10,000 in unrestricted investment capital, and \$10,000 consisting of nontradable stock “coupons”).¹² In the case of the housing, cash, and unrestricted investment funds, the accounts would be

established at birth, with funds held in interest-bearing accounts until such time as they are used.¹³

How might this system be financed and implemented? Let us assume that beginning in 2012, \$452 billion in revenue (derived from higher taxes on the very rich) were devoted to bankrolling an assets system, and that this amount would increase over time at the same rate as real per capita GDP growth (assumed for the sake of this example to total 1.75% per annum, after inflation).¹⁴ Let us assume a (cautiously estimated) inflation-adjusted annual return of 2%.¹⁵ In 2009 there were roughly 188 million residents under age 44 in the United States, and 79 million residents between ages 45 and 64 (United States Census Bureau, 2010, table T6). For the sake of the example, we assume that each of these residents will be eligible for the assets account.¹⁶ It is proposed here that assets accounts be established for all persons aged 64 or younger, and that the public capitalize each account at the rate of \$2000 per annum per person for persons aged 44 and below, and at the rate of \$1000 per annum for persons aged between 45 and 64. In the first year, this would cost \$455 billion (nearly equivalent to the size of the tax increases proposed by Collins *et al.*, 2010). Persons would begin getting asset deposits at the lower rate once they turn 45, on the view that we should prioritize funneling assets to persons when they are younger, when they might have a large impact on life choices. (In practice, a more gradual sliding scale that more slowly reduces assets received year to year after roughly age 40 might be preferable.) Under this proposal, persons born in the United States in 2012 would accumulate just over \$50,000 (in constant 2012 dollars) in the various asset funds before turning 18. (See Appendix for a complete table of these figures.)¹⁷

These assets should be semi-universal: that is, they should be provided to all persons as a matter of right without respect to income, but beginning at age 45 should become taxable on a steeply progressive scale according to the individual's net accumulated assets (private and public). Currently about 10% of households have net assets above \$1 million (Mishel *et al.*, 2006; Wolff, 2010), a reasonable threshold for making publicly received assets taxable.

Persons aged 65 and above are generally excluded from receiving new asset deposits. Over the long term, this will not constitute an injustice, as individuals born after the scheme's implementation can over the course of their lives expect to receive (assuming annual 1.75% increases in the sum of public deposits funded) over \$185,000 in assets (constant 2012 dollars) from the public under this scheme, and upon retirement are assumed to have access to an adequate social security program as well as continued access to their unspent publicly provided assets.¹⁸ In the short term, no injustice is involved with respect to those seniors being taxed to help fund this system, since the burden would fall exclusively on those already very rich. To be sure, mitigating the impact of accumulated inequalities on quality of life at the end of the life cycle is an extremely serious social justice issue any egalitarian society must address. But a universal asset program, whose intent is to equalize out life chances and political power over the course of the life cycle, is not the proper mechanism for addressing that issue; improving dramatically the quality of health care and elder care through public investments, and increasing social security payments for the low-income elderly via higher taxes on the retired rich, would be the more appropriate steps. Nonetheless, it might be politically

advisable to link universal asset proposals with supplementary proposals to provide additional money (perhaps from taxes recycled on assets provided to the already affluent) to boost the income of nonrich retirees as part of a policy package intended to implement a property-owning democracy scheme.

To prevent misunderstanding, it is crucial to specify what this proposal does and does not cover. Contrary to Ackerman and Alstott's "stakeholder" proposal (1999), this version of universal assets is not envisioned as either a mechanism for assuring universal access to (debt-free) education, or as compensation for those citizens who cannot access publicly provided scholarships. (Of course, some assets will be used for educational purposes, and, as noted below, citizens can use future claims on assets as collateral for educational loans.) It is also to be distinguished from publicly funded child savings accounts, individual retirement accounts, and the use of tax mechanisms to create employee-owned firms (all of which may be useful complementary policies). It is also distinct from proposals to provide a universal income stream drawn from dedicated revenue sources (such as revenues or royalties derived from publicly owned assets), though this also may be a desirable policy when feasible. Most importantly, it is not intended to substitute for systems of universal social insurance. Rather, it is intended to provide citizens access to a *stable* and substantial bundle of assets that provides not just short-run but long-term security, fosters citizen independence and the capacity of citizens to pursue life plans of their own choosing, and promotes a more egalitarian political culture.

Note also that while this chapter does not discuss in any detail the macroeconomic impact of the proposed system of universal assets, two points are worth making. First, a well-functioning property-owning democracy shares with traditional social democratic politics the aim of a full-employment economy, in which government acts as an employer of last resort. Hence the following discussion pays little attention to questions of unemployment, and the sums of money discussed here are not intended to shepherd households through long stretches of unemployment. This is not to say that the question of how to achieve and sustain a full employment economy is straightforward, only that it is a problem that the asset program is not intended to address. Second, given that caveat, there is good reason to think that the redistribution proposed may in the long term have positive macroeconomic effects. The redistributions envisioned will offset the long-run trend toward growing inequality in the United States, a trend which numerous progressive and radical economists have identified as a key causal factor in both the 2008–2009 economic crisis and long-term trends toward stagnation under capitalism (Galbraith, 2008; Foster and Magdoff, 2009). Even so, it should be understood that the asset-widening initiative is not intended as a stimulus program to boost short- or medium-term consumption, and that the moral case for asset widening does not rest on its presumed or anticipated macroeconomic impact.

