



CITIZENS' EQUITY

-- A Plan to Manage the AI Revolution Better Than We Managed the Industrial Revolution

Version 1.0

(c) Mark B. Garman, 2025-26

<https://orcid.org/0009-0006-2542-8750>

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About the Author

Mark B Garman is Emeritus Professor of Finance, Haas School of Business, University of California, Berkeley, and founder and former CEO of Financial Engineering Associates, Inc, a Berkeley fintech company. His academic articles can be found at [ResearchGate.net](https://www.researchgate.net/profile/Mark-B-Garman).

Executive Summary

The Challenge: The United States faces an unprecedented concentration of wealth as artificial intelligence and automation displace human labor. Income inequality has reached a 50-year high with a Gini coefficient of 0.494 in 2021¹, while McKinsey projects 50% automation of work activities between 2030-2060, accelerated by artificial intelligence (AI)². Current welfare approaches cannot address this fundamental shift from labor-based to capital-based wealth creation.

The Solution: Citizens' Equity (CE) democratizes ownership of productive assets rather than redistributing income after the fact. Under CE, every citizen receives an equal stake in the economy's capital through a sovereign fund ("CE fund") that collects and maintains capital contributions from corporations based on their market presence and sales to domestic customers.

The Mechanism: Corporations contribute X% of their stakeholder liabilities (stocks, bonds, warrants, etc.) to a national CE fund, adjusted by Y% (their percentage of domestic sales). Citizens receive equal shares in the CE fund, earning dividends from economic growth rather than fixed government payments.

The Opportunity: Unlike Universal Basic Income (UBI), CE creates stakeholders rather than dependents, provides automatic inflation protection, adapts to economic cycles, and scales with technological progress. Alaska's Permanent Fund Dividend, paying \$1,702 per resident in 2024³, demonstrates successful precedent for universal ownership sharing.

The Urgency: AI adoption jumped from 33% to 65% of organizations in just 10 months during 2023-2024⁴, while McKinsey's automation timeline has accelerated to project 50% of work activities automated by 2045—a full decade sooner than previous estimates⁵. This exponential pace of technological displacement, combined with the logical certainty that AI systems will continue improving themselves, means the window for proactive democratic reform is narrowing rapidly. Without immediate action to redistribute capital ownership, we risk permanent entrenchment of a technological oligarchy that could prove impossible to reform through democratic means.

Preface: Why This Book Matters Now

A Personal Journey to Citizens' Equity

By the time I was 12 years old in the 1950s, my life's plan (and that of my cohort) was completely clear. I would go to college, meet my future spouse, marry shortly after graduating, get a job, live in an apartment for two or three years while starting a family, and then buy a house. And in fact, I did all this, and now enjoy a comfortable retirement near my grandchildren. But the older ones tell me very troubling stories of the difficult economic environment they now face, and frankly they hold little hope of buying a home or even affording children. And in reading the tea leaves of the near future, I can clearly see that it's soon going to get much worse. So this book began with a simple question that kept me awake at night: What happens when young people find it impossible to build up personal capital by selling their labor? More generally, what happens to our democracy and to our society, when most people can't earn a living by working?

My working life was about teaching and researching financial theory, and I was always a firm believer in Milton Friedman's arguments that free-market capitalism has brought more good to more people than any other economic system known. I still believe this, but have recently come to realize that unless some fundamental reforms are made to this system soon, the system and its concomitant freedoms will not survive future events. We are in a silent economic crisis of enormous proportions.

Today, 59% of Americans cannot cover a \$1,000 emergency expense using savings, and 53% live paycheck to paycheck, including 32.3% of those earning over \$100,000 annually⁶. Meanwhile, the top 1% of income earners captured 23% of total income in 2023, while the bottom 50% earned just 10.7%⁷. And AI automation isn't a temporary disruption—it's the early stages of an economic transformation as significant as the Industrial Revolution. The difference is that this time, machines aren't just replacing our muscles—they're replacing our minds.

The Inadequacy of Current Solutions

For years, I followed the debates about Universal Basic Income (UBI) with interest but growing skepticism. Over 150 guaranteed income pilot programs have operated across the country, spending more than \$2.35 billion, with some promising results⁸. People spent the money responsibly, stress levels decreased, and some even found employment more easily. But something fundamental bothered me about the approach.

UBI treats citizens as dependents of a system rather than stakeholders in it. No matter how generous the payments, recipients remain fundamentally disconnected from the source of wealth creation. In an economy increasingly dominated by capital ownership, this seemed like a dead-end solution, more likely to exacerbate the problem than to solve it.

Moreover, the pilot UBI payment sizes seemed to be simply pulled from the air, with little thought as to their sustainability. How could their determination via any political process possibly be linked sensibly to economic realities?

The more I considered economic history, the more convinced I became that ownership, not income, is the key to shared prosperity. Every successful democracy has depended on a broad middle class with a stake in the system's success. What happens when that stake disappears?

Why Citizens' Equity Is Different

Citizens' Equity (CE) represents a fundamentally different approach. Instead of redistributing income after the fact, it redistributes (gradually and partially) ownership from the beginning. Every citizen becomes a shareholder in the economy's success, sharing in both the risks and rewards of economic growth.

This isn't socialism—it's capitalism made more universal. It's the logical extension of democratic principles into the economic sphere. If we believe in "one person, one vote" politically, why not "one person, one share" economically? Well, one reason is we know that some extreme Marxist experiments in this direction failed spectacularly, devolving into complete loss of individual incentives to contribute economically, rampant corruption, and dictatorship. But suppose instead we could design a hybrid system that could be carefully "tuned" to exploit the best features of the two extremes, both preserving the incentives to contribute, while partially sharing the benefits of ownership? Suppose we could also create strong incentives for other countries to do the same? This is the version of CE we present here.

The Urgency of Now

This book argues that we have a narrow window to implement such economic reforms before automation and artificial intelligence create near-irreversible concentrations of wealth and power. The trends are alarmingly clear and accelerating:

- Artificial intelligence automation is advancing exponentially, with 50% of work activities potentially automated by 2045, a decade earlier than previously estimated⁹.
- Wealth concentration has reached levels not seen since the 1920s, with the U.S. Gini coefficient hitting 0.494 in 2021¹⁰.
- Labor's share of income continues its decades-long decline from 54% in 1980 to 50.5% in 2014, with acceleration since 2000¹¹.
- Political institutions even now are straining under the pressure of economic inequality.

We can either act proactively to shape this transition, or reactively respond to its consequences. History suggests that extreme inequality leads to social upheaval and democratic breakdown, and the "January 6" event has already given us only a small foretaste of what could lie ahead on that path. CE offers a peaceful path towards a more equitable future.

What You'll Find in This Book

This book is written for thoughtful citizens who want to understand the economic forces reshaping our world and consider bold solutions to the challenges ahead. You don't need an economics degree to follow the arguments, but it does require an open mind and a willingness to think beyond conventional policy debates. (If you want to dig into the details, look at the chapter endnotes; otherwise, you can skip them.)

Chapter 1 provides the historical context, showing how the balance between labor and capital has shifted throughout economic history and why the current transition is both unprecedented and irreversible.

Chapter 2 examines how artificial intelligence and automation are accelerating wealth concentration, creating winner-take-all dynamics that threaten social and economic cohesion.

Chapter 3 analyzes the extensive real-world experience with Universal Basic Income programs, extracting valuable lessons while identifying fundamental limitations.

Chapter 4 presents the CE alternative, explaining why gradual ownership redistribution creates more resilient and democratic outcomes than income redistribution.

Chapter 5 examines the detailed meanings of the parameters of the CE plan: X% as the economic policy variable reflecting the extent of job displacement, and Y% as a trade-related automatic parameter.

Chapter 6 demonstrates how CE's equity-based market access fees can replace tariffs, shifting the cost of trade from domestic consumers to global shareholders while transforming international rivalry into mutual, synergistic stakeholding.

Chapter 7 tackles the practical challenges of implementation, including international coordination and political feasibility.

Chapter 8 shares my personal reflections on the values and principles that should guide such a transformation, including the constitutional imperative of equal treatment and the importance of maintaining citizen engagement in economic life.

Chapter 9 deals with the natural suspicions and objections that arise whenever plans to redistribute wealth are presented.

A Call for Serious Debate

I don't claim to have all the answers. CE is a big idea that will require refinement, experimentation, and undoubtedly some course corrections. What I do claim is that we need big ideas commensurate with the challenging scale of the transformation that lies ahead. I also don't claim any originality in the CE idea, which has circulated repeatedly under various names and forms from time to time. What I can perhaps add to it are my arguments of its merits in the new context of the AI Revolution and a simple scheme to minimize the pains of transition, along with an elegant mechanism to internationalize and encourage its adoption by multiple countries.

The Industrial Revolution ultimately created unprecedented prosperity, but only after decades of social upheaval and political struggle. We have the opportunity to manage the AI Revolution more thoughtfully, ensuring that its benefits serve all humanity rather than just a privileged few.

That opportunity won't last forever. The time for serious debate about fundamental economic reform is now, while democratic institutions still have the power to shape outcomes rather than merely react to them.

This book is my contribution to that debate. I hope it inspires others to think boldly about the future we want to create and the steps necessary to achieve it.

