

Achieving Equality of Opportunity Through a Universal Endowment System for French Youth

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Résumé de l'article

Cet essai constitue un plaidoyer pour la mise en place d'un système de patrimoine universel pour la jeunesse en France. Se fondant sur des principes inspirés des travaux de Thomas Paine et de John Rawls, il propose que tout citoyen français atteignant l'âge de 18 ans reçoive la somme de 50 000 Euros déboursés sur une période de six ans afin de financer des projets tels que le lancement d'une entreprise, l'acquisition d'une propriété ou des études supérieures.

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Abstract

This essay makes the case for a universal endowment system for the youth in France. Building on principles inspired by the works of Thomas Paine and John Rawls, it proposes that any French citizen reaching the age of 18 is endowed with the amount of € 50,000 disbursed over a six-year period to fund projects such as starting a business, acquiring real estate or financing college.

Résumé

Cet essai constitue un plaidoyer pour la mise en place d'un système de patrimoine universel pour la jeunesse en France. Se fondant sur des principes inspirés des travaux de Thomas Paine et de John Rawls, il propose que tout citoyen français atteignant l'âge de 18 ans reçoive la somme de 50 000 Euros déboursés sur une période de six ans afin de financer des projets tels que le lancement d'une entreprise, l'acquisition d'une propriété ou des études supérieures.

Mots-clés : Égalité d'opportunité, patrimoine universel, France, inégalité, pauvreté, émancipation, revenu universel de base, justice, équité, Thomas Paine

Keywords : Equality of opportunity, universal endowment system, France, inequality, poverty, emancipation, universal basic income, fairness, equity, Thomas Paine

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Introduction

Even before the 2008 financial crisis, inequality has been on the rise in France (figure 1), and half of the poor (around 14% of the population) are currently under 30. Moreover, the socioeconomic origins of an individual appear to increasingly affect their social mobility. Among other factors, the wealth divide – between children of the haves and of the have-nots – has grown, and today, not only having no personal wealth makes it more difficult for young French citizens to pursue a degree in higher education¹, but studies have shown that those who inherit assets or receive donations from their parents are more likely to become entrepreneurs (and own businesses for a longer period of time) as well as to purchase higher-value real estate and contract shorter mortgages (Ackerman and Alstott 1999), further increasing inequality in so doing.

Putting a system of universal endowment² in place could correct that major source of inequality. Thomas Paine is the originator of such an idea.

1. This is even worse for elite schools in general: In the US, the probability of attending Harvard for an individual with parents in the top 0.1% of the income distribution is *200 times higher* compared to the bottom 20%. Source: *Mobility Report Cards: The Role of Colleges in Intergenerational Mobility*, Raj Chetty, John Friedman, Emmanuel Saez, Nicholas Turner, and Danny Yagan, NBER Working Paper No. 23618, Revised Version, July 2017

2. Following the American Heritage Dictionary’s definition, I prefer using the term “endowment”, i.e. “*funds or property donated to an institution, individual, or group as a source of income*”, to “stakeholder grants”.

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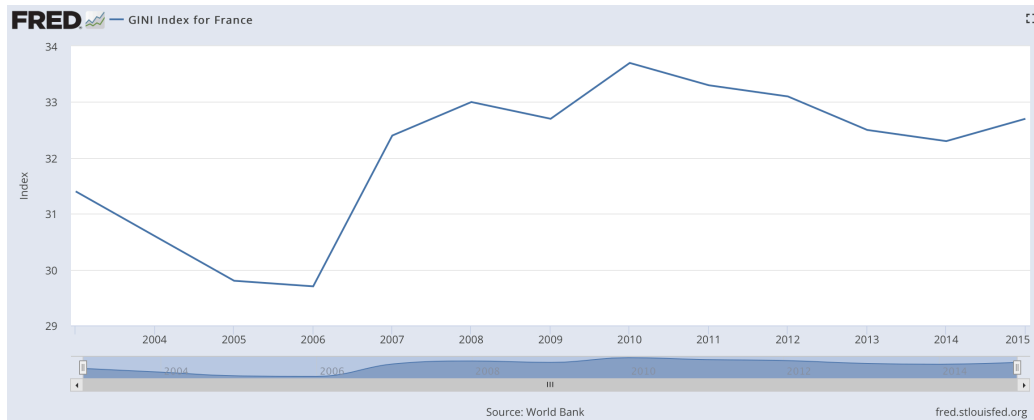