Cash assets

The purpose of providing universal cash assets is twofold. The first is to give citizens the capacity to undertake investments and risks they ordinarily might not be able to take. These include investments in moving, travel, business ventures, property acquisition, specialized education, or pursuing a career which often involves low income and high

risk (as in the arts). The second is to provide a cushion, over and above other forms of social insurance, in the case of prolonged economic distress or the incursion of unexpected expenses not ordinarily covered by social insurance. Because universal cash assets are not intended as a substitute for generous provision of unemployment insurance and universal medical care or insurance (in particular), it is envisioned that most of the cash assets (\$15,000) should be unrestricted, beginning in stages at age 18. Access to accumulated interest on the \$5000 emergency fund should also be unrestricted (i.e., citizens may choose to spend the “endowment income” off this account each year). Access to the emergency fund itself might require filing of a statement of need, a meeting with a publicly provided financial counselor, and signing of a statement indicating understanding that the emergency funds cannot be replenished once used (except through gradual additions deposited into all accounts; see below). At a suitable age (perhaps age 35), individuals would acquire the right to deplete the emergency fund unconditionally. The government might also establish an emergency income insurance scheme so that individuals could use some or all of their \$5000 emergency fund to buy an insurance policy, with the aim of obtaining a somewhat more generous emergency funding stream should the need arise, at the risk of losing the investment should emergencies never arise.

As to the unrestricted funds (totaling roughly \$15,000 by age 18), one-third (roughly \$5000) should be made accessible at age 18, one-half of the remainder (roughly \$8500, counting new funds received plus interest) at age 23, and the remainder at age 28; citizens might petition for earlier access to the complete funding stream in cases where an especially compelling opportunity presents itself.¹⁹ Generally speaking, caution in the use of these funds should be recommended to young adults; the government might set up a system of sub-accounts, for instance, in which individuals choose to place restrictions on their future use of the money, up to a certain age.

It might be cogently objected that the amount of money involved here is simply too small to make a major impact on individuals’ lives. Considered in static terms, this objection has some force. If we consider the proposal dynamically and take into account both the ability of individuals to accumulate interest in the funds and the likelihood that citizens in a stable property-owning democracy will want to continue to increase (as practicable) the amount of assets individuals have access to beyond the \$100,000 per household target, then the quantities of money involved become much more substantial. Consider the case of a child born in 2012, who turns 18 in the year 2030 at a time when (by assumption) the system of cash accounts provided here is fully in place. Assume that taxation on the rich continues to fund asset accumulation beyond 2030, starting at approximately \$2700 (40% of which is deposited in cash accounts) and increasing 1.75% annually; and that these funds earn interest at the rate of 2% a year.²⁰ In scenario A, if the young adult accesses the money as quickly as possible, she will get (roughly) \$5000 in 2030; an additional \$8500 in 2035; an additional \$16,000 in 2040; and still have \$5000 left over in the “emergency fund.” Assuming \$5000 left in the reserve fund, this amounts to a cash stake of roughly \$29,500. In scenario B, if the young adult waits until age 28 to access the unrestricted fund, she would acquire at that time a stake of roughly \$31,500, again with \$5000 remaining in the reserve fund. In scenario C, if the adult waits until age 35 to access the funds, the accumulated cash stake

would be roughly \$46,500, plus \$5000 in the emergency reserve. Especially for persons who now have zero or negative net assets, these are quite substantial figures; and they do not count assets citizens would also hold in housing and productive capital (described below).

The key to this set of scenarios is not just the magic of compound interest but the presumed willingness of a public committed to property-owning democracy to continue to fund an ever-expanding system of universal assets. The utility of prioritizing asset growth vis-à-vis expanding social forms of wealth or other priorities is likely to be a hotly debated question. At a certain point, indeed, the public may choose priorities other than income growth, and a slower-growing economy would leave less funding available to expand assets. I would suggest, however, that the scale of an individual asset program must get very large indeed before a point of diminishing returns is reached; that is, individuals will continue to see very real benefit from an increase in the assets they are entitled to from \$50,000 per capita to \$100,000 and likely well beyond. Note also that the presumption of continually expanding the size of the assets pool partly offsets one of the obvious inequalities inherent in this system: the fact that those least endowed initially will have the greatest reason to spend the money while young, thus sacrificing the benefits of accumulated interest. Under the scenario sketched here, an adult (born in 2012) who spent all of their unrestricted funds at age 30 would by age 36 have access to over \$12,000 in replenished cash and housing assets (see next section), with potential for accessing dramatically more funds by allowing them to accumulate for a still longer period of time, earning interest all the while. This of course would not amount to perfect equality, but would represent a massive equalization of asset holding, economic security, and practical freedom compared to the status quo.²¹

One important proviso needs to be added here. These cash stakes – like the housing and productive capital assets described below – should be considered inalienable. That is, it must be simply illegal to sell off one's future income stream. Like social security payments, the right to receive a citizen's stake can neither be bought nor sold. However, it should be legal for persons to offer their future *cash* assets (but not housing or productive capital assets) as collateral on a loan. To prevent exploitative loan arrangements, government might establish low-interest loans agencies for specified purposes – especially college education – to citizens who intend to use the future asset streams as collateral. Some reasonable limitations on this sort of loan arrangement would be desirable (for instance, limiting the maximum amount of collateral promised in a loan agreement to 10 years of asset payments) so as to prevent young persons from being swindled out of their stakes. It is also possible to imagine small business and vehicle loans made on similar principles. Out-and-out “advances” on future cash streams from the government cannot be permitted, and private transactions involving “payday”-type loans should be tightly regulated; but reasonable loan arrangements that allow citizens to leverage their public assets in ways that dramatically expand the life choices available to them should be both permitted and facilitated.