The choice before us isn't between capitalism and socialism, or between growth and equality. It's between inclusive capitalism and extractive capitalism, between democracy and oligarchy, between hope and despair.

Endnotes

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Chapter 1: The Great Shift - From Labor to Capital in Economic History

The Historic Journey of Production Inputs

To understand where we're heading, we must first understand how we got here. The relationship between labor and capital has undergone dramatic transformations throughout human history, and we're in the midst of another seismic shift.

For nearly three millennia, from 1000 BC to 1750 AD, economic growth averaged only 0.01% per year¹². Global living standards were essentially flat. Then something extraordinary happened: the Industrial Revolution unleashed unprecedented prosperity, with GDP growth per person averaging 1.5% annually since 1750. This may sound small, but through the magic of compounding, it meant that each generation became roughly one-third better off than the previous one.

But this growth didn't happen in isolation. It fundamentally altered the relationship between those who worked and those who owned the means of production.

When Workers Ruled: The Labor-Dominant Era (1800-1980)

For most of modern economic history, human labor was the dominant input to production. Even as machines became more sophisticated, they remained tools that amplified human capability rather than replaced it.

Labor's share of income in 35 advanced economies remained remarkably stable from 1880 to 1980, hovering around 54 percent¹³. This stability reflected an economy where human work—physical and mental—was the primary source of value creation.

Consider the breadth of this stability. Workers in factories, farms, and offices drove economic growth through their labor. Capital—machines, buildings, and financial assets—was important, but primarily as a complement to human effort. A textile mill was valuable because of the workers who operated it. A farm's productivity depended on the farmers who cultivated it. Office space and desks meant nothing without the office workers doing their jobs.

In parallel with this labor-dominant era, the structure of the economy itself was evolving. In the UK, for instance, services accounted for around 50% of total output in 1950, with manufacturing, construction and agriculture making up the rest. Fast forward to today: services now account for 80% of total output. This shift seemed to reinforce labor's importance—services are inherently human-centered, requiring interpersonal skills, creativity, and judgment that machines couldn't replicate.

Or so we thought.

The Silent Capital Revolution: How Ownership Became Everything

The transition wasn't sudden—but it was profound. Since 2000, the decline in labor's share of income has accelerated more than in any previous period, falling from around 54 percent in 1980 to 50.5 percent in 2014, marking a fundamental shift in how economic output is distributed¹⁴.

Several factors drove the increase in capital's share of income:

Rising Depreciation: "Depreciation" represents the actual decline in function and usefulness of physical assets. Fast-rising depreciation is the second-largest contributor to the increase in gross capital share, accounting for roughly one-fourth (26 percent) of the total¹⁵. This wasn't just accounting—it represented a fundamental change in the nature of capital itself.

The key insight is this: GDP is measured "gross" (before depreciation), but what actually gets distributed to workers and capital owners is "net" (after depreciation). When depreciation increases, there's less "net" income available to split between workers and capital owners, even if GDP stays the same. As our economy shifted from durable physical assets to rapidly obsolescing digital assets, this effect became pronounced. Today, it is highly visible in the massive fund-raising of the core AI companies (ChatGPT, Anthropic, Google), much of which simply replaces the rapid depreciation of AI investments made only a few months ago, as AI technology has advanced so quickly.

The Intellectual Property Revolution: One reason depreciation has become such a large factor is the increase in the share of intellectual property products in investment—software, databases, and research and development—which depreciates faster than traditional capital investments. A factory building might last 30-50 years, but software often becomes obsolete in 2-3 years. Computer systems typically need replacement every 3-5 years, and R&D investments can become worthless overnight if competitors innovate faster.

Superstar Effects: Market concentration allowed dominant firms to capture larger shares of economic value, with returns flowing primarily to capital owners rather than workers. When a few technology platforms dominate entire markets—think Google in search, Amazon in e-commerce, or Facebook in social media—they can extract enormous profits while employing relatively few workers. These "superstar firms" demonstrate unprecedented returns to scale, where the winner captures disproportionate market share and profits.

Globalization: Export orientation and global competition emerged as major factors associated with declining labor share since the 1980s in OECD countries, as large export-oriented firms gained more bargaining power to drive wages down¹⁶.

This isn't just an accounting change, it instead represents a fundamental rewiring of the economy. When production shifts from physical factories filled with workers to cloud servers running algorithms, the ownership of those algorithms becomes everything.

The Numbers Don't Lie: Capital's Growing Dominance

The data reveals the scope of this transformation:

Global Wealth Concentration:

- The world's richest 1 percent owned 47.5 percent of all global wealth in 2023, equivalent to roughly \$214 trillion¹⁷
- Adults with less than \$10,000 make up nearly 40 percent of the world's population, but hold less than 1 percent of global wealth

U.S. Specific Concentration:

- As of 2021, the top 1% of U.S. households held 30.9% of the country's wealth, while the bottom 50% held just 2.6%¹⁸
- The richest 1% owns 54% of public equity markets, up from 40% in 2002

Income Inequality Trends:

- The U.S. Gini coefficient peaked at 0.494 in 2021, then with the pandemic fell slightly to 0.485 in 2023—still among the highest levels in 50 years¹⁹
- After-tax income inequality increased more than 25% since the mid-1970s, and by as much as 50% when comparing the 90th and 10th percentiles

These aren't just statistics—they represent the mathematical outcome of an economic system where capital ownership increasingly determines economic outcomes.

The Acceleration: When Change Became Exponential

What makes the current period historically unique is the rate of acceleration. During the pandemic and cost-of-living crisis years since 2020, \$26 trillion (63 percent) of all new wealth was captured by the richest 1 percent, while \$16 trillion (37 percent) went to the rest of the world put together²⁰.

This represents an unprecedented concentration of economic gains. A billionaire gained roughly \$1.7 million for every \$1 of new global wealth earned by a person in the bottom 90 percent.

The acceleration reflects several converging factors:

Digital Scalability: Unlike physical assets, digital capital can scale infinitely at near-zero marginal cost. A software algorithm or AI model, once created, can be deployed globally without much additional labor. Consider the difference between a traditional taxi company that must buy physical cars for each driver, versus Uber's platform that can serve millions of customers worldwide through the same core software system.

Network Effects: Digital platforms become more valuable as more users join, creating winner-take-all dynamics that didn't exist in the physical economy. Facebook becomes more valuable to each user as more of their friends join. Amazon's marketplace becomes more attractive to buyers as more sellers participate, and vice versa. In other words, the network cohesion itself is a creator of synergistic value.

Compound Returns: Billionaire fortunes have increased by \$2.7 billion a day, demonstrating how accumulated capital generates returns that can be reinvested to generate even higher returns.

Anti-Monopoly Enforcement Failures: The regulatory system designed for the industrial economy has proven inadequate for addressing digital monopolies. Whereas trust-busters of the 1910s knew how to break up Standard Oil (vertically, geographically), today's antitrust enforcers struggle with how to remedy network-dependent and highly-scalable digital monopolies.

Why Your Grandchildren May Never "Work" for a Living

The trajectory is clear and accelerating. As estimated by McKinsey, activities that account for up to 30 percent of hours currently worked across the US economy could be automated by 2030, accelerated by generative AI²¹. What then will happen to the total real income generated by labor? Will it also drop by 30% by 2030? Or perhaps be buoyed up by newly-created labor-requiring jobs?

Exploring the timeline of the AI Revolution, we might mark it as starting with the release of ChatGPT(OpenAI) in late 2022. By the end of 2024, a significant amount of computer programming activity was already displaced. In 2025, a large focus has centered on "agentic" AI, that is, not just "thinking," but "doing" as well. For example, avatars backed by AI can now conduct remote job interviews and testing, and write up a management report on the results.

The timeline may be much more aggressive than many realize. McKinsey has sped up its predictions for the "pace of workforce transformation," projecting half of work activities to be automated between 2030 and 2060, with a midpoint in 2045—a decade sooner than previously estimated²². Given their estimate of 30% automation by 2030, vs 50% by 2045, this appears to assume a substantial slow-down in the rate of growth in automation adoption. However, keen observers of the computer industry will take note of Moore's Law, the idea that computer capability has persistently doubled about every two years. Add Moore's Law to the fact the AI will soon (if not already) be tasked with improving itself, it seems quite probable that AI skill levels and the rate of adoption will in fact accelerate greatly.

But consider what even the McKinsey forecast means for a child born in 2025:

By age 20 (2045): Half of current work activities automated

By age 35 (2060): The vast majority of routine cognitive and physical tasks automated

By age 50 (2075): Even creative and interpersonal work increasingly augmented or replaced

The McKinsey forecast calls the jobs lost as "displacements," which implicitly assumes that at least some new jobs will be created. But which of these new jobs will not themselves be subject to AI automation? *What more is there to a job beyond thinking and doing, both of which may soon be done faster, cheaper, and better, by AI?*

This isn't necessarily dystopian—it could be utopian if we restructure capital ownership accordingly.