Figure 1 – Gini Index for France, 2003-2015 (Source: World Bank)

Following the view of Paine and the egalitarian tradition of his era, access to self-employment was seen as key to avoiding poverty and to attaining standing as equals in society; yet, the egalitarians could also see that self-employment could be threatened by sickness, old age or disability and were consequently among the first ones to propose a social insurance scheme (Anderson 2017). Building on this reflection, Paine (1797) described his plan “to create a National Fund, out of which there shall be paid to every person, when arrived at the age of twenty one years, the sum of fifteen pounds sterling, as a compensation in part, for the loss of his or her natural inheritance, by the introduction of the system of landed property” so that every individual born in what is an unequal civilization – where some own lands and others don’t – “shall inherit some means of beginning the world”. Paine adds: “Would it not, even as a matter of economy, be far better to adopt means to prevent their becoming poor? This can best be done by making every person when arrived at the age of twenty-one years an inheritor of something to begin with”.

Building on this egalitarian vision of opportunity for all, but also as an imperative of economic justice, I propose that a 21st century version of this system allows for any French citizen reaching the age of 18 to be endowed with €50,000 over six years to start a business, cover full tuition fees of a Master program and/or acquire real estate. This will be in addition to existing welfare state policies; this system is not meant to replace any among the latter.

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Part 1 of this essay examines the moral justification for this policy proposal. Part 2 addresses key objections that can be levied against it. Part 3 analyzes its feasibility.

Part 1 – Moral justification for the policy proposal

A universal system of endowment for the French youth is not simply a rebalancing force for equality of opportunity toward a more complete realization of one's potential. It also is a cornerstone of a fairer society in which a flaw of the original social contract is corrected. In effect, Rawls presents the main idea of *justice as fairness*, generalizing and carrying to a higher level of abstraction the traditional conception of the social contract (1999). In today's France, the social contract indeed allows for citizens to evolve in a society where their rights are guaranteed and protected and their duties clearly stated. Yet, the contract is flawed, for some are born rich, and some poor, which prevents the latter from realizing their full potential, everything else being equal: As Rawls anticipated, there are pervasive inequalities that deeply affect "*men's initial chances in life*". This resonates with the reality that half of the poor in France are currently under 30: To them, upward mobility is simply an empty promise. A powerful tool of distributive justice, the universal endowment system directly tackles this defect of the social contract.

An endowment system respectful of the two principles of justice

As Rawls builds the case for justice as fairness, he advances two fundamental arguments to support it, the greatest equal liberty principle on one hand and the difference and the fair equality of opportunity principle on the other. Under this framework, the society i) requires equality in the assignment of basic rights and duties; and ii) can tolerate social inequality as just so long as it provides benefits to everyone, and particularly to the most disadvantaged citizens, and must maintain positions that are opened to all. From that perspective, a universal system of endowment does not prevent someone else from achieving their project while I accomplish mine with the endowment I receive; in that sense, another citizen's liberty and mine do not collide. Moreover, newly empowered citizens would have equalized prospects at occupying various positions of influence: A smarter citizen, a wealthier one, or one that

is not preoccupied with losing a home, could dedicate more time to running for office, defending causes deemed important, or using freedom of speech, among other things. Furthermore, the endowment provides benefits to the most disadvantaged in two ways: Directly, through the endowment itself; and indirectly, to the extent it creates a better educated citizenry (through higher education), a wealthier economy (through potential profits to be made and trickled down through the innovation generated by entrepreneurship) or extended ownership (through improved access to real estate). Some form of social inequality would still persist under the endowment system but overall, there would be an improvement for the disadvantaged compared to the actual situation in that, contrary to today, they would have many more opportunities to achieve their potential no matter their social origins. While this system may leave some other sources of inequality unaddressed – including in terms of outcome achieved through the use of an endowment –, it is firmly grounded in a Rawlsian idea of equity as opposed to equality.

Engineering a society as a fair system of cooperation

Moreover, Rawls did insist that “*in a property-owning democracy the aim is to carry out the idea of society as a fair system of cooperation over time among citizens as free and equal persons*” (1999). In today’s French society, a fair system of cooperation among free and equal persons is not a reality: Even if the laws protect property, even if regulations ensure that economic competition remains fair, and even if access to higher education is open to all in theory, an individual starting in life with no wealth whatsoever is obviously disadvantaged compared to the child of a wealthy family that can offer vast amounts of resources to help set a business, purchase a house or cover a Master program’s tuition fees and related expenses. By contrast, a universal endowment system institutes a society as a fair system of cooperation, as advocated by Rawls: While it leaves the above-mentioned institutional arrangements untouched, it allows for citizens to interact as free and equal persons.