Housing-based assets

With respect to housing, a reasonable policy goal would be to end nonvoluntary renting. This implies a norm in which households have significant holdings tied up in

where they live. From the standpoint of egalitarian justice, this policy aim is not uncontroversial, so six important provisos need to be stated at the outset. First, in societies like the United States, home ownership has acted as a crucial pivot distinguishing the middle class from the poor, and many critics have rightly charged that public subsidies and policy generally has unfairly favored homeowners vis-à-vis renters (Dreier, Mollenkopf, and Swanstrom, 2001). The object of a property-owning democracy should precisely be to remove home ownership as an instrument of class distinction, by making it accessible to all, not a province from which one-third of the population is excluded. Second, there are good reasons to think that economic vitality, especially in urban areas, is enhanced by the availability of an impermanent (that is, rental) housing sector allowing persons (especially the young) to move in and out with minimal long-term commitments. A “voluntary” rental sector should and must continue to exist side by side with expanded home ownership; indeed, there is a strong case to be made for making rental payments at least partially tax deductible to offset the advantages now accruing to homeowners from the mortgage interest deduction. (Alternatively, the homeowner deduction itself might be abolished – with the taxes thus netted used to bolster the asset distribution program.) Third, “home ownership” need not always or even normatively take the form of single-family, detached housing. Use of community land trusts, cohousing arrangements, and limited equity cooperatives – collective forms of property ownership – may often be appropriate instruments for spreading ownership. Fourth, efforts to promote genuine control of real property via expanded ownership must be sharply distinguished from efforts to expand the *rate* of home ownership without undertaking a genuine transfer of assets – via subprime mortgages or other mechanisms intended to direct more lending to the poor. Indeed, a central aim of this proposal is to liberate poor households from becoming natural targets for predatory lenders. Fifth, this proposal is not dependent on the flawed assumptions that housing values will continually rise over time and that housing acquisition does not constitute a risk. Sixth, as Brian Barry has pointed out, providing funds to finance housing acquisition will be of little use unless the supply of housing is increased (Barry, 2005). This might be accomplished either through public construction of new affordable housing, appropriate incentives to housing developers, or (most novel) establishing a right for renters (after a set time period) to acquire property from landlords, should they choose.

The practical proposal for ending nonvoluntary renting is that government make available to each adult a one-time grant of \$10,000 for making a down payment on a permanent residence, and access to matching funds on a 1 for 1 basis up to a further \$5000 per person. Under this scheme, a single adult with no savings could claim \$10,000 for a down payment; the same adult who commits \$5000 in personal funds (perhaps from their unrestricted cash savings) could make a down payment of \$20,000, of which \$15,000 would be provided by the housing funds. A couple could likewise claim \$15,000 each, for a total of \$30,000 in public support.²² (More complicated arrangements involving multiple families or households with more than two adults would also be permissible.) Adults would be allowed to claim this matching support one time, although those not claiming the matching funds on an initial purchase would later be allowed to claim those funds on either a new purchase or to acquire further equity in an existing home once such funds became available. Persons making use of the housing

fund would be required to contribute a fixed percentage of the grant to a government-run mortgage insurance fund which would guarantee mortgage payments up to a fixed period for each household. In the event of chronic nonpayment of mortgages that exhausts such insurance, owners would be obliged to either draw down from other available cash assets or to sell their accumulated equity and leave the residence.

Twenty percent of annual funds distributed for housing (\$80 a year and rising for adults age 18–44) would be used to capitalize the housing down-payment matching fund.²³ Following the cash assets model, the remainder of funds (\$320 per capita for adults aged 18–44, \$160 for adults aged 45–64) would be held in individual interest-bearing accounts, with additional funds added from the public coffers each year. In the typical case of a couple both born in 2012, each partner would at age 28 have roughly \$15,100 in their housing funds, and hence could together make a down payment of about \$30,200; if each committed a further \$5000 from their unrestricted assets, with matching funds they could make a down payment of \$50,200. Post-purchase, the buying household could instruct that further public funding of their housing account (roughly \$1040 at age 28 for a two-adult household and rising each year to age 44 before falling by one-half at age 45) be devoted to paying down the principal of the loan, or alternatively, held (accumulating interest) as a reserve mortgage payment fund.

Prudence and recent experience suggest that individuals and couples using publicly provided funds to acquire housing should be obliged to follow basic guidelines regarding the cost of the property so acquired; buyers might be required to put 15–20% of the total value of the house down, on an (upwardly) sliding scale depending on demonstrated income level. As indicated above, expanding the supply of relatively modest homes and condominiums would be a needed accompaniment to this policy. Finally, it should be acknowledged that home ownership is not and need not be for everyone. At a suitable point (say age 28 or 30), adults who have not accessed their housing fund may request that this fund be merged with their unrestricted cash funds, and that they be issued a rebate for funds previously contributed to the down-payment matching fund. These adults would give up the right to access federal matching funds on a future housing purchase, but otherwise would not be penalized.²⁴

Stock holdings

Finally, a critical component of property-owning democracy must be broadening the ownership of productive capital (i.e., the means of production). If property-owning democracy is to be considered a social ideal distinct from traditional capitalism, it cannot involve a small group of persons controlling the bulk of productive capital, as is presently the case. Three alternative possibilities present themselves: control of capital may rest with the workers of particular enterprises; it may rest with public institutions; or it may be held by smallholders, as individuals. The phrase “property-owning democracy” seems to privilege the smallholder answer, but in practice there is good reason to think POD must involve all three alternative forms of ownership. The plan for widespread stock ownership sketched here combines public ownership of corporations with both (a) individual rights to returns from capital and (b) giving individuals the chance to become small investors (in the traditional sense) in private enterprises. I leave aside here the question of how to encourage and nourish specifically worker-owned

enterprises. Although there is very good reason to think a POD should encourage and assist worker ownership, by definition it cannot be a universal social policy; that is, not everyone can or will be a worker-owner. But everyone can (under the following proposal) come to have a meaningful share of the society's productive capital.