The Historical Parallel: Land Reform and Capital Concentration

History provides a cautionary tale about capital concentration. In medieval times, both in Europe and Asia, capital in the form of land and precious metals was highly concentrated. China's history is particularly instructive: the empire experienced 40-odd recurring cycles of land redistribution followed by reconcentration that historians call the "dynastic cycle."²³

Traditional Chinese governance relied on the principle of "land to the tillers" during periods of dynastic founding, but over generations, land would gradually concentrate in the hands of wealthy families and corrupt officials. This pattern occurred repeatedly throughout Chinese history, from the Han dynasty (206 BC – 220 AD) through the Qing dynasty (1644-1912). When land concentration reached extreme levels, peasant rebellions

would force violent redistribution, often coinciding with dynastic collapse and civil war.

The 20th century saw this cycle accelerate dramatically. The Chinese Communist Party's massive land reform movement from 1946-1953 redistributed over 40 million hectares of land to more than 300 million peasants—one of the largest redistributions of wealth in human history. Yet within decades, the collectivization policies that followed effectively reconcentrated control over agricultural land, demonstrating how difficult it is to maintain broad-based ownership without institutional safeguards.

The pattern is clear: concentration → social tension → violent redistribution → reconcentration. The cycle repeated because the reforms addressed symptoms (who owned the land) rather than the underlying system (how ownership was determined and maintained).

Today's capital concentration follows a similar pattern, but with key differences:

Scale: Modern capital markets are global, making concentration even more extreme.

Speed: Digital capital can concentrate much faster than physical assets.

Mobility: Unlike land, modern capital can move instantly across borders.

Productivity: AI and automation make capital far more productive than historical forms.

The Democratic Stakes

The relationship between economic and political power is fundamental to democratic governance. Among industrial nations, the United States is by far the most top-heavy, with much greater shares of national wealth and income going to the richest 1 percent than any other country²⁴.

This concentration threatens democratic institutions in several ways:

Political Capture: Extreme wealth translates to disproportionate political influence through campaign contributions, lobbying, and media ownership. The 2010 Citizens United v. Federal Election Commission Supreme Court decision exemplifies this dynamic, allowing unlimited corporate spending on elections through determining such spending represents "free speech."

Economic Instability: When the bottom 50% of Americans hold only 2.6% of total wealth while facing rising costs for housing, healthcare, and education, many families resort to debt to maintain living standards. Credit card debt, student loans, and mortgage obligations have reached historic highs, with 12% of adults borrowing money to pay medical bills totaling \$74 billion.

Social Cohesion: When most citizens lack meaningful economic stakes, social solidarity erodes and populist movements emerge. The rise of authoritarian populism across democratic countries correlates strongly with areas where traditional middle-class employment has disappeared while wealth has concentrated among distant elites.

Innovation Distortion: Extreme concentration can actually reduce innovation by creating incumbent advantages that discourage competition. When a few large technology companies control vast resources and can acquire potential competitors before they pose serious threats, the pace of innovation may slow rather than accelerate.

Learning from Successful Ownership Distribution: The Alaska Model

Alaska's Permanent Fund, established in 1976, provides a compelling precedent for universal ownership sharing. The fund requires that at least 25% of mineral royalties be invested in a diversified portfolio, with annual dividends paid to all residents.

Track Record of Success:

- In 2024, each Alaskan resident received \$1,702, with over 600,000 eligible recipients²⁵
- The largest dividend was \$3,269 in 2008, demonstrating the system's ability to share in economic booms
- Public support is widespread, with 81% of Alaskans saying the fund's payouts improve their quality of life
- Research shows the dividend reduced Alaska's poverty rate by 20-40% and had no significant negative effect on employment²⁶

Key Lessons:

- Universal payments (regardless of age or income) maintain broad political support
- Automatic distributions based on fund performance largely eliminate political battles over payment levels
- Diversified investment provides stability across economic cycles
- The system becomes more valuable over time through compound returns

Alaska demonstrates that sharing the profits from common inheritance is both a matter of justice and a practical, popular, and politically acceptable means to improve lives and provide security. However, Alaska's model is limited to natural resource revenues. CE extends this principle to the entire productive economy.

The Path Forward

Understanding this historical shift is crucial because it reveals that our current economic challenges aren't temporary disruptions to be weathered, but permanent structural changes to be managed.

The choice isn't whether to accept technological progress—that's inevitable. The choice is whether that progress serves a narrow elite or benefits all citizens. History shows that extreme capital concentration is neither economically efficient nor politically sustainable.

Citizens' Equity offers a different path: instead of fighting technological progress or accepting its unequal benefits, we can democratize ownership of the capital that drives economic growth.

The next chapter examines how artificial intelligence and automation are accelerating these trends, creating both unprecedented challenges and unprecedented opportunities for economic democracy.

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Chapter 2: The Concentration Crisis - How AI & Automation Accelerate Wealth Inequality

The New Machines That Think and Build

Unlike previous technological revolutions, artificial intelligence doesn't just replace routine tasks—it's replicating human cognition itself. This fundamental difference makes the current transformation both more profound and more threatening to existing economic structures than anything we've experienced before.

The Industrial Revolution mechanized human muscle. The computer revolution mechanized human calculation. The AI revolution is mechanizing human thought itself—pattern recognition, decision-making, creativity, and even social interaction. When machines can think, the economic value of human thinking diminishes dramatically.

The International Monetary Fund's analysis finds that almost 40% of global employment is exposed to AI, with a key distinction from previous automation: AI's ability to impact high-skilled jobs²⁷. Historically, automation affected routine, predictable tasks while leaving cognitive work to humans. AI eliminates this refuge.

Consider the scope of cognitive automation already underway. Legal document review, medical diagnosis, financial analysis, news writing, customer service, and even computer programming—all traditionally high-skill, high-wage occupations—are increasingly performed by AI systems that work faster, cheaper, and often more accurately than humans.

McKinsey's research estimates that AI could deliver additional global economic activity of around \$13 trillion by 2030—about 16% higher cumulative GDP compared with today²⁸. This represents an annual GDP growth boost of 1.2%, comparable to other general-purpose technologies throughout history. But unlike previous technological revolutions, this wealth creation is not widely distributed.

The Explosive Growth of AI Adoption

If 2023 was the year the world discovered generative AI, 2024 is the year organizations truly began using it. In McKinsey's latest survey, 65% of respondents report their organizations are already regularly using gen AI, nearly double the percentage from just ten months ago²⁹.

The pace of adoption is unprecedented:

Organizational Integration: Half of respondents say their organizations have adopted AI in two or more business functions, up from less than a third in 2023. The average organization using gen AI is doing so in two functions, most often in marketing and sales and in product and service development.

Executive Engagement: Nearly one-quarter of surveyed C-suite executives say they are personally using gen AI tools for work, and more than one-quarter of respondents from companies using AI say gen AI is already on their boards' agendas.

Investment Acceleration: 40% of respondents say their organizations will increase their investment in AI overall because of advances in gen AI.

Performance Breakthroughs: GPT-4 can pass the Uniform Bar Examination ranking in the top 10% of test takers, and answer 90% of questions correctly on the US Medical Licensing Examination³⁰.

The Mathematics of Exponential Concentration

The concentration of AI-generated wealth follows mathematical patterns that make extreme inequality virtually inevitable under current ownership structures. Three factors combine to create what economists call "superstar effects," on steroids:

Winner-Take-All Market Dynamics

AI markets naturally tend toward monopolization because of several reinforcing factors:

Network Effects at Scale: The value of AI platforms increases exponentially with the number of users. Google's search algorithm becomes more accurate with each query. Facebook's social network becomes more valuable as more people join. Amazon's recommendation engine improves with each purchase. These network effects create natural monopolies where the dominant platform captures most economic value.

Data Advantages: Success breeds more success because AI systems improve with more data. Companies with the largest datasets can build the best AI systems, which attract more users, generating more data, creating an insurmountable competitive moat. This data flywheel effect means early winners tend to become permanent winners.

Capital Requirements: Training state-of-the-art AI models now costs hundreds of millions of dollars and requires massive computing infrastructure. Only the largest tech companies can afford these investments, creating barriers to entry that didn't exist in previous technological eras.

The Compound Advantage Problem

Unlike physical businesses that face capacity constraints, digital AI systems can scale infinitely at near-zero marginal cost. Once developed, an AI system can serve millions of customers simultaneously without much additional labor or significant incremental investment.

This scalability means that successful AI investments generate returns that compound exponentially rather than linearly. A traditional manufacturer might double production by building another factory and hiring more workers. An AI company can double its customer base by simply allocating more server capacity.

The mathematics are stark: if a physical business grows 20% annually, it doubles in about 3.5 years. If an AI business grows 100% annually—which many have achieved—it doubles every year. After a decade, the AI business would be 1,000 times larger while the physical business would be only 6 times larger.

Capital's Complete Victory

The data reveals how thoroughly this concentration has accelerated. The acceleration is staggering. By 2023, the world's 2,781 billionaires collectively held \$14.2 trillion in wealth—an amount exceeding the GDP of every country except the United States and China³¹. Meanwhile, at least 1.7 billion workers worldwide lived in countries where inflation outpaced wage growth, eroding their purchasing power even as asset values soared.

But this isn't temporary disruption—it's the new normal. Billionaire fortunes have increased by \$2.7 billion per day, while at least 1.7 billion workers live in countries where inflation outpaces wages. And the AI revolution is accelerating these trends, not reversing them.

