Citizens' Equity

A capital-based safety net for an economy automating jobs

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THE SETTING

Income is migrating from labour to capital

54% → 50.5%

Labour's share of U.S. national income, 1980 to 2014

63%

Share of all new global wealth captured by the top 1%, 2020–23

33% → 65%

Organisational adoption of generative AI in ten months

Whoever owns the capital owns the income it produces. This is a problem of ownership — so it requires a remedy denominated in ownership.

What is Citizens' Equity?

1. **A sovereign fund holds a slice of global corporate capital.**

   Passively managed. It acquires and holds. It does not trade.

2. **Every citizen holds one equal share in it.**

   A supershare: it cannot be sold, transferred, seized, or inherited. Issued at birth, extinguished at death.

3. **The fund pays out its income, in equal portions.**

   Dividends, interest, buyback proceeds. The payment is a formula, not an appropriation.

Citizens are not recipients of a transfer. They are shareholders in the global economy.

THE PROPOSAL

Where does the fund's capital come from?

Firms	Deposit	The Fund	Citizens
Eligible corporations	X% × Y% of their capital liabilities	Passive, acquire-and-hold	One supershare each, paid quarterly

Firms deposit their securities, not cash — newly issued shares, corporate bonds, or instruments replicating them.

Funds are sourced from the primary capital market.
No new taxation. No borrowing. No appropriations.

The fund capitalises itself out of the primary capital market. It need never appear on the government's balance sheet.

How is the required deposit fraction calculated?

The fractional deposit requirement can be stated as a percentage number. We compute it as the product of two parameters, X% x Y%, both also percentages. X% pertains to a sovereign (or group of sovereigns), and Y% is particular to a company.

PARAMETER ONE

X% — how much capital is to be shared in common?

The aggregate ownership target: one national number, and the only policy dial.

2–5%	10–15%	25–30%
Low automation	Moderate displacement	Advanced displacement

X% is not fixed by statute. And it may be indexed to a measured indicator of displacement —I will show you a candidate iat the end.

If displacement reverses, X% falls and capital flows back to the firms. The dial can turn both ways.

PARAMETER TWO

Y% — firm deposit obligations follow their customers

Y% is the firm's share of its revenue that is earned from that country's customers.

If Mitsubishi earns 12% of its global revenue from Canadian customers, it deposits X% × 12% into the Canadian fund.

Rules anchored to domicile

Reincorporate in Dublin or the Caymans and the obligation disappears. Decades of inversion are the evidence.

Rules anchored to customers

Move the headquarters anywhere you like. If you still sell to Canadians, the obligation is unchanged.

You can move profits. It is very hard to move your customers.

THE TWO TOGETHER

The obligation and incidence – who bears the cost?

X% = 10% × Y% = 60% domestic sales = a 6% deposit of capital liabilities

The cost is dilution

The firm issues new shares to the fund. Total firm value is unchanged, but divided among more shares — so each is worth slightly less.

The cost falls on existing shareholders, and the wealthiest 1% hold over half of all equity wealth.

Secondary Capital Markets are Affected, Product markets are largely untouched

Nothing has entered the cost of making anything. Production cost, retail price and competitive behaviour are unchanged.

No consumer pays more. There is no deadweight loss.

Contributions across all countries sum to no more than X% when X% is conformed across countries — the conservation property, which is what makes the system safe for a country to join: no over-extraction

BENEFIT ONE

Money that was never in the budget

A programme that never enters the budget cannot be cut from the budget.

1. **It never competes for appropriation.**

   No line item competing against hospitals, schools or pensions. No costing exercise for a finance ministry to publish.

2. **It can survive a change of government.**

   Ontario's basic income pilot was cancelled in 2018 by an incoming administration. A deposit obligation written into trade and securities law is far harder to reverse.

3. **It survives fiscal stress.**

   Recessions cut tax revenue and raise borrowing costs — exactly when transfer programmes get trimmed and citizens need them most. Deposits do not depend on the fiscal position.

BENEFIT TWO

An obligation firms cannot relocate to avoid

Move the headquarters	Obligation follows customers. Nothing changes.
Shift the profits offshore	The base is capitalisation and revenue, not earnings. Transfer pricing has nothing to bite on.
Restructure into other units	Deposits across any partition of a firm sum to the original obligation.
Go private	Private capital stakes are inside the base, preserving parity with listed firms.

Think of CE as a licence fee for market access. Where enforcement is needed, the lever is that access itself.

BENEFIT THREE

Adoption spreads itself

1

Country A adopts CE

Firms from B selling into A now deposit into A's fund.

2

B faces an asymmetry

B's firms support A's citizens. A's firms give B's citizens nothing.

3

B's best reply is to adopt

Capturing reciprocal deposits from A's firms selling into B.