The universal endowment system and the original position

It must be noted that the proposed system handily meets the test of Rawls’ veil of ignorance. Per Rawls’ thought experiment, “*the idea of the original*

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position is to set up a fair procedure so that any principles agreed to will be just. (...) Now in order to do this I assume that the parties are situated behind a veil of ignorance. They do not know how the various alternatives will affect their own particular case and they are obliged to evaluate principles solely on the basis of general considerations". I cannot think of an individual situated behind a veil of ignorance who would, if offered an endowment, decline it: The prospect of being offered some money, especially in a fair way where everyone benefits, can only be appealing to all, including morally.

Some may however regret that the system is made universal, hence also benefitting individuals who can rely on inheritance or significant family donations. I however posit that this is not a concern so long as the very projects it is set to help realize (whether acquiring a property, setting up a business or getting a higher education diploma) are within financial reach of the poorest individuals of the society. In fact, under the difference principle, Rawls clearly states that "*while the distribution of wealth and income need not be equal, it must be to everyone's advantage (...)*" (1999). Moreover, its universalism will make it morally acceptable to various segments of the society. And lastly, in many cases, such as for education, there is only so much one can spend on tuition that it doesn't matter whether one has much more financial means: Once the endowment covers the fees and the rent and food a student needs, it puts all the students on an equitable footing to compete and fulfil their academic potential. Similarly, from the perspective of equity, what matters in acquiring a property is not so much the dimension or architecture of the house as much as the fact that one can have a roof, not fear becoming destitute, and potentially start a business, politics or a family – a challenge for a generation who is, in France, one fourth unemployed and obliged to rely on parent's finance and lodging. Lastly, in the case of a business, while € 50,000 may not be match when competing with other entrepreneurs with far more resources, it is nonetheless a significant amount and achieves a key objective: Leveling the playing field in this respect, including regardless of gender, race, ethnicity, or religion, for access to credit is often limited in the poorest communities and is also conditioned to the good will or the prejudice of a banker or investor. It also increases risk-taking behaviors among all young entrepreneurs and is thus likely to stem innovation across the society.

Funding the universal endowment system

The system proposed in this essay is indeed close to the universal system of substantial assets holding advocated by Williamson (2014), which is based on the idea that “*the sine qua non of a Rawlsian property-owning democracy is the creation of a society in which wealth (...) is not held by a small minority of citizens, but is widely distributed*” – a stimulating reflection on breaking up the accumulation of wealth in pursuit of equalizing effects as advocated in the Rawlsian tradition.

As I lay the moral ground for establishing an endowment system, I must also touch upon the ways in which it will be funded. For the sake of the argument, let’s imagine the proposal is adopted by the French legislature this year and goes into effect the next. The number of French citizens turning 18 in 2019, the first year such a system could be initiated, stands at approximately 850,000³. The full, first trench of the six-year endowment will come at a cost of € 7.08 billion, and progressively goes up as additional cohorts enter the system. While precise projections are needed in this regard, my estimates are that around € 42 billion will ultimately be disbursed yearly once all eligible cohorts are benefitting from the system.

Meanwhile, according to the French Government’s data, between € 60 and 80 billion are uncollected yearly due to tax evasion. I therefore propose that over time, said lost revenue is actively recovered to finance the universal endowment system⁴. If done efficiently, the program would be paid in full. I must also observe that the would-be recovered revenue is money that is owed in the first place. Tax evaders’ complaints that they can no longer cheat the system and that this is unfair to them would simply be morally unacceptable: By draining resources that are effectively due to the Government, the universal endowment system would ultimately not make fraudulent tax payers worse off, or only to the extent that it would limit their cheating ability, which one has not to worry about from a moral perspective.

In case there still are shortfalls due to insufficient recovery of due taxes, I would advocate for the system to be subsidized by a wealth tax or an

3. Based on demographic data from the National Institute of Statistics: <https://www.insee.fr/fr/statistiques/1892086?sommaire=1912926>

4. This is not unrealistic: The French Ministry of Finance has recovered € 40 billion over the 2014-2017 period, and much more can be done if the European Union harmonizes information exchange among its members countries.

inheritance tax: While it is not the objective of this essay to defend such an argument, I agree with Emile Durkheim’s thought-provoking intuition (as presented in O’Neill (2017)) that it is important to break the accumulation of wealth that is ultimately rendering the playing field mostly uneven for a vast majority of the human kind: In 2018, about 10 individuals are essentially richer than 3.5 billion people. In this context, a wealth or inheritance tax to fund the endowment system would have a leveling effect toward a fairer society.