The Unique Properties of Digital Capital

Digital capital possesses characteristics that fundamentally differ from physical capital, making wealth concentration both faster and more extreme than anything possible in the industrial economy.

Zero Marginal Cost Replication

Once created, digital assets can be copied and deployed infinitely without additional labor or materials. A physical product requires raw materials, manufacturing, and shipping for each unit. A digital product—whether software, AI model, or platform—can serve unlimited customers at near-zero additional cost.

This property means that successful digital investments can generate enormous profit margins, beyond what is possible with physical products. When Microsoft sells another copy of Windows or when Netflix streams to another subscriber, the incremental cost is negligible, so the revenue is all-profit.

Instant Global Distribution

Digital products can reach global markets instantaneously, without the logistics, distribution networks, or local partnerships required for physical goods. An AI application can be downloaded worldwide the moment it's completed. A digital platform can serve customers on every continent simultaneously.

This global reach means that digital winners don't just dominate local markets—they can capture global market share with unprecedented speed. Physical businesses might take decades to achieve international presence. Digital businesses can go global in months or even weeks.

Self-Improving Assets

Perhaps most importantly, AI systems can improve themselves through use. Traditional capital depreciates over time—machines wear out, buildings decay, patents expire. AI systems appreciate through use—they become smarter, more accurate, gain more data, and become more valuable as they process more data and handle more tasks.

This self-improvement creates a fundamental asymmetry: while physical capital requires constant investment to maintain value, AI capital will become more valuable automatically. The rich don't just get richer from passive returns—their assets actively improve themselves.

The Failure of Traditional Economic Models

Classical economic theory assumes that technological progress ultimately benefits everyone through increased productivity and falling prices. The "Solow model" of economic growth predicts that innovations boost overall economic output, creating gains that eventually reach all participants through higher wages and lower costs.

AI breaks these assumptions in several ways:

The Productivity Paradox

While AI dramatically increases productivity, the benefits don't flow to workers as economic theory predicts. Instead, productivity gains translate directly into higher profits for capital owners while wages stagnate or decline.

Goldman Sachs economists predict that advances in automation could affect 300 million full-time jobs, with up to half the workload of affected occupations potentially automated³². But unlike previous technological revolutions that created new types of jobs, AI threatens to eliminate entire categories of human cognitive work without clear replacement opportunities.

The Skills-Premium Reversal

Previous technological changes typically increased demand for skilled workers while displacing unskilled labor. The computer revolution, for example, increased wages for college-educated workers while reducing demand for manufacturing jobs.

AI reverses this pattern. Many routine cognitive tasks performed by college-educated professionals—legal research, financial analysis, medical diagnosis—are easier to automate than physical tasks requiring manual dexterity and real-world problem-solving. Paradoxically, a construction worker's job may be more secure than a radiologist's.

The Innovation Capture Problem

Economic theory assumes that innovation benefits spread throughout the economy through competition and imitation. If one company develops a profitable innovation, competitors will copy or improve upon it, driving down prices and spreading benefits to consumers.

AI innovations, however, are increasingly protected by data moats, network effects, and massive capital requirements that prevent competitive replication. Google's search algorithm, Facebook's social graph, and Amazon's recommendation engine cannot be easily copied or replaced because they depend on unique datasets and network positions that took years to build.

Regional and Global Inequality Effects

The AI revolution's impact varies dramatically across different regions and countries, potentially exacerbating global inequality even as it concentrates wealth within countries.

The Advanced Economy Advantage

In emerging markets and low-income countries, AI exposure is expected to be 40% and 26% respectively, compared to higher levels in advanced economies³³. This initially seems protective, but it actually represents a disadvantage. Many developing countries don't have the infrastructure or skilled workforces to harness AI's benefits, raising the risk that the technology will worsen inequality among nations.

Advanced economies with robust digital infrastructure, educated populations, and capital markets are positioned to capture most of AI's economic gains. Countries that cannot participate in the AI revolution risk being left further behind as their comparative advantages in low-cost labor become irrelevant.

The Urban-Rural Divide

Within countries, AI's benefits concentrate in major metropolitan areas with technology infrastructure and educated workforces. Rural areas, which often depend on routine cognitive work like data processing, customer service, or basic analysis, face disproportionate job displacement without corresponding opportunities.

This geographic concentration exacerbates political tensions between urban and rural populations, contributing to the populist movements and democratic instability we're witnessing globally.

The Generational Cliff

Perhaps most troubling is AI's differential impact across age groups. Younger workers may find it easier to adapt to AI-augmented work, while older workers could struggle with technological transitions. But even young workers face uncertain prospects in an economy where human cognitive labor has diminishing value.

A child born today will enter the job market around 2045—precisely when McKinsey projects that half of current work activities will be automated. What economic role will such workers play in an AI-dominated economy?

The Social and Political Consequences

Extreme wealth concentration driven by AI doesn't just create economic problems—it threatens the foundations of democratic society.

Democratic Capture

When a small number of tech billionaires control the platforms through which most political communication occurs, democratic discourse itself becomes subject to private control. Facebook and Twitter's decisions about content moderation, algorithmic amplification, and platform access can influence election outcomes more powerfully than traditional media ever could.

Recent elections have demonstrated this dynamic clearly, with individual billionaires' ownership of social media platforms and billions in political spending playing decisive roles in campaign dynamics³⁴. When individual billionaires can single-handedly fund political movements or control information flows, democratic equality becomes vacuous.

Social Fragmentation

AI-driven wealth concentration creates social divisions that traditional class analysis cannot adequately capture. The gap isn't just between rich and poor, but between those who own AI capital and those whose human capabilities are being displaced by AI.

This creates new forms of social tension. Unlike industrial-era class conflicts between owners and workers who needed each other, AI owners don't need displaced workers at all. The traditional bargaining relationship between capital and labor breaks down when labor becomes economically irrelevant.

The Meaning Crisis

Perhaps most fundamentally, AI challenges basic assumptions about human purpose and value. If machines can outperform humans in cognitive tasks, what unique contribution do people make to society? How do we maintain human dignity and social cohesion when human labor has little economic value?

Traditional welfare systems provide income support but don't address this deeper crisis of meaning and purpose. People need more than money—they need to feel valuable and productive. AI threatens to undermine these psychological foundations of social stability.

Learning from Employee Ownership: The ESOP Model

Before examining CE implementation, it's worth understanding how employee ownership already works successfully in the United States through Employee Stock Ownership Plans (ESOPs). These provide important insights into the psychological and economic effects of broad-based ownership.

ESOP Performance and Scale

As of 2025, approximately 6,358 companies operate ESOPs covering 14.9 million participants and holding over \$1.8 trillion in assets³⁵. Research consistently shows positive effects:

Performance Benefits:

- A 2000 Rutgers study found ESOP companies grow 2.3% to 2.4% faster after setting up their ESOP than would have been expected without it³⁶
- A 1986 NCEO study found that employee ownership firms with participative management grow 8% to 11% per year faster than they would without ownership plans
- Companies that combine employee ownership with workplace participation programs show even more substantial performance gains

Employment Effects:

- ESOP companies experience reduced turnover as employees become more engaged
- Employee ownership fosters a culture where workers feel directly invested in company performance
- Studies show improved job satisfaction, productivity, and loyalty

Key Insights:

- Ownership alone isn't sufficient—participative management is crucial for realizing benefits
- Workers need both ownership stakes and decision-making authority to maximize performance
- Broad-based ownership (not just management ownership) produces the strongest effects

Psychological Effects of Ownership

Research on ESOPs reveals important psychological dynamics that would apply to CE:

Stakeholder Mentality: Employee-owners think differently about business decisions, considering long-term implications rather than just immediate costs and benefits.

Engagement and Initiative: When workers own shares, they're more likely to suggest improvements, work efficiently, and care about company success beyond their immediate job responsibilities.

Risk and Reward Alignment: Employee-owners accept that their returns depend on company performance, creating natural incentives for productivity and innovation.

These findings suggest that CE could generate similar psychological benefits on a national scale, creating a population of citizen-owners who think like stakeholders rather than dependents.

The Path to Oligarchy

Without intervention, current trends point toward a form of technologically-enabled oligarchy unlike anything in human history. A small number of AI-owning families could accumulate wealth and power that dwarfs the robber barons of the Gilded Age or the landed aristocrats of feudalism.

Unlike previous forms of concentrated wealth, AI-based fortunes are not constrained by physical limitations. A feudal lord's power was limited by the amount of land he could control. An industrial magnate's wealth was constrained by factory capacity and market size. AI fortunes have no such natural limits.

The resulting society would combine extreme inequality with unprecedented surveillance and control capabilities. AI systems that monitor and predict human behavior could be used to maintain social order and suppress dissent more effectively than any historical authoritarian regime.

This isn't science fiction—it's the logical endpoint of current trends. Without fundamental changes to how AI-generated wealth is distributed, we're heading toward a society where a small technological elite controls both economic resources and the digital infrastructure that governs modern life.

The Citizens' Equity Alternative

Traditional responses to technological unemployment—job retraining, universal basic income, or neo-Luddite resistance—are inadequate to the scale and speed of the AI transformation. CE offers a different approach: instead of fighting AI or accepting its inequitable consequences, we can democratize ownership of AI capital itself.