4

Both populations gain

And no firm pays more than X% in total, by conservation.

Tariff retaliation shrinks the trade pie. Citizen's Equity retaliation grows the ownership pie.

A coordination game, not a prisoner's dilemma. And countries that set X% above the norm lose sales to those below it, so the rates converge without a treaty. If one large economy adopted this, I would expect most of its trading partners to follow within a decade.

What it pays at X=10% — and what it does not

$60 – $130

per citizen per month, on three scenarios using the U.S. capital base alone. A family of four: $2,800–$6,200 a year.

$83

per month, Alaska's Permanent Fund in 2025. Forty years of operation, 81% approval across party lines — and no politician will touch it.

This is not a "livable" income in current conditions. But producing even $500/mo for every person in the U.S. would require ~44% of all U.S. traded capital.

It is a floor under every citizen, that grows with the economy, needs no vote to keep pace with prices, and cannot be rolled back in a budget round. But a guaranteed basic income does some work that CE cannot: it arrives immediately, and it can easily be adjusted for need. BI and CE are complements, not necessarily alternatives.

COMPARISON

The rest of the comparison, in one table

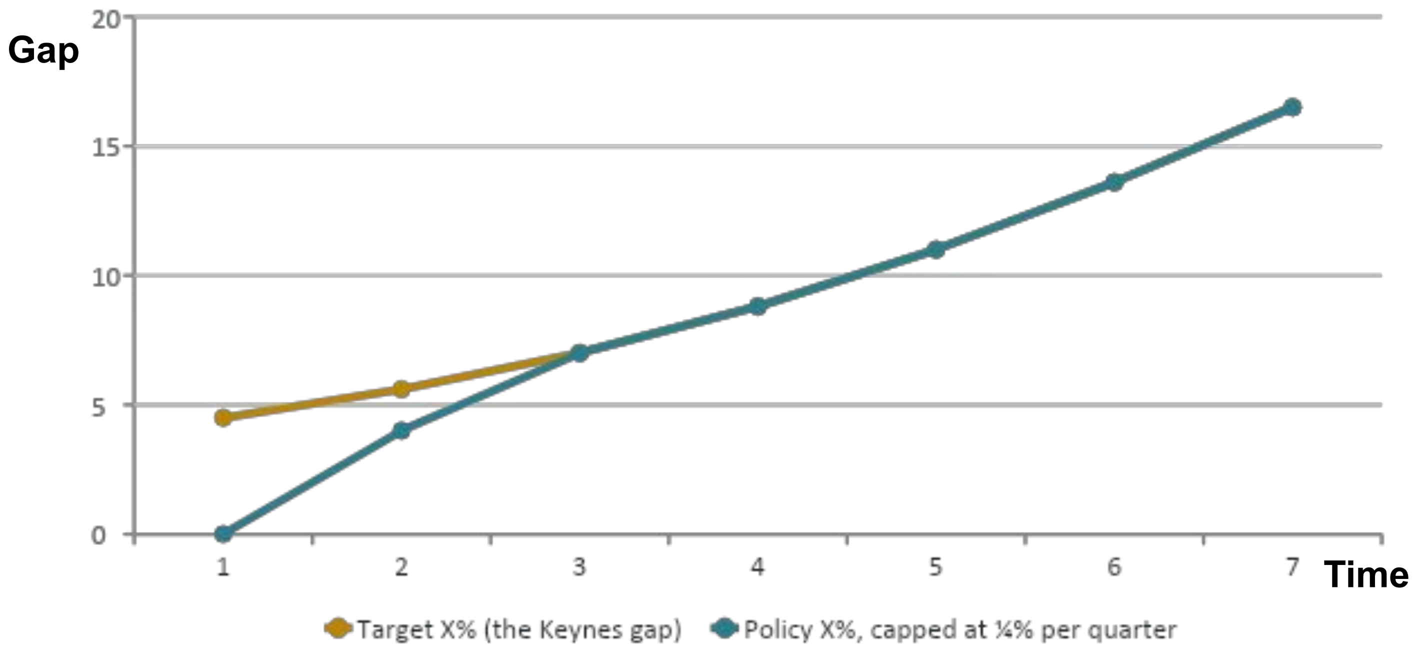
	Guaranteed / basic income	Citizens' Equity
Funded by	Taxation or borrowing	Corporate capital deposits
Competes in the budget	Every cycle	No
Growth in payment	Requires a legislative vote	Automatic, with the economy
Inflation	Erodes between adjustments	Tracks earnings and asset values
Avoidance exposure	Domicile tax base — mobile	Revenue geography — immobile
Administration	Benefit systems, means tests	Audited filings already required
Trade application	None	Partly replaces tariffs, without raising prices
International adoption	Country by country	Self-reinforcing cooperative game
Predictable payments	Yes	Varies with the market
Speed of relief	Immediate	Limited by the cap on changes in X
Needs-adjustment	Possible and routine	None — one share per citizen

The last three rows run the other way — which is the argument for running both programmes, not one.

