

Voting Your Economic Stake

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Sept. 11, 2011

Imagine the nightmarish chaos that would exist in public corporations if instead of stake based stockholder votes, that everyone, whether a shareholder or not, could cast a single vote? You need not ponder for long as a horrific example has existed for some time in Federal elections where everyone, regardless of how much or how little tax they pay if any, has a single vote.

In older times when democratic concepts were in their infancy there were no large governments needing huge taxes. In the absence of significant taxes the one person one vote concept worked fine. But governments are much larger and more complex now and that concept has become obsolete. One of the driving forces behind creating the United States was rebellion against the concept of taxation without representation. The middle class and below now mostly have representation with minimal taxation. High incomers experience taxation with minimal representation – although behind the scene money transfers in conjunction with a complex tax system can compensate for lack of voting authority thus providing us with the “best” government money can buy.

Democracy cannot function properly if there is an imbalance between representation and taxation. Taxes, like share ownership in public corporations, represents an individual’s stake in the system. True democracy mandates that an individual be able to vote their personal stake. Without that concept there is nothing to control the government to be responsive to the stakeholders – the people.

I propose that our government would run much better if we changed our Federal voting system to be similar to what has been a proven success in the corporate world. In short, each voter would cast a number of votes equal to their net Federal income tax – their stake in the system. Such a system would give the people true democratic power over their government. However, there are a couple of issues to address and such a change would require correcting the distorted income and tax system we presently have.

There is diverse opinion and myth concerning who pays the taxes and who is under-represented in government. It is popular to say that the poor bear most of the tax burden while the rich live practically tax free lives. Interestingly, that that emphatic claim immediately shifts to be that the rich would have the majority vote when I make my proposal for voting one’s economic stake. Although not widely understood, perhaps this is a way of saying that progressive taxation with its corresponding and compensating progressive income scale with those at the low end being paid less and those at the high end being paid more is not democratic.

A flat tax system but only after correcting the progressive income concept coupled with stake based voting restores power to those who should have it. A common complaint is that even with this fix that lower incomers would have little vote. Yes, their vote would be relatively small on an individual basis but then their stake is also relatively small as well. Collectively, their vote would not be insignificant. They would continue to enjoy the infrastructure benefits paid for by others so balance is not lost. To give lower incomers special voting privileges would be to repeat

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the mistakes of the past. I have never heard anyone complain that stake based shareholder voting produces an unfair advantage to the large shareholders. So there is no reason to believe that stake based voting in Federal elections would be an exception.

Under a system of relatively low flat tax and simple to the extreme without special deductions hidden in complex tax codes, the wealthy are unable nor should feel the need to buy better treatment from the government at the expense of those unable to buy influence. While individual high incomers paying substantial dollars into a flat tax system may have a lot of votes, the majority of votes remain in the middle class range. High incomers can vote their stake but would not dominate elections.

Any way it is packaged the only way forward for the United States now is for the middle class to pay significantly more in taxes. With a higher stake, it is only fair that they be given more control over government in exchange. That is the balance stake based voting offers.

Under this new system people would likely change their voting philosophy from voting the taxes paid by others to voting their personal taxes. That makes it highly improbable that runaway government spending can exist. There would be strong voter bias to limit government spending to what is actually needed meaning the overall tax rate could be lower while still achieving balance. Balanced budget amendments and the like are no longer needed if the power is truly with those who have a stake in government.

Voting one's stake involves a small loss in privacy. In Federal elections the specifics of how someone votes is private but out of necessity that is not technically the case in shareholder elections. Practically, most shareholder votes are completely private and there is no issue even if publicly known because voting one's stake is seen as a right respected by all. The same would be true if Federal elections became stake based. Even now an individual publicly expressing any opinion about most anything leaves little doubt as to how they vote and that has been long respected. The concept of private choice is good but there is no reason it has to be an absolute.

The financial problems of our government are the result of diluted voting strength of stakeholders. Continuing the same and hoping for a better result with ever more complex laws will never solve the problem. Rather, the solution is to directly address the problem. Then we could begin not only solving our present problems but prevent future problems as well. Democracy can work if only we would let it.