When every citizen owns a stake in the AI systems that are displacing human labor, technological progress becomes a shared benefit rather than a zero-sum competition. Instead of fearing automation, citizens would welcome innovations that make their capital more productive.

This ownership stake would provide both economic security and political power. As shareholders in the AI economy, citizens would have incentives to support policies that maximize long-term economic growth rather than short-term extraction. They would also have economic leverage to demand that AI development serves human flourishing rather than just profit maximization.

The next chapter examines what we can learn from existing experiments with guaranteed income programs, both their successes and their fundamental limitations in addressing the challenges ahead.

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Chapter 3: Learning from Guaranteed Income - Lessons from Real-World Experiments

America's UBI Laboratory: What We've Discovered

The United States has inadvertently become the world's largest laboratory for guaranteed income experiments. With more than 150 pilot programs across the country and at least 70 currently active in 25 states, American cities and counties have invested over \$2.35 billion in testing whether direct cash payments can address poverty and economic insecurity³⁷.

These experiments, accelerated by the COVID-19 pandemic's economic disruption, provide unprecedented real-world data about how guaranteed income works in practice. The results are both encouraging and sobering—revealing both the promise and the fundamental limitations of income-based solutions to technological unemployment.

The Stockton Model and Its Successors

The modern UBI movement in America began in Stockton, California, under Mayor Michael Tubbs. Launched in February 2019, the Stockton Economic Empowerment Demonstration (SEED) gave 125 residents living at or below the median income of around \$46,000 annually \$500 monthly stipends for eight months³⁸.

The Stockton model became the template for hundreds of subsequent programs. Recipients received no-strings-attached payments distributed through debit cards, with researchers tracking how the money was spent and measuring impacts on employment, health, and well-being.

Results from Stockton and similar programs showed consistent patterns:

Responsible Spending: Contrary to critics' predictions, recipients used the money for basic necessities. Analysis across multiple pilots showed 36% going to retail sales and services, 32% to food and groceries, 18% to transport and housing/utilities, with only 4% on travel/leisure/entertainment³⁹.

Employment Effects: Rather than reducing work incentives, guaranteed income often helped people find better jobs. Recipients had more time and resources to search for employment, pursue training, or start businesses without the desperation that forces acceptance of poor-quality work.

Health Improvements: Reduced financial stress led to measurable improvements in physical and mental health outcomes. Recipients reported better sleep, reduced anxiety, and improved relationships with family members.

Economic Stability: The payments provided a buffer against economic shocks, reducing income volatility and enabling longer-term planning.

Recent Large-Scale Experiments

Several major programs have provided additional insights:

Minneapolis Guaranteed Basic Income (2022-2024): 200 households received \$500 monthly for two years. Recipients ranged in age from 18-88 with an average of 38 years old. The program targeted households hurt by the pandemic with income at or below 50% of Area Median Income⁴⁰.

Washington State Evergreen Pilot (2024-2026): The most ambitious state-level program provides up to 7,500 participants with monthly payments equal to 100% of fair market rent for a two-bedroom dwelling in their county. This represents a significant scale-up from typical \$500-1,000 monthly payments⁴¹.

California State Programs: California launched the first state-funded guaranteed income pilots for former foster youth, providing \$1,000 monthly payments and representing a move from local experiments to state-level implementation.

The Canadian Precedent: Lessons from Mincome

The most comprehensive guaranteed income experiment predating the current wave occurred in Dauphin, Manitoba, from 1974 to 1979. The Mincome project provided a basic guaranteed income to all residents of the town, creating a real-world test of universal basic income at community scale⁴².

Results from Mincome were remarkable:

- **Labor supply decreased by only 13%**—far less than critics predicted
- **High school completion rates increased** as teenagers didn't need to work to support families
- **Hospital visits declined by 8.5%**, particularly for mental health-related issues
- **Domestic violence decreased** as financial stress diminished

The experiment ended not because of poor results, but due to political changes and concerns about long-term costs. For decades, the data remained unanalyzed, but recent research has vindicated many early supporters' claims about guaranteed income's benefits.

The Pandemic Experiment: Unemployment Insurance as UBI

The COVID-19 pandemic created an inadvertent natural experiment in guaranteed income at massive scale. Enhanced unemployment benefits, stimulus payments, and expanded child tax credits effectively provided basic income to tens of millions of Americans.

The Federal government's response turned unemployment insurance into something resembling UBI by:

- **Suspending work search requirements**
- **Expanding payments to over \$600 per week**
- **Extending coverage to gig workers and contractors**
- **Providing direct stimulus payments to all citizens**

This created a situation where, as noted by critics, "staying home began paying better than work for millions of Americans."⁴³ The results were complex:

Positive Outcomes:

- **Poverty rates dropped dramatically** despite massive job losses
- **Consumer spending remained stable**, supporting economic recovery
- **Families could care for children** during school closures
- **Health outcomes improved** as people could afford to stay home when sick

Concerning Patterns:

- **Labor force participation declined** and has not fully recovered
- **1.7 million Americans remain missing** from the labor force compared to pre-pandemic levels
- **Inflation accelerated** as demand increased while labor supply decreased
- **Political backlash emerged** over using tax dollars to pay people not to work

International Experiments and Their Limitations

Beyond North America, guaranteed income experiments have occurred worldwide, each providing insights into different aspects of how basic income functions in various economic and cultural contexts.

Finland's Unemployment Experiment

From 2017 to 2018, Finland conducted a randomized controlled trial giving €560 monthly to 2,000 unemployed people for two years. Unlike welfare, the payments continued regardless of employment status, removing the "welfare trap" that discourages work⁴⁴.

Results showed modest improvements in employment and significant improvements in mental health and well-being. However, the experiment was limited in scope and duration, making it difficult to assess long-term effects or scalability to the entire population.

Kenya's GiveDirectly Program

The most ambitious ongoing UBI experiment operates in rural Kenya, where the charity GiveDirectly provides unconditional cash transfers to entire villages. Some villages receive lump sums, others receive monthly payments for 12 years, and control villages receive nothing⁴⁵.

Early results show dramatic improvements in poverty reduction, health outcomes, and economic development. Recipients invest in education, start businesses, and improve housing. Crime decreases and social cohesion increases.

However, the Kenyan context—rural, subsistence-level economy with limited infrastructure—differs fundamentally from developed economies facing automation and AI displacement.

India's Rural Experiments

Several Indian states have experimented with basic income programs in rural areas. Madhya Pradesh's pilot, covering 20 villages, showed improvements in nutrition, health, education, and economic activity when families received unconditional cash payments⁴⁶.

The Indian experiments demonstrate basic income's potential in developing economies where formal employment is limited and social safety nets are weak. But again, the context differs significantly from developed economies where the challenge is technological displacement of existing middle-class jobs.

The Promise and Pitfalls of Cash Transfers

The accumulated evidence from guaranteed income experiments reveals both significant benefits and fundamental limitations that must inform any serious discussion of policy alternatives.

What Works: The Clear Benefits

Poverty Reduction: Direct cash transfers are highly effective at reducing absolute poverty. When people have money, they can afford basic necessities. This effect is immediate and measurable across all cultures and contexts.

Reduced Bureaucracy: Unconditional cash payments eliminate the administrative overhead of means-testing, eligibility verification, and program monitoring that plague traditional welfare systems. This reduces costs and eliminates the dignity-destroying processes that welfare recipients must navigate.

Economic Stimulus: Money given to low-income recipients is immediately spent on goods and services, providing economic stimulus that benefits entire communities. Unlike tax cuts for wealthy individuals who might save additional income, basic income payments generate immediate economic activity.

Freedom and Autonomy: Cash payments allow recipients to address their most pressing needs rather than forcing them into predetermined categories like food stamps or housing vouchers. This flexibility acknowledges that poor people are best positioned to understand their own priorities.

Risk-Taking and Innovation: Basic income security enables entrepreneurship and creative pursuits by providing a safety net that allows people to take risks without facing destitution. Several pilot participants used guaranteed income to start businesses or pursue education.

What Doesn't Work: The Fundamental Flaws

Political Sustainability: Every guaranteed income experiment has been time-limited and politically vulnerable. Pilot programs generate support during good economic times but face cuts during budget pressures. The political coalition needed to sustain guaranteed income at scale has never been achieved. Arkansas banned UBI programs in 2023, demonstrating active political resistance⁴⁷.

Inflation Vulnerability: Fixed cash payments lose purchasing power during inflationary periods unless politically adjusted—a process that inevitably becomes contentious. Unlike assets that appreciate with inflation, cash payments become less valuable over time without legislative intervention.

Work Disincentives: While extreme critics' predictions about mass idleness haven't materialized, guaranteed income does reduce labor supply. Even a 13% reduction in work effort, as seen in Manitoba, represents a significant economic impact when applied to entire populations.

Disconnection from Productivity: Basic income recipients benefit from economic growth only if politicians vote to increase payments. Unlike capital owners who automatically benefit from increasing asset values, UBI recipients depend on political goodwill for their income to grow with the economy.