CALIBRATION EXAMPLE

The Keynes Gap policy: setting X% by measurement

X target = (54% − labour's current share of national income)



Why 54%

Labour's share held near 54% across the advanced economies from 1880 to 1980 — the stability Keynes called one of the best-established facts in economics.

Why it matters

The rule turns a political argument into a measurement. Nobody debates how generous to be: the national accounts report the labour share, and X takes one small step toward the target.

In 2026 the gap is already about 4.5 points — so at ¼% per quarter we begin four to five years behind.

Citizens' Equity

1. **Ownership, not transfer.**

   Citizens hold a share of the productive economy rather than a claim on the treasury.

2. **Customers, not domiciles.**

   The obligation follows the one thing a corporation cannot relocate.

3. **Measurement, not argument.**

   The Keynes gap sets the target; the parameter steps toward it each quarter.

4. **Cooperation, not retaliation.**

   Adoption by one large economy makes adoption by its trading partners rational.

Thank you.

Paper, appendix and bibliography: citizensequity.org

CE Website

http://citizensequity.org

Reserve slides

Held for questions.

R1 Isn't this simply a wealth tax under another name?

R2 Doesn't dilution hit pension funds and retirement accounts?

R3 How is Y% computed for business-to-business firms?

R4 Why not fund a basic income from a sovereign wealth fund instead?

R5 What X% would fund a genuinely livable income?

R6 Why 54%? Isn't the Keynes constant arbitrary?

R7 What happens to the dividend in a market crash?

R8 Who counts as a citizen?

R9 Administration and the tariff comparison

“Isn't this simply a wealth tax under another name?”

1

No tax is levied and no revenue reaches the treasury.

The fund is capitalised by deposits of securities, not public expenditure. No appropriation, no new taxation, no borrowing. The binding constraint on this whole class of proposals has always been politically fragile funding; removing the fiscal intermediary is the point.

2

The base is corporate capital liabilities, not personal net worth.

No valuation of illiquid personal assets, no annual assessment of individuals, no exit-tax machinery. The base is audited securities already reported to regulators.

3

The legal characterisation is a condition of market access.

Analogous to pharmaceutical licensing, liquor regulation, environmental compliance, spectrum allocation. A government's authority to condition who may sell within its borders is well established — though this particular application has not been tested in court.

RESERVE R2

“Doesn't dilution hit pension funds and retirement accounts?”

Yes. Dilution reaches every holder, including pension funds, endowments and index investors.

Magnitude

A phase-in of ¼% per quarter — 1% annually — against a long-run equity return of 6–8%. The annual dilution is roughly one to two months of typical appreciation, absorbed by a market that grows over the same period.

Net position

Pension beneficiaries are also citizens holding supershares. Any household whose supershare income exceeds the dilution cost on its equity exposure is net positive — which is most households, because equity ownership is far more concentrated than population.

Where it is net negative

Households in the top percentiles, whose equity exposure greatly exceeds one per-capita share. That is the intended incidence, reached without any assessment machinery.

“How is Y% computed for business-to-business firms?”

The problem.
A components supplier has no direct consumer sales. Which country's citizens should its capital serve? Revenue must be traced through intermediaries to final consumers.

The model.
Firms are transient states; countries are absorbing states. Edge weights are revenue fractions. Q is the n×n matrix of inter-firm revenue shares, R the n×m matrix of direct-to-consumer shares.

The result.
The absorption probability matrix $B = (I - Q)^{-1}R$ gives Y%. Rows sum to 1, which is exactly the conservation property. Circular supply chains are handled automatically: the Neumann series converges because the spectral radius of Q is strictly less than one.

Worked example — four firms, two countries

Firm	Country 1	Country 2
A (B2B)	36%	64%
B (hybrid)	34%	66%
C (B2C)	40%	60%
D (B2C)	30%	70%

Feasibility

Q is extremely sparse, so sparse iterative solvers reduce this to near-linear time. Supply chains decompose into weakly connected components. Isomorphic to the Leontief inverse — the same algebra statistical agencies already run. OECD BEPS reporting above €750m collects much of the input.

RESERVE R4

“Why not fund a basic income from a sovereign wealth fund?”

It is a serious proposal.

Corneo (2018, 2022) has the government borrow at the risk-free rate, invest in global equity and capture the equity risk premium as a social dividend — showing formally that the arrangement can be Pareto-improving. Meade (1964) is the ancestor of the family; Atkinson (2015) and Lansley and Reed (2019) are the capital-endowment variants.