Finally, I see it as important that this remains a public program, opposed to having the financial industry operating it, as from a Rawlsian perspective, “*the primary subject of justice is the basic structure of society, or more exactly, the way in which the major social institutions distribute fundamental rights and duties and determine the division of advantages from social cooperation*” (Rawls 1999). To increase its legitimacy and to favor social cooperation, it is important that this system relies on the institutional efforts and contributions of the national community.

Part 2 – Objection A – Funding for the poorer segments of the society will be “wasted”

The notion that funding would be wasted if given with no real string attached to it is a recurring argument against such policies, especially when it concerns the disadvantaged. I do not subscribe to the view that the poor are inferior in any way to wealthier segments of the society; the poor are often so, not by birth, but because of cumulative adversity: Key elements of their ecosystem prevent them from realizing their potential. Capital is scant, the transportation system is dysfunctional, discrimination is high, schools are underfunded, police forces are overwhelmed by the severity of the challenges, healthcare is inadequately provided, etc.

For the sake of the argument, however, I will briefly discuss the notion that, beyond income, children and teenagers of wealthier parents most likely have access to a better education during their upbringing, to a wider network, and to more information as to how to orient themselves in life, offering them better use of their finances in this regard. Amartya Sen himself observes that “*real poverty (in terms of capability deprivation) can easily be much more intense than we can deduce from income data*” (2009).

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The universal endowment system I propose assumes that free public education remains accessible to all until the end of high school, as is already the case in France. I can accept that it will not be not enough to correct for the initial absence of assets and the management of a new endowment. As it is key to measure disadvantage over income, and in order to correct for any potential disadvantage and to limit abuse, I propose establishing an agency that will advise young individuals on the ways they can spend the endowment, build capacity in this regard (for example, with advice on what type of studies to pursue, what type of business to start and how, or what sort of property to purchase, which would also benefit the whole society overall by making young citizens more responsible in this regard), and strictly control that funding is not spent on projects or activities outside the scope of the proposed ones.

Objection B – A lifetime universal basic income is far superior to a one-time endowment

Another, stronger argument can be made against my proposed policy: Why limit it to a six-year endowment, why not be more ambitious and make it permanent in the form of a universal basic income (UBI)? For the sake of the argument, I will set aside the fact that a UBI appears vastly more expensive, if not unsustainable, and will imagine a society where it is possible to pay for one system or the other.

First, it is my view that the UBI underestimates the emancipatory power of work; the fact that it is a way to contribute to society, and not just a way to get a salary; and that the poor often see it as a way to demonstrate their dignity. Yet, the UBI potentially lets society do away with work. By contrast, the proposed universal endowment system posits that the projects it helps fund (a business, an education or a home) better equip individuals to work at the end (or even during) of the six-year period. While the UBI potentially transforms society in an unpredictable manner, the endowment system refines and ameliorates the current social contract, in the Rawlsian spirit.

Second, it is likely that the economic elites who would pay for a UBI would resist attempts at having the rest of the society benefiting from a revenue without contributing in some ways and might secede, hurting the Rawlsian

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notion of society “*as a fair system of cooperation over time among citizens as free and equal persons*”. Under the UBI, cooperation may not appear fair as, rightly or not, the elites may consider that it is unjust for them to contribute more.

Third, the idea that the UBI has intrinsic merits because it will allow individuals to unleash their creative or entrepreneurial talents is also contained in the universal endowment system, and therefore I consider this argument neutralized.

Fourth, the UBI may hurt the spirit of the fair equality of opportunity principle more deeply than the endowment possibly would: Once provided a lifetime low income, beneficiaries would not be able to compete with equal chance for positions of influence as vastly wealthier individuals would outspend them at every turn of the road – possibly ultimately swaying policy-making to their benefit (Gilens 2012). In contrast, the proposed endowment would act as an equalizing force at the beginning of adulthood, including when it comes to maintaining positions open to all under the fair equality of opportunity principle.