The Dependency Problem: No matter how unconditional, guaranteed income still creates a dependent relationship between recipients and the political system that funds payments. This dependency breeds resentment among taxpayers and insecurity among recipients.

Why Fixed Payments Can't Keep Up with a Dynamic Economy

The most fundamental limitation of "guaranteed" income approaches is their static nature in a rapidly changing economic environment. Fixed payment systems, no matter how well-designed initially, cannot adapt automatically to technological change, economic growth, or shifting social needs.

The Political Adjustment Problem

Every guaranteed income system requires periodic political decisions about payment levels. These decisions inevitably become contentious, pitting the interests of recipients against taxpayers, different demographic groups against each other, and competing priorities against available resources.

Consider the political challenges:

- **During recessions:** Tax revenues decline while needs increase, creating pressure to cut payments precisely when they're most needed
- **During growth periods:** Rising living costs and asset prices make fixed payments inadequate, but increasing them requires convincing taxpayers to fund higher benefits
- **During technological change:** New industries and job categories emerge while others disappear, but payment systems can't automatically adjust to these shifts

The Innovation Penalty

Perhaps most perversely, guaranteed income systems punish economic innovation and productivity growth. When new technologies increase economic output, the benefits flow to capital owners while UBI recipients continue receiving the same fixed payments unless politicians vote to increase them.

This creates a society where technological progress widens inequality even with guaranteed income in place. The owners of AI and automation systems capture all productivity gains while UBI recipients fall further behind economically despite receiving payments.

The Generational Trap

Fixed payment systems also create intergenerational inequities. Older recipients who helped design the system receive payments calibrated to past economic conditions, while younger recipients inherit payment levels that may be inadequate for future economic realities.

A UBI payment of \$1,000 monthly might provide economic security in 2025 but prove insufficient by 2040 if automation has dramatically increased economic productivity and living standards for capital owners while UBI recipients remain at 2025 income levels.

The Fatal Flaw: Income Without Ownership

The deepest problem with guaranteed income approaches is that they treat citizens as dependents rather than stakeholders in economic progress. No matter how generous or unconditional, income transfers create a fundamental division between those who own productive assets and those who depend on political redistribution.

The Stakeholder Deficit

In a democracy, sustainable policies require broad stakeholder support. Homeowners support policies that maintain property values. Shareholders support policies that promote business growth. Parents support education spending that benefits their children.

UBI recipients, however, have no stake in the productive economy beyond their fixed payments. They don't benefit from business success, technological innovation, or economic growth unless politicians decide to increase their benefits. This creates a political constituency for redistribution but not for economic growth.

The Legitimacy Problem

Over time, this division undermines the political legitimacy of both the guaranteed income system and the broader economic order. Taxpayers begin to resent supporting people who don't contribute to productive activity. Recipients begin to resent their dependence on political decisions about their income.

Unlike Social Security, which maintains political support because recipients feel they've "earned" benefits through payroll contributions, guaranteed income lacks this legitimacy foundation. Recipients are seen—and may see themselves—as dependent on others' generosity rather than entitled to their fair share of economic output.

The Growth Disconnect

Most fundamentally, guaranteed income systems disconnect recipients from economic growth in ways that become more problematic over time. In a rapidly growing economy driven by technological innovation, the gap between capital owners and income recipients widens exponentially.

Consider two children born in 2025: one inherits stock in AI companies worth \$10,000, the other depends on UBI payments of \$12,000 annually. If the AI stocks appreciate at 15% annually (typical for successful tech companies), the first child's inheritance grows to over \$800,000 by age 35. Meanwhile, the UBI recipient continues receiving the same \$12,000 annually unless politicians vote to increase payments.

This mathematical divergence means that even generous guaranteed income systems become relative poverty programs in rapidly growing economies.

Lessons from Failed Implementation: Political Economy Challenges

The political sustainability issues facing UBI are not theoretical—they're already visible in real programs:

Scaling Problems: Moving from small pilots to large-scale implementation changes political dynamics entirely. Stockton's \$500 monthly payments to 125 people generated positive coverage. Scaling this to California's 39 million residents would cost \$234 billion annually—more than the state's entire budget⁴⁸.

Coalition Instability: Pilot programs unite strange bedfellows: tech entrepreneurs worried about automation, progressives concerned about poverty, and libertarians attracted to program simplicity. These coalitions fracture when addressing real-world implementation challenges like tax policy, work requirements, and payment levels.

Economic Disruption: The pandemic showed what happens when basic income payments become large enough to affect labor markets. When enhanced unemployment benefits exceeded wages for many workers, labor shortages emerged across industries. Political backlash followed quickly.

International Precedents: Historical attempts at large-scale guaranteed income have failed politically. Finland ended its experiment early. Switzerland rejected basic income in a 2016 referendum by 77%⁴⁹. Even Alaska's Permanent Fund Dividend faces ongoing political pressure despite its popularity.

Learning the Right Lessons

The evidence from UBI experiments teaches us important lessons, but not the ones that either enthusiastic supporters or harsh critics typically draw.

UBI works well as emergency economic support during crises, as demonstrated during the pandemic. It provides effective poverty relief and economic stimulus when implemented temporarily with broad political support.

But guaranteed income fails as a permanent solution to technological unemployment because it doesn't address the underlying problem: the concentration of capital ownership in a capital-dominated economy. Giving people money while leaving ownership structures unchanged ensures that recipients fall further behind as capital becomes more productive.

The next chapter explores Citizens' Equity as a fundamentally different approach—one that makes citizens stakeholders in economic growth rather than dependents on political redistribution.

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Chapter 4: The Citizens' Equity Alternative - Why Ownership Beats Income

What Exactly is Citizens' Equity?

Citizens' Equity (CE) simply means sharing the ownership of the capital which underpins a particular jurisdiction's economy, with those persons in that jurisdiction. There are many possible variants of CE systems, depending upon how they are structured, but the goal is always the same: to provide some fraction of the economic benefits of such capital ownership to the members of the jurisdiction.

How does this CE plan function?

CE may be thought of as a mutual fund, which acquires the liabilities of many companies (common stock, corporate bonds, etc.), and holds these in a portfolio. This 'mutual fund' (called here the "CE fund") then issues its own shares, one share to each per eligible person ("citizen") in the jurisdiction where the fund serves the eligible population.

Who pays for the CE's acquisition of company liabilities?

No cash payments need change hands. Essentially, the companies must contribute a fraction of their capital liabilities in exchange for the right to extract sales revenues from the domain of the jurisdiction, as mandated by the laws of the jurisdiction. They may alternatively contribute an IOU with the same rights as holders of some specific types of their capital liabilities in the case of non-tradable capital liabilities. For the case of tradeable securities, they may alternatively contribute the cash required for the CE fund to buy these on open market. In the end, the jurisdiction pays nothing for portfolio acquisition, which otherwise might be

burdensome on or cause budget deficits for the jurisdiction; the contribution is instead deemed a "business license" fee, a quid-pro-quod for extracting revenues from the jurisdiction.

How would the CE fund be managed?

CE fund portfolio management is relatively simple, it is basically acquire-and-hold, so that its portfolio holdings reflect the actual economy of the jurisdiction. As sales revenue patterns change over time, there will be the need to perform periodic re-balancing of the portfolio, assessing more capital liabilities from some companies, returning some liabilities to other companies, but these are automatically computed, and the technology for such rebalancing is mature and indeed widely used in "market" or "sector" mutual funds presently.

A Simple CE Example

Suppose a company has issued 99,000,000 traded shares of common stock valued at \$10 per share, and has no other capital liabilities. The aggregate value of the company is then \$990 million, representing the company's current capitalization. Under a CE system requiring 1% contributions, the company could simply issue 1,000,000 new shares (or existing treasury shares) to the CE fund.

As all the other such eligible companies contribute their 1%, the CE fund issues its own shares ("CE shares"), assigned one per citizen at birth, and reclaimed at death. Thereafter, the monetary benefits of the CE fund, such as dividends, buy-backs, bond maturities, etc., are periodically paid out equally to the citizen CE share holders.

This example reveals a crucial point, illuminating the question "who pays for this?": creating new shares and contributing them to the CE fund will likely cause the share price to adjust from \$10 to approximately \$9.90, preserving the \$990 million total company value while diluting existing shareholders. In sum, the investment community is called upon to foot the bill, via value dilution.

A More Realistic CE Model: the "Exemplar"

There are at least three dimensions of eligibility scope for a CE plan. One is the "eligible" companies, the next is the "eligible" capital types as being subject to levy, and the third is the set of individuals who are "eligible" for CE share ownership.

Let us suppose the jurisdiction is the U.S., and the CE plan is administered by a federal government agency. Simple U.S. citizenship is assumed the sole eligibility criterion for CE share ownership, and that the top 1,000 companies by U.S. sales volume in the U.S., regardless of nationality, are the eligible CE capital contributors.

Suppose further that the eligible capital liabilities includes (1) all "securities" (as defined by the SEC) issued by the company – common shares, preferred shares, warrants, corporate bonds, etc.), and (2) the remuneration contracts of the top 5 highest-compensated individuals if they collectively own more than 10% of any type eligible capital liability.