The funding channel is the difference

Those proposals depend on borrowing capacity, taxation or resource royalties — creating fiscal exposure, competition with every other claim on public revenue, and a ceiling set by sovereign borrowing capacity. Deposits here are capital, so the ceiling is market capitalisation.

Existing funds have no participation link

Norway, Singapore and Alaska are anchored to fixed natural resources or invested passively in global markets. None connects contributions to market participation, so none answers the jurisdictional-assignment question. Y% supplies that link.

Scaling behaviour differs

Corneo's fund returns depend on exogenous market performance. Deposits here are proportional to total capitalisation, which grows with domestic output and technological progress.

“What X% would fund a genuinely livable income?”

The moderate scenario — an 8% effective rate on a $64.2 trillion base — yields $91 per citizen per month.

Reaching the $500 monthly level common in pilots would require roughly 44% of total market capitalisation at the same return assumptions.

What that figure measures

The arithmetic scale of the ownership problem — and the argument for indexing X% to displacement rather than fixing it. As labour contributes a declining share of output, the share of capital returned to citizens as owners rises correspondingly. Under the Keynes rule the target reaches 25–30% only when labour's share has fallen to the mid-twenties. Note also that these figures use the U.S. capital base alone.

What it also means

Citizens' Equity does not reach livable levels on any near-term horizon. A 44% deposit rate is not a policy proposal; it is a description of how far the ownership problem has run. Anyone presenting this as an immediate substitute for an income floor is misreading the arithmetic.

“Why 54%? Isn't the Keynes constant arbitrary?”

1 **It is empirical, not normative.**

Labour's share held near 54% across roughly 35 OECD economies for a century, from 1880 to 1980, through wars, depressions, and three industrial revolutions. It is the one distribution we have direct evidence a market economy can sustain indefinitely.

2 **Any anchor is a policy choice; this one is at least observable.**

A different parliament might prefer 50%, or the 1970 peak, or a moving average. What the rule supplies is not the number but the structure: a published statistic minus a measured statistic, computed quarterly, rather than a figure negotiated in a budget round.

3 **It self-limits.**

If labour's share recovers, the target falls and deposits taper — capital returns to the firms. The mechanism does not ratchet. It is a response to displacement that switches itself off if displacement reverses.

“What happens to the dividend in a market crash?”

1

Distributions fall, and the fund does not sell.

Acquire-and-hold means a price decline forces no liquidation. What falls is the income stream — dividends and coupons — which is far less volatile than capital values. Corporate dividends fell about 20% peak-to-trough in 2008–09 while equity prices fell more than 50%.

2

The bond component provides a floor.

Roughly a fifth of the eligible base is corporate debt. Coupons continue through equity drawdowns, materially smoothing the distribution relative to a pure equity holding.

3

Deposits are counter-cyclical in real terms.

The obligation is a percentage of capital liabilities, so the fund acquires more shares per unit of deposit when valuations are depressed. The phase-in buys through the cycle.

4

This is a genuine difference from a cash transfer.

A budgeted income holds its nominal level in a downturn; this does not. It is the price of the growth linkage, and the strongest argument for holding both instruments.

“Who counts as a citizen?”

This is a political question the mechanism does not answer, and I want to be clear that it does not.

What the design does specify	One share per person, equal, non-transferable, issued at entry to the citizen body and extinguished on exit. Shares cannot be accumulated, inherited, pledged, or held by corporations, trusts or non-residents.
What it leaves open	Residency requirements, treatment of long-term residents and dual nationals, minors' shares held in trust versus paid to guardians, and whether emigrants retain a claim. Alaska uses a one-year residency test; national systems would need their own.
The pressure the design creates	Because the fund's assets are fixed at any moment and shares are equal, admitting a person dilutes every existing share slightly. That makes eligibility contested in a way an income transfer is not — and it deserves explicit constitutional treatment rather than administrative discretion.

Administration, and the comparison with tariffs

A tariff system requires

- Customs inspectors at every port
- Schedules running to thousands of pages
- Shipment-by-shipment classification
- Bonded warehousing and dispute machinery

Citizens' Equity requires

- Audited financial statements — already filed
- Revenue by destination — already collected under OECD BEPS
- One share-register entry per firm, per quarter

The same imported car, two regimes

A 25% tariff adds $5,000 to a $20,000 vehicle; pass-through runs near 100%, and the cheapest varieties rise roughly twice as much as premium goods. Under CE the firm deposits 2.5% of its capital liabilities and the car still costs $20,000 — consumer surplus preserved, no deadweight loss.

Phase one covers roughly 1,000 firms above $10bn capitalisation — about 80% of market value. A thousand compliance relationships, not a hundred million taxpayers.