It is proposed that all citizens at age 18 acquire access to a universal capital fund, consisting of two components each initially capitalized at \$10,000 per person. As with the other funds, it is assumed that as time goes on the size of these funds will increase due to ongoing public capitalization (starting at the level of \$400 per annum per each component fund). The first fund would be usable for traditional, high-risk investing, the only requirement being that the funds used are invested in a productive business enterprise of some kind (not speculative activity). This could entail investment in a business owned by the individual herself, in a family business, in a partnership with other citizens, in a traditional publicly traded corporation, or in a traditional mutual fund.²⁵ Citizens could also use this money to join together with other workers in an enterprise to buy it out and become worker-owners. As with the other accounts, individuals could choose to save the \$10,000 indefinitely and accrue interest in order to be able to make a larger investment later on. The purpose of this component fund, then, is to help underwrite entrepreneurial activity and relatively high-risk investment behavior. It is to be expected that many citizens making use of the funds in this way will lose their initial investments, although under the envisioned system of progressive recapitalization of all funds, they eventually would be able to accumulate sufficient savings to have another go.

The second fund would be quite different in purpose. Its aim would be essentially conservative: to guarantee each citizen a nonlosable stake in productive capital, and at least a modest income stream from corporate dividends. This fund would be modeled roughly on John Roemer's version of market socialism: citizens would be issued nontradable coupons good for buying shares in a series of publicly owned mutual funds (Roemer, 1994). These mutual funds in turn would buy shares of publicly traded corporations, and return annual dividends to coupon holders. Citizens would be able to shift their coupons from one public trust fund to another, but would not be able to redeem the coupons for cash; this fund would not function as a vehicle for speculating on stock prices. Citizens who wished could also transfer funds from the entrepreneurial fund (but not private assets) to the coupon fund. Assuming annual capitalization additions (starting at \$800 year for both funds combined and increasing 1.75% annually), a person born in 2012 who put all their investment assets into the coupon fund would at age 35 possess roughly \$53,700 worth of such coupons. If the coupons earned an annual dividend of 2%, this would amount to an additional \$1075 of annual income.

Probably most citizens would not be so conservative, given the limited possibilities for large payoffs from the coupon fund. Indeed, the principal aim of the coupon fund is not to generate returns for the stockholders. Rather, the primary aim is to effect the gradual socialization of capital.²⁶ Roemer (1994) has shown in detail how changed ownership patterns – from ownership by a small minority to ownership by a broad public – can alter the calculus of corporations with respect to the generation of public bads and public goods. (Polluting rivers is more rational when the gains from doing so are concentrated and the costs diffuse than when both gains and costs from such an action are diffuse.) As time goes on and the publicly funded mutual funds hold more

and more capital, their effective influence over the corporations they own will increase. If the funds were allowed to pursue broader goals than short-term dividend maximization, then managers of the funds could deliberately direct investment toward particular social goals – such as the creation of new environmental technologies or making new investments in the Mississippi Delta – and attract investment from coupon holders on the basis of those goals. Put another way, the mutual funds would become a vehicle by which each individual in the society could have a small impact on the allocation of capital investment. What gets invested in and where would no longer be the province of a very small group of capital owners. As noted below, this mechanism is indirect and cannot be seen as a substitute for direct economic planning by the state in cases in which that is appropriate or necessary. But existing experience with public pension and labor-controlled funds indicates that such funds both (a) have significant clout and (b) are capable of proactively advancing particular social goals through their investment decisions (Fung, 2001; Williamson, Imbroscio, and Alperovitz, 2002; Wright, 2010).

Individual Assets versus Common Wealth

As noted above, any plausible political coalition that adopts the aim of creating a property-owning democracy will have broader aims than the creation of a system of universal assets holdings. From the standpoint of advancing substantive equality of opportunity and securing the social basis of self-respect for all citizens, strong claims can be made that in the United States in particular, advancing common, public forms of wealth and assets should be at least as important a goal as expanding individual assets. The vast majority of egalitarians would, for instance, prioritize provision of universal health insurance over expansion of individual savings accounts, and strong cases can be made for also prioritizing expansion of badly under-supplied public goods such as access to childcare and efficient public transportation over individual asset building. Likewise, a strong case can be made for prioritizing improvements in the quality of public education and holding down tuitions at public colleges and universities over creating education-specific accounts to help individuals pay for college.

Advocates for property-owning democracy may respond in three kinds of ways when faced with the need for apparent trade-offs between pursuing a large-scale assets-based strategy and development and expansion of social wealth. First, they may accept the need for a compromise between the establishment of universal assets on a substantial scale and other social justice priorities. If we think of the \$450 billion a year in new taxes on the most wealthy identified by the Institute for Policy Studies as representing a potential reserve fund for the financing of new social justice initiatives, a case can be made for reducing the proportion of funds annually devoted to capitalizing individual assets, so as to meet other needs. If the amount were reduced to \$250 billion a year, for instance, it would then take some 27 as opposed to 18 years to fully capitalize the asset funds at the rate of roughly \$100,000 per two-adult household.