The government requires eligible companies to deposit evidences of various stakeholder liabilities gradually over time, i.e. common shares, corporate bonds, IOUs, etc, until an eventual 10% target level is reached. For our exemplar, the growth rate of required total contribution levels is deemed 0.25% per quarter, reaching 10% shared CE fund ownership for all eligible corporations in a period of 10 years. This means that the "dilution shock" to the market is very gradual, and known in advance.

The Two Critical Parameters: X% and Y%

The CE system's effectiveness depends fundamentally on two policy parameters that work in concert: X% and Y%. Understanding their interaction is essential before examining CE's broader advantages over income-based alternatives.

X% - The Ownership Parameter: This represents the percentage of corporate capital liabilities contributed to the CE fund. In our exemplar model, $X\% = 10\%$, meaning companies eventually maintain contributions the targeted amount equal to 10% of their total capitalization. This parameter embodies democratic choices about balancing private ownership incentives with universal capital sharing.

Y% - The Market Participation Parameter: This represents the percentage of a company's global sales occurring within the implementing jurisdiction. For a company with 25% of its sales in the U.S., $Y\% = 25\%$. This ensures that contributions are proportional to economic participation rather than arbitrary.

The Combined Formula: $X\% \times Y\%$ determines each company's actual contribution. A company with $X\% = 10\%$ and $Y\% = 25\%$ would contribute 2.5% of its capital liabilities to the CE fund—fair compensation for its 25% sales participation in the U.S. market.

This formula structure enables several crucial features that Chapters 5 and 6 explore in detail: automatic adjustment to changing business patterns, fair treatment of multinational corporations, tariff replacement, and natural incentives for international coordination.

From Dependents to Stakeholders: The Psychology of Ownership

Citizens' Equity represents a fundamental shift in how we think about citizens' relationship to the economy. Instead of making people dependent on government payments, CE makes them shareholders in economic growth itself.

The psychological difference between receiving a payment and owning a share is profound. Consider the difference between a tenant and a homeowner facing neighborhood development. The tenant might oppose new construction that causes temporary inconvenience, while the homeowner recognizes that improvements increase property values. Ownership aligns incentives with long-term prosperity.

CE creates this alignment on a national scale. When every citizen owns a share of the productive economy, several powerful psychological and social effects emerge:

Long-term thinking: Permanent shareholders naturally care about company performance over decades, not just quarterly results. This extends to supporting policies that build long-term economic strength rather than short-term political gains.

Civic engagement: Stakeholders participate more actively in economic and political decisions. When citizens understand that their financial well-being depends on overall economic health, they become more informed voters and more engaged community members.

Personal responsibility: Ownership creates incentives to contribute to economic growth. Unlike welfare recipients who might rationally avoid work to maintain benefits, CE shareholders benefit when the overall economy grows—regardless of their individual employment status.

Dignity and agency: Ownership provides social status beyond mere consumption. Shareholders are investors, not dependents. This psychological shift can affect everything from family relationships to community standing.

Evidence from Employee Ownership

Research on Employee Stock Ownership Plans (ESOPs) provides compelling evidence for ownership's psychological effects. Companies with ESOPs covering millions of participants across thousands of companies consistently outperform non-ESOP firms⁵⁰:

- ESOP companies grow 2.3% to 2.4% faster annually after establishing ownership plans⁵¹
- Employee ownership firms practicing participative management grow 8% to 11% faster than they would without ownership
- ESOP companies experience reduced turnover and increased employee engagement
- Workers become more invested in company performance and long-term success

These findings suggest that CE could generate similar benefits on a national scale, creating citizen-owners who think like stakeholders rather than dependents.

How Capital Sharing Weathers Economic Storms

Unlike fixed income payments, capital ownership automatically adjusts to economic conditions, providing natural stabilizers that traditional welfare systems lack.

During Recessions

When the economy contracts, CE shares decline in value alongside other investments. This provides crucial advantages:

Shared sacrifice: Instead of political battles over necessary benefit cuts, everyone's CE income falls naturally with economic performance. This shared experience builds social solidarity rather than resentment.

Incentive alignment: When everyone's income depends on economic recovery, there's unified public support for growth-oriented policies rather than zero-sum political competition.

During Growth Periods

Economic expansion automatically benefits all CE shareholders, creating broad-based prosperity without political intervention:

Shared prosperity: Innovation and productivity gains flow directly to all citizens through rising asset values and increased dividends. This prevents the extreme inequality that occurs when only capital owners benefit from growth.

Fewer political fights: Unlike debates over minimum wage increases or expanded benefits, prosperity sharing happens automatically through market mechanisms.

Innovation incentives: Since everyone benefits from economic innovation, there's public support for policies that encourage entrepreneurship and technological advancement.

During Inflation

Real assets tend to maintain purchasing power during inflationary periods, providing natural protection:

Asset appreciation: Stocks and real estate typically rise with inflation, maintaining the real value of CE holdings.

Rising nominal income: As wages and profits increase with inflation, dividend payments naturally adjust upward.

No legislative battles: There's no need for cost-of-living adjustments or political fights over benefit indexation—the market handles adjustment automatically.

Building a Resilient System That Adapts Automatically

The CE fund creates a self-adjusting system that responds to economic changes without political intervention:

Economic Growth Adjustment

Proportional expansion: As the economy grows, more companies contribute to the CE fund, and existing companies contribute more based on their increased capitalization.

Innovation inclusion: New technologies and business models automatically become part of the system as companies reach contribution thresholds.

Productivity gains: Improvements in economic efficiency directly benefit all shareholders through higher returns.

Demographic Adaptation

Natural CE share rebalancing: Birth and death automatically adjust the number of CE share holders, mitigating demographic pressures that plague traditional pension systems.

Immigration integration: New citizens receive CE shares, creating immediate stakeholder status and enhanced economic integration.

No unfunded liabilities: Unlike pensions or Social Security, CE makes no promises exceeding available resources—distributions always equal actual fund performance.

The Democratic Promise of Universal Ownership

CE transforms citizens from subjects of the economy to participants in it, with profound implications for democratic governance.

Reduced Economic Inequality

Ownership is inherently more egalitarian than employment because it doesn't depend on individual productivity, skills, or market position:

Universal participation: Every citizen receives the same initial CE allocation regardless of family background, education, or employment status.

Compound equality: Unlike wage disparities that can grow exponentially, CE holdings grow at the same rate for all shareholders.

Inherited advantage reduction: While wealthy families can still pass down assets, CE ensures every citizen starts with meaningful capital ownership.

Economic Education

When everyone owns capital, economic literacy becomes personally relevant:

Market understanding: Citizens naturally learn about business cycles, inflation, and economic policy because these directly affect their income.

Long-term perspective: Shareholders think in terms of decades rather than election cycles, supporting sustainable economic policies.

Global awareness: International diversification makes citizens more informed about global economic trends and policies.

Political Stability

Stakeholder societies demonstrate greater political stability than those with extreme inequality:

Reduced extremism: When everyone has a stake in the existing system, support for radical political movements declines.

Policy continuity: Long-term thinking reduces political pendulum swings that create policy uncertainty.

Social cohesion: Shared economic interests build solidarity across traditional political and social divisions.

International Coordination Through Market Participation

The Y% parameter creates powerful incentives for global CE adoption without requiring formal treaties or international agreements. When foreign companies contribute to domestic CE funds based on their local market participation, other countries face natural pressure to implement similar systems.

Consider this dynamic: if U.S. law requires Toyota to contribute $10\% \times 25\% = 2.5\%$ of its capital based on 25% U.S. sales, Japan faces pressure to implement its own CE system. Otherwise, Japanese citizens miss out on Ford's contributions based on its Japanese sales, while Americans benefit from Toyota's success. This creates "demonstration effects" that encourage voluntary adoption.

The Y% mechanism transforms traditional trade conflicts into cooperative arrangements. Instead of tariffs that harm consumers and distort markets, CE creates shared stakes in international business success. When American citizens own pieces of successful foreign companies selling in America, protectionism becomes economically irrational.

Chapter 5 examines these international dynamics in detail, including specific mechanisms for preventing avoidance and coordinating implementation across jurisdictions.

How Capital Shares Work for Citizens

The CE fund shares are allocated one per living citizen. Shares may not be alienated from the individual—they are not subject to encumbrance or seizure by creditors or any legal process, including bankruptcy. CE shares may not be bought or sold; they remain the individual's property.

The CE fund receives dividends from corporate shares it holds, interest payments from corporate bonds, pro rata buyback proceeds, additional shares from warrant exercises, and salary/stock option income from included executive compensation. These create substantial income available for citizen distributions.

Distribution Mechanisms

Capital Balance: The CE fund provides each citizen with a capital balance, representing the capital on account for that individual.

Direct payments: Periodic payments of cash buildup are distributed quarterly, coordinating with corporate financial reporting cycles.

Optional features: The system could include shareholder loans for emergencies, tax-deductible donation capabilities, and age-related structuring for different life needs.

Running the Numbers: Conservative Projections

To understand CE's practical impact, we can estimate what a 10% CE fund contribution could realistically mean for an American citizen, using conservative assumptions.