Finally, as the poor are poor, not because they are necessarily financially so in the first place but because they are deprived of some capabilities (Sen 2009), I fear the establishment of a UBI in a society that could then cut its bonds with them or make them somehow less equal in status by giving them a monthly income and leaving them at that. By contrast, the universal endowment system expects its beneficiaries to still fully cooperate and be treated just as responsibly and as fairly – no more, no less – as any other citizen, in the Rawlsian spirit.

Part 3 – Feasibility

Etienne Grass, an adviser to French President François Hollande, explored the concrete feasibility of such an idea in 2016: He proposed a € 5,000 endowment for France’s youth as soon as they would turn 18. Accessible through a dedicated saving account, Grass proposed that the amount should be spent on tuition fees for higher education; a year of community service; business creation; or real estate acquisition. Any unused amount by the age of 26 would be returned to the Government. Grass also envisioned the creation of “entrepreneurship schools” to foster business. His cost estimate is € 4 billion

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a year, equivalent to 0.4% of a universal tax dedicated to financing Social Security. During the fall of 2016, President Hollande revealed that it would be part of his agenda, should he run for reelection – which eventually never happened. Meanwhile, in the U.K., Prime Minister Gordon Brown’s set up experiments such as “savings and assets for all” and the “child trust fund” in the early 2000s. However, the financial crisis of 2008 and the ensuing political changes put an end to those experiments.

I would propose an average program length of six years starting at 18 (the legal age of adulthood in France), during which the € 50,000 would be disbursed gradually. The length average is based on that of obtaining a Master degree or the average length necessary to achieve profitability for a business and includes a one-year buffer (for example to do a professional internship without worrying about its cost). Research may however show that a different length should be proposed.

The amount of the endowment itself can be discussed. While Grass (2016) advocates for € 5,000, I argue that this is far from enough to cover tuition fees and expenses for a full, 5-year Master program, to acquire a property, or to launch a business. My proposal puts me closer to Ackerman & Alstott’s own scheme (Ackerman and Alstott 1999), at \$ 80,000 per capita.

Each generational cohort in France starting in 2001 averages 750,000 to 850,000 individuals. By 2019, the 2001 cohort would turn 18, and 850,000 French citizens would become eligible to receive the first trench of € 8,333, for a total cost of € 7 billion. The French Government would also incur some additional costs for the operations, which could however easily be automated with census data. An agency controlling the way the endowment is spent as well as advising individuals on its use would however need to be set up, with a budget of a few dozen million euros a year.

Finally, it is important to note that this policy is not meant to replace any of the existing ones in the French welfare state but would only complement the Social Security scheme.

Conclusion

Building on Hegel’s desire to remain faithful to the French Revolution’s attempt at erasing the elites’ privileges without repeating the mistake of the

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Reign of Terror, philosopher Slavoj Žižek recently raised a fundamental question for a 21st century humanity divided by profound inequality: “*Our problem is exactly that of Hegel: How, after Stalinism, remain faithful to the project of emancipation, how not become a cynical liberal or a conservative.*”⁵

I believe a universal system of endowment is part of the answer to that question. In this essay, I showed that such a system is rooted in a profound egalitarian tradition of individual empowerment, responsibility, liberty and justice that goes back to Thomas Paine, himself an admirer of the French Revolution who wrote his 1797 *Agrarian Justice* to build on its fresh legacy and “*give perfection to the revolution of France*” in so doing. I demonstrated that such a system espouses the idea of justice as fairness advocated by John Rawls in his master work and respects its key principles and that it would constitute a fundamental addition to a refined social contract that would finally deliver on its promise of equal opportunity. I did rebut some of the most obvious objections to the proposed system, namely that a universal basic income would be superior, or that some young citizens would not be able to spend the endowment in a reasonable manner.

In his *Memoir on Pauperism* (1835), a somehow optimistic Alexis de Tocqueville wrote: “*If one looks closely at what has happened to the world since the beginning of societies, it is easy to see that equality is prevalent only at the historical poles of civilisation. Savages are equal because they are equally weak and ignorant. Very civilised men can all become equal because they all have at their disposal similar means of attaining comfort and happiness. Between these two extremes is found inequality of conditions, wealth, knowledge, the power of the few, the poverty, ignorance, and weakness of all the rest*”. It is my belief that a universal endowment system would be a mean at the disposal of all to attain comfort and happiness and as such, would be a step closer in the direction of equality.

5. Slavoj Žižek: « *Je reste communiste, car tout le monde peut être socialiste, même Bill Gates* », in an interview to French daily *Libération*, June 5th, 2015.

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