Alternatively, it might be argued that it should be possible to finance both new forms of social wealth *and* individual assets. Strictly speaking, this is true, if we assume that it is politically plausible to implement not only the full suite of new taxes on the

wealth suggested by IPS, but add to those yet further increases on the very rich (the 50% top income bracket suggested by IPS remains low by historic standards, for instance) as well as prudent cuts in other parts of the federal budget (again, most likely defense and corporate subsidies). From a rigorous egalitarian point of view, there is strong justification for pushing for as much redistributive taxation and expansion of both collective and social forms of assets as is politically feasible. At the moment, the IPS tax agenda alone already pushes beyond the boundaries of what is feasible. But what is politically feasible may change over time, especially if advocates for property-owning democracy succeed in any degree in making POD seem an attractive ideal worth paying for.

Finally, the fiscal limitations (even under the relatively optimistic framework we have been exploring) on new initiatives points to the importance for advocates of property-owning democracy of relying not only on redistribution of existing wealth, but the creation of new forms of public and social wealth. Both publicly owned enterprises and publically controlled resources are capable of generating new revenue streams (oil in Alaska, which provides a substantial dividend to all residents, being a leading if ecologically problematic example). Auctioning systems for scarce ecology-related goods – such as the right to emit carbon, and perhaps eventually, fossil fuels themselves – could generate additional public revenue. Likewise, government should act far more aggressively to claim for the public some of the fruits of government-sponsored high-tech research.

Equally important, a property-owning democracy should be concerned with encouraging new forms of enterprise that, from the beginning, more widely disperse productive capital and wealth. Encouragement of employee-owned firms is a particularly promising route to that end. Expanding tax benefits and technical assistance available to employee-owned firms, as well as providing workers a right of first refusal to acquire abandoned productive facilities, could help boost the formation of such firms. Perhaps more important would be the establishment of a publicly controlled bank dedicated to making loans to such firms; as numerous economists have shown, lack of access to capital is a primary reason why employee ownership is not already more widespread (Dow, 2003). Some of the public funds (holding assets on behalf of children before they reach age 18) might be devoted to the purpose of funding and nurturing democratic firms. Initiatives to establish employee-owned firms and other forms of community wealth should be seen as integral to a full-blown property-owning democracy, although under the proposal considered here they would not be the primary mechanism for guaranteeing to all citizens a substantial asset base.

Property-Owning Democracy as an Incomplete Ideal

This chapter has tried to establish two clear points. First, rich countries can afford, with a relatively modest long-term commitment (transfers equivalent to roughly 3.5% of GDP in the US), to incrementally establish a quite substantial, indeed generous, system of universal assets, provided to all citizens as a matter of right. Second, plausible mechanisms can be identified for ensuring that such assets are widely distributed in a

stable fashion, namely one that will not quickly revert to a situation where a significant proportion of the population have no net assets.

That said, the sketch of property-owning democracy provided here is necessarily incomplete. For one thing, more work needs to be done to establish what the financial architecture of fully realized property-owning democracy might look like, and in particular what sort of financial institutions would be needed to steward the large funds of publicly provided assets involved in the proposal. For another, while the proposals discussed here should moderate wealth inequalities over time quite significantly, significant inequities would remain. This is a program for diluting huge fortunes and dramatically lifting the position of the most asset poor, not for dispersing large fortunes in any literal sense. Perhaps more significantly, much more careful and creative thinking needs to be directed to the question of how to organize finance within a property-owning democracy. The enormous increase in the size and importance of the financial sector since the 1970s within global capitalism, the extraordinary volume (and too often, irrationality) of speculative activity, and the risks (and actual damage) generated by these developments represents a major set of challenges that the Rawls of 1971 need not have considered. Long gone are the days in which discrete community-oriented financial institutions made relatively safe, targeted loans to underwrite local building and development, and in which banking and stock transaction activity were sharply separated. A thorough overhaul of the *structure* of financial institutions so as to limit the concentrated economic (and hence political) power of large institutions such as Goldman Sachs, reduce the risk of systemic economic damage generated by speculative activity, and ensure that the financial system fulfills the primary task of providing liquidity to meet real local needs is certainly a prerequisite for *any* serious program to forge a more stable and fairer economy. But it is particularly urgent for advocates of property-owning democracy for two kinds of reasons: first, the Rawlsian worry about the political effects of large concentrations of capital and the leverage this gives the biggest players over economic policy, a worry that is fully justified by events of recent years (Taibbi, 2010; Suskind, 2011); and second, simply because a property-owning democracy envisions giving all citizens quite substantial investment funds of their own, and it is essential that systems be devised to secure and protect these funds so that they may fulfill their purposes over the long term. The creation of new funds to manage citizens' public asset holding also presents many opportunities for investment in democratically governed firms, targeting investment toward high-poverty areas, and other positive possibilities. Much more work needs to be done on this set of issues.

Finally, we have left aside entirely the question of economic planning. Rawls's writings often demonstrate a preference for market-based allocations of resources. In my judgment, Rawls was correct to suggest that it might be possible to design a political-economic regime that generated a significantly more egalitarian distribution of income, assets, and life opportunities without recourse to economic planning, understood here as the comprehensive steering of capital investment by public bodies in order to attain particular social ends.

But while distributive justice may not necessarily require democratic planning, there may be other important social reasons for implementing at least partial democratic control over many types of capital investment (see Schweickart's discussion of this issue in Chapter 10 in this volume). In particular, redressing the ecological crisis and meeting

the challenge of building an economy that minimizes the use of carbon over the next generation almost certainly will require governments to take a very active role in key sectors of the economy such as energy and transportation. Especially in light of the technical and economic challenges posed by climate change, there is good reason to believe liberal egalitarians must not shy away from embracing some forms of planning when necessary to achieve socially essential goals.²⁷

Appendix: Accumulation of Capital Assets Over a 35-Year Period

This table shows year-by-year accumulation of *total* assets over a 28-year period for a child born after the start of the proposed scheme. As is shown, total accumulated assets would exceed \$50,000 by age 18, and be nearly \$100,000 by age 29, and over \$140,000 by age 36 (if unspent to that point). To calculate the proportion of accumulated funds which would be in either (or contributed to) the cash assets or stock assets funds (*in toto*) at a given point in time, multiply any number by 0.4. To do the same for the individual portion of the housing assets fund, multiply any number by 0.16 (20% of housing assets funds go into a down-payment assistance fund). **All amounts are in constant (real) dollars.** 2012: At birth: \$2000 asset fund established, earning 2% annually. Fund total at end of year: \$2040. Annual contributions increase from \$2000 at rate of 1.75% a year.

Year (age at birthday)	Starting funds	Annual contribution	Funds at end of year ([Starting funds + Annual contribution] × 1.02)
2013 (1)	2040	2035.0	4156.5
2014 (2)	4156.5	2070.6	6351.6
2015 (3)	6351.6	2106.8	8627.6
2016 (4)	8627.6	2143.7	10986.7
2017 (5)	10986.7	2181.2	13431.3
2018 (6)	13431.3	2219.4	15963.7
2019 (7)	15963.7	2258.2	18586.3
2020 (8)	18586.3	2297.8	21301.8
2021 (9)	21301.8	2338.0	24112.6
2022 (10)	24112.6	2378.9	27021.4
2023 (11)	27021.4	2420.5	30030.7
2024 (12)	30030.7	2462.9	33143.5
2025 (13)	33143.5	2506.0	36362.5
2026 (14)	36362.5	2549.8	39690.5
2027 (15)	39690.5	2594.5	43130.7
2028 (16)	43130.7	2639.9	46686.0
2029 (17)	46686.0	2686.1	50359.6
2030 (18)	50359.5	2733.1	54154.5
2031 (19)	54154.5	2780.9	58074.1
2032 (20)	58074.1	2829.6	62121.8

2033	(21)	62121.8	2879.1	66300.9
2034	(22)	66300.9	2929.5	70615.0
2035	(23)	70615.0	2980.7	75067.6
2036	(24)	75067.6	3032.9	79662.5
2037	(25)	79662.5	3086.0	84403.5
2038	(26)	84403.5	3140.0	89294.4
2039	(27)	89294.4	3194.9	94339.1
2040	(28)	94339.1	3250.8	99541.7
2041	(29)	99541.7	3307.7	104906.4
2042	(30)	104906.4	3365.6	110437.4
2043	(31)	110437.4	3424.5	116139.1
2044	(32)	116139.1	3484.4	122016.0
2045	(33)	122016.0	3545.4	128072.6
2046	(34)	128072.6	3607.4	134313.6
2047	(35)	134313.6	3670.6	140743.9

Notes

1. My thanks to Gar Alperovitz, Joe Guinan, Martin O'Neill, Alejandro Reuss, and John Schmitt for helpful detailed comments about this chapter.
2. I use the terms "net assets," "net worth," and "wealth" interchangeably in this chapter.
3. Figure for top 0.5% based on 2004 data (analogous data for 2007 is not yet published); because the share of the top 1% increased between 2004 and 2007, and there is no reason to think that distribution of wealth amongst the top 1% became less concentrated, the statement also holds for 2007. Source data for tables presented in Mishel *et al.* (2006) is a study by Edward Wolff of the 2004 Survey of Consumer Finances.
4. In the following estimates, I use the 2004 wealth numbers. The 2007 data (showing higher wealth levels across the board) offer a distorted picture of the actual quantity of wealth currently held by US households, since much of that wealth – an estimated 17% – was wiped out by 2009 due to the collapse of the housing bubble and the financial crisis (see Wolff, 2010). For the record, however, in 2007 the top 1% of wealth holders were estimated to have an average of \$18.5 million in assets, a 26% increase from 2004; however, assets held by the bottom 40% of households (just \$2,200) were unchanged over that same time period (Wolff, 2010).
5. Author's calculation based on data published in Mishel *et al.* (2006, table 5.7), based on 2004 dollars. Here is an abbreviated account of the math: In 2004, the wealthiest 1% of households held 8.5 times as much wealth as the bottom 60% of households, taken together. The top 1% had an average of nearly \$14.8 million in assets. The top two quintiles (top 40%) had an average of well over \$100,000. The middle quintile of households had an average \$81,800 in assets, and the bottom two quintiles had an average of \$2,200 in assets. To lift the middle quintile households from \$81,800 to \$100,000 in assets, and the bottom two quintiles from \$2,200 to \$100,000 in assets would require redistribution from the top 1% of just under \$4.3 million in assets per household – still leaving those households with average assets of \$10.5 million!
6. Why \$100,000? The exact figure is not particularly important, but the number is selected for illustrative purposes for two primary reasons. First, it is substantial enough not only to catch attention but to raise the asset position of the majority of households, improving not

only their welfare but potentially expanding the range of life options available to the majority. It is important for political and substantive reasons to distinguish a serious universal assets program from welfare-motivated programs aimed at helping a poor minority. Second, the scale of redistribution required to achieve universal holdings of \$100,000 per household, while certainly a stretch given the current political climate, is not altogether implausible, especially if carried out over a period of years. It might well be objected that the scheme proposed below is in fact too modest from the point of view of Rawls's theory of justice, since it still (as shown) leaves most of the wealth of the very rich intact. Certainly I do not contend that the proposed scheme is sufficient to realize the difference principle in any literal or even approximate sense. But it is a step in the right direction sufficiently large to be worthy of attention from even the most rigorous egalitarian, and the benefits it promises to confer on the majority of the population would be tangible and nearly immediately felt. Further, if successful, the scheme could build political support for yet further redistribution of assets in the more distant future. In addition, the scheme described below allows for incremental increases in the per household wealth level over time beyond the \$100,000 mark.

7. Again, this estimate is based on 2004 asset levels as well as the 2005-2009 US Census estimate that there are 112.6 million households in the USA.
8. Tax burden on the wealthiest households has fallen across the board in the past 50 years. For instance, a recent historical study found that "the top 0.01 percent of earners paid over 70 percent of their income in federal taxes in 1960, while they paid only about 35 percent of their income in 2005." (Piketty and Saez 2007, p. 22; see also Colins, Goldberg and Pizzigati, 2010.) Piketty and Saez show that declining tax rates have to an extraordinary degree been limited to the top 0.5%, especially the top 0.1%, of households. Marginal tax rates for the population as a whole actually increased over the same time period.
9. Given previous debate about the merits of asset-based versus basic income approaches (Ackerman, Alstott, and Van Parijs, 2006), it may be worth noting that this same \$500 billion could alternatively fund a universal income supplement of roughly \$1600 per person (i.e., all 308 million US residents). This chapter presupposes that basic income alone does not achieve the core goal of property-owning democracy, namely having a society in which all members have meaningful assets and shares of capital. I also concur with Ackerman and Alstott's view that asset-based approaches are more likely to have a large impact on the sense of possibility enjoyed by individuals about how their life might go. Further, in my judgment, basic income proposals will also be more difficult to argue for politically in countries like the United States, because they can be more easily characterized as a "handout" than asset-based approaches. Nonetheless, there is no reason that a property-owning democracy could not also have a basic income component, perhaps tied to commonly owned resources, as in the example of the Alaska Permanent Fund (oil revenues) proposed by Alperovitz (2004). Indeed, the proposal below provides for a modest basic income consistent of dividends generated by nontradable shares of mutual funds. In addition, as will become apparent, the cash and housing assets transfer programs outlined here could in practice function as an income supplement for citizens as they get older; as seen below, restrictions on access to cash assets and housing assets gradually disappear as citizens get older. These restrictions represent a major difference between my proposal and that of Ackerman and Alstott, who reject any such restrictions on anti-paternalist grounds. My proposal in contrast places greater priority on ensuring that the wide distribution of property, especially productive capital, remains stable over time. For a useful rejoinder to anti-paternalist arguments against any restrictions on the use of "stakes" or state-provided funds, see White (2006). I take my proposal to be roughly consistent with White's

- recommendation of a “hybrid” approach that combines features of both “capital grants” and basic income proposals.
10. Here I assume that the revenue raised by these taxes will rise over time due to economic growth sufficient to fully fund the program described below.
 11. It is critical to make clear that all the dollar amounts in the proposal are inflation-adjusted (“real”) dollars. Because the proposal involves long-term, ongoing transfers of funds, the nominal values would in practice be significantly different (presumably higher) than the figures noted here.
 12. See Roemer (1994) for exposition of the idea of a coupon socialism.
 13. These proportions are a modest revision of the proposal in Williamson (2009); here I have reduced the proportion of assets in housing and in stock, while doubling the proportion in cash assets so as to increase the flexibility individuals and households would enjoy. It is to be stressed that the exact composition of asset portfolios is not particularly significant; what is important is that the portfolios be diversified and that they meet the goal of providing all citizens with both a financial cushion and a share of productive capital, while protecting them from involuntary renting.
 14. The 1.75% real per capita GDP annual growth figure is conservative, relative to growth rates achieved in the United States in the second half of the twentieth century, particularly the period between 1950 and 1973 when per capita growth rate was 2.45% (Maddison, 2001, p. 186, table A-1d). In light of recent economic problems, a cautious figure seems advisable for these projections. If actual growth achieved is higher than 1.75% per capita annually, funds deposited in capital accounts would grow quickly (assuming legislation was in place to link annual contributions to the per capita growth). Conversely, a slower-growing economy would produce a slower rate of accumulation in the accounts.
 15. This projected 2% annual rate of inflation-adjusted return corresponds to the real long-term interest rates actually offered by the US Treasury in 2009 and 2010 (available at www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=reallongtermrate). I assume that as most of these assets will be time deposits, financial institutions will be able to offer interest rates higher than on conventional interest-bearing savings accounts. Further, some of these deposits may be invested in equities offering potentially higher rates of return if economic conditions are healthy. Generally speaking I wish to avoid making assumptions of rates of return that depart dramatically from real per capita growth in the economy as a whole. If in favorable circumstances it proves possible to achieve higher rates of return, that would allow a more rapid accumulation of individual assets.
 16. I leave aside here the difficult question of how institution of a universal assets system might affect immigration policy, and whether stakes might be provided to noncitizens. The figures provided in the text are based on providing asset stakes to all residents, but in practice it is probably advisable to establish a legal residence or citizenship requirement for adults to access these funds so as not to (further) incentivize large-scale illegal immigration. Because children cannot access their funds until age 18, I see no reason to penalize children of illegal immigrants born in the United States who are constitutionally considered citizens from access to a full stake (doing so does not provide a short-run incentive for families to move illegally to the United States).
 17. A major question, not taken up here, is what sort of financial institutions these deposits should be placed in. There are three major possibilities: creating new public financial institutions to handle these funds; using existing private banks; or using a network of locally and regionally scaled banks focused on community lending within a specific area. The spirit of property-owning democracy suggests that some combination of the first and

third might be preferable; but space does not allow me to take up this question in any depth here.

18. I do not treat here the complex question of whether citizens are expected to repay some or all assets received to the public at death. Note, however, that in contrast to Ackerman and Alstott (1999), funding for the proposed scheme is not dependent in any way on assets recycled back to the public at death. As a general approach, I would recommend treating all publicly provided assets held by citizens at death as equivalent to privately held assets and hence taxed at the appropriate rate on that basis. In addition, families should be able to acquire publicly provided life insurance to compensate families for the value of future asset payments not received by a family member due to premature death.
19. Once the emergency fund is fully capitalized at \$5000, subsequent annual pay-ins as well as interest earned would accrue to the unrestricted fund, increasing payoffs citizens would be eligible for at ages 23 and 28. In cases where a citizen has tapped into the emergency fund, 25% of subsequent pay-ins would go to the emergency fund until it is recapitalized.
20. This assumes a starting-level annual payout in 2012 of \$2000 with annual increases of 1.75% (as above). In the scenario described here, the level of new asset capitalization per capita in 2030 would be \$2733, rising to \$3251 by 2040. See Appendix.
21. Two unaddressed issues of practical importance are the transition problem and the issue of eliminating crippling private debts owed by millions of households. The scenarios discussed above involve the case of children whose accounts are capitalized year by year from birth and who gain access to their funds at age 18. But what of persons who are already adults at the time the scheme begins? A worry is that asset-poor households may spend year-by-year assets received on consumption as soon as they become available and hence fail over time to build up an asset base. One possible remedy is to offer incentives to households that save their year-by-year asset base, or use them for favored purposes (such as tuition or job training). Additionally, special encouragement and incentives might be given to net debtor households to retire their private debts (apart from long-term mortgages) as soon as possible after the implementation of the scheme. In general it should be noted that the creation of a publicly funded stream of assets capitalized year by year would offer many possibilities for creatively linking the financial streams to other desirable public policy aims. For instance, workers might use part of their cash assets to front the money for high-skill, “high-road” job training (Wright and Rogers, 2010, chapter 9) that is expensive for firms to undertake on their own, with the public providing insurance on assets used in this manner in case of job loss (so that workers do not take the risk of paying for job training that does not lead to a job).
22. It should be noted here that George W. Bush’s administration funded a modest, means-tested program, the American Dream Downpayment Initiative, aimed at providing up to \$10,000 (or up to 6% of the value of the home) in down-payment and closing costs assistance for qualified first-time buyers. For further details, see www.hud.gov/offices/cpd/affordablehousing/programs/home/addi/
23. Potentially this fund would need to provide grants to all adults in the nearly 40 million households currently renting, plus each advancing cohort of “new” adults seeking to acquire a first home. This method would immediately capitalize the down-payment matching fund at \$18.2 billion a year, sufficient to provide matching funds of \$5000 to 3.64 million people (1,820,000 two-adult households) a year. (Total housing sales in the United States of new and existing homes over the past decade have ranged from under 5 to over 7 million annually [Harvard Joint Center for Housing Studies, 2010, table A-2]). It is possible that short-term demand from first-time homebuyers for use of the matching funds

may exceed initial capacity, in which case the fund should be permitted to borrow against future contributions to meet demand; alternatively, the size of the public contribution to the matching fund might be increased. In the long term, as involuntary renting is minimized and the size of overall public contributions increases, it should become possible to reduce the 20% annual rate of contribution to the fund, or alternatively increase the size of the matching fund maximum assistance.

24. One further issue needs to be addressed, at least in brief: How do we prevent the housing assets program from becoming a subsidy for moving house as opposed to initial housing acquisition at the start of the program? Over the course of the life cycle, the program does not subsidize moving because the down-payment matching fund may only be accessed once in an individual's life, for initial housing acquisition. But what of people who already own homes when the program begins – should they also have access to the matching fund to acquire a new house? Since the purpose of the program is to end nonvoluntary renting, not to subsidize the dream houses of those who already own homes, my recommendation is no. Existing owners can use the funds in their account to pay down mortgages, however, or merge their accounts with their general cash accounts. A disadvantage of this answer is that it means that existing homeowners would help subsidize the housing acquisition of renters through their contributions (\$80 a year, \$40 for persons aged 45–64) to the down-payment matching fund. But this subsidy is quite small and its overall impact is progressive, and ought not be a major worry.
25. Mutual funds receiving publicly funded investment funds should be barred from investing in financial assets (a form of speculation).
26. There is no reason in principle why this scheme might not be combined with a “share levy” method of corporate taxation enabling workers (via unions or other associations) to gradually acquire ownership in the firms in which they work, as initially proposed by Rudolph Meidner. The basic idea is to require corporations to annually issue new stock controlled by worker associations equivalent to the corporate tax rate. See Wright (2010, pp. 230–234), for a recent discussion of share-levy plans; these plans do not require any public expenditure to get off the ground and amount to another form of a wealth tax (by gradually diluting the value of privately held stock). If combined with Roemer-type plans, the result would be corporations that over time become hybrids – partially worker-owned, partially publicly owned, with some remaining private investors.
27. One important general argument for planning is in order to remove the “structural constraints” on public policy produced by private dominance of productive capital, an argument made by Cohen (1989) and shared by Schweickart (see this volume) and other socialists. The argument here is that realizing political democracy and hence the fair value of political liberties requires that private owners of capital not be able to determine the shape of public policy by threatening to withhold or relocate investment.

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