The Asset Base

Current U.S. financial markets provide the foundation:

Total U.S. Stock Market Value: Approximately \$52 trillion (2024)⁵²

Corporate Bond Market: Additional \$12 trillion in capital liabilities

Executive Compensation: Roughly \$200 billion in C-suite compensation contracts

Total Capital Base: Combined \$64.2 trillion in potentially eligible contributions

Three Calculation Scenarios

Given uncertainty in Y% (domestic sales percentages) and expected returns, we present three scenarios:

Conservative Scenario (6% effective rate, 6% return)

Assumptions: 60% average domestic sales, 10% contribution rate, 6% return

- **Effective Rate:** $10\% \times 60\% = 6\%$ of total capital base
- **CE fund Assets:** $\$64.2 \text{ trillion} \times 6\% = \3.85 trillion
- **Per-Person Capital:** $\$3.85 \text{ trillion} \div 330 \text{ million} = \$11,667 \text{ per citizen}$
- **Annual Distribution:** \$700 per person (\$58 monthly)
- **Family of Four:** \$2,800 annually (\$233 monthly)

Moderate Scenario (8% effective rate, 7% return)

Assumptions: 80% average domestic sales, 10% contribution rate, 7% return

- **Effective Rate:** $10\% \times 80\% = 8\%$ of total capital base
- **CE fund Assets:** $\$64.2 \text{ trillion} \times 8\% = \5.14 trillion
- **Per-Person Capital:** \$15,576 per citizen
- **Annual Distribution:** \$1,090 per person (\$91 monthly)
- **Family of Four:** \$4,360 annually (\$363 monthly)

Optimistic Scenario (10% effective rate, 8% return)

Assumptions: 100% average domestic attribution, 10% contribution rate, 8% return

- **Effective Rate:** 10% of total capital base
- **CE fund Assets:** \$6.42 trillion
- **Per-Person Capital:** \$19,455 per citizen
- **Annual Distribution:** \$1,556 per person (\$130 monthly)
- **Family of Four:** \$6,224 annually (\$519 monthly)

Detailed calculation methodology appears in Appendix A.

The Alaska Precedent: Validation of Projections

Alaska's Permanent Fund Dividend provides real-world validation. In 2024, each Alaskan received \$1,702 (\$142 monthly)⁵³, demonstrating that universal ownership-sharing systems deliver meaningful payments. Our moderate CE scenario projects \$91 monthly—within the same order of magnitude and drawing from the entire productive economy rather than limited natural resources.

Real-World Impact Assessment

These calculations demonstrate that CE provides meaningful economic security enhancement:

For Working Families

Supplemental Income: \$233-519 monthly for a family of four provides significant budget relief, particularly important given that 53% of Americans live paycheck to paycheck⁵⁴.

Emergency Buffer: CE income continues during unemployment or disability, providing stability current workers lack.

For Retirees

Inflation Protection: Unlike fixed benefits, CE income grows with the economy and provides hedge against inflation through asset appreciation.

For Young Adults

Starting Capital: Young adults begin earning investment income immediately upon citizenship, providing economic foundation previous generations could assume.

Entrepreneurship: Basic income security encourages risk-taking and innovation by providing safety net for business ventures.

The Path Forward

CE offers a practical alternative to both traditional welfare and Universal Basic Income. Unlike welfare, it creates stakeholders rather than dependents. Unlike UBI, it adapts automatically to economic conditions, grows with prosperity, and enjoys automatic sustainability.

The calculations show that even with conservative assumptions, CE provides meaningful income while building long-term wealth for all citizens. As the system matures and spreads internationally through the Y% mechanism, benefits compound, creating foundation for genuine economic democracy.

Alaska's Permanent Fund Dividend proves that universal ownership-sharing is both feasible and popular. CE extends this proven model from natural resources to the entire productive economy, providing a democratic response to technological displacement and wealth concentration.

Chapter 5 examines how to calibrate the X% and Y% parameters for optimal economic and political outcomes, Chapter 6 shows how CE can replace tariffs as a superior trade mechanism, and Chapter 7 tackles the practical challenges of implementing such a system in the real world.

Endnotes

⁵⁰ National Center for Employee Ownership, "Employee Stock Ownership Plan (ESOP) Facts," 2025. Statistics on 6,358 ESOP companies covering millions of participants across thousands of companies with \$1.8 trillion in assets.

⁵¹ Douglas Kruse, "Research Evidence on Prevalence and Effects of Employee Ownership," Rutgers University School of Management and Labor Relations, 2002. Longitudinal analysis showing 2.3-2.4% faster growth for ESOP companies.

⁵² Sibilis Research, "Total Market Value of U.S. Stock Market," 2024. Comprehensive data on public company market capitalization totaling approximately \$52 trillion.

⁵³ Alaska Permanent Fund Corporation, "2024 Dividend Distribution," October 2024. Annual payment of \$1,702 per eligible resident.

⁵⁴ Federal Reserve Board, "Report on the Economic Well-Being of U.S. Households in 2023," May 2024. Survey showing 53% of Americans living paycheck to paycheck.



Chapter 5: The Critical Parameters - Understanding X% and Y% in CE Design

The effectiveness of Citizens' Equity depends fundamentally on calibrating two critical parameters introduced in Chapter 4: X%, the percentage of corporate capital liabilities contributed to the CE fund, and Y%, the percentage of a company's global sales occurring within the implementing jurisdiction. This chapter examines how these parameters should be set, adjusted over time, and coordinated internationally for optimal economic and political outcomes.

The X% Parameter: Calibrating Capital Redistribution

X% as Economic Policy Instrument

The X% parameter represents the most important policy lever in the entire CE system. Unlike fixed welfare programs or rigid tax rates, X% must function as a dynamic instrument that adapts to changing economic conditions and technological displacement patterns.

The choice of X% determines the balance between three competing objectives: providing meaningful economic security to citizens, maintaining sufficient private ownership incentives for economic growth, and ensuring political sustainability. Too low, and CE provides inadequate security as automation accelerates. Too high, and the system could reduce investment incentives and retard innovation.

Historical precedent suggests democratic societies can adapt to substantial changes in capital allocation when they occur gradually. The rise of employer-sponsored pension plans in the mid-20th century effectively shifted significant corporate resources toward worker ownership without disrupting economic growth. Similarly, the expansion of stock ownership through 401(k) plans represented major redistribution of capital returns that strengthened rather than weakened market economies.

Linking X% to Technological Displacement

The most sophisticated approach would link X% directly to measurable indicators of technological unemployment and economic displacement. As McKinsey's research shows, automation is displacing work activities at accelerating pace, with 30% of current work hours potentially automated by 2030 and 50% by 2045⁵⁵.

A displacement-calibrated X% might start at 2-3% during periods of low automation impact, rise to 10-15% during moderate displacement phases, and potentially reach 25-30% in scenarios approaching widespread technological unemployment. The key insight is that X% should increase as human labor becomes less central to economic production.

This calibration requires developing reliable metrics for technological displacement beyond simple unemployment rates:

- Percentage of job postings requiring AI/automation skills versus traditional human capabilities
- Productivity growth rates in different sectors, indicating potential for technological substitution
- Labor force participation rates adjusted for demographic changes
- Real wage growth patterns across skill levels and industries

By linking X% to objective indicators rather than political negotiations, CE can adapt automatically to economic conditions while avoiding partisan battles that plague other redistribution programs.

Managing Market Disruption Through Gradual Implementation

One of the most critical constraints on X% implementation is potential capital market disruption if changes occur too rapidly. The dilution of existing shareholders through CE contributions represents real cost that, if imposed suddenly, could trigger market instability.

Consider the mathematics: if X% increases from 0% to 10% over a single year, existing shareholders experience immediate 10% dilution. For the U.S. stock market's \$50+ trillion capitalization, this involves a \$5 trillion ownership shift—larger than most countries' entire economies.

The solution lies in gradual implementation allowing markets to adjust naturally. A ten-year phase-in at 1% annually, or 0.25% quarterly increases, provides time for stabilizing mechanisms:

Market Adaptation: Investors can adjust portfolios gradually, and new investment can flow toward companies with lighter CE obligations during transition.

Economic Growth Offset: If CE contributions occur during overall economic growth, absolute investment values can increase even as ownership percentages decline.

Efficiency Improvements: Companies may respond to CE obligations by improving productivity and profitability, potentially offsetting dilution through higher returns.

International Coordination: Gradual implementation allows other countries time to adopt similar systems, reducing competitive disadvantages that might otherwise encourage capital flight.

Comprehensive Coverage: All Stakeholder Liabilities

A critical design principle for CE is applying X% contributions to all forms of corporate capital liabilities rather than limiting coverage to specific securities types. This comprehensive approach prevents gaming and avoidance strategies.

If CE applied only to common stock, companies would restructure financing to rely more heavily on debt, preferred shares, or executive compensation. If it covered only publicly traded securities, companies would shift toward private ownership. If it exempted small companies, large corporations would fragment into networks of smaller entities.

Comprehensive coverage should include:

Traditional Securities: Common stock, preferred shares, corporate bonds, and convertible instruments

Executive Compensation: Stock options, restricted stock grants, and performance-based compensation packages, if management has significant control of the company

Hybrid Instruments: Convertible bonds, warrants, and derivatives that blur debt-equity lines

Private Capital Stakes: Privately held capital liabilities ensuring fair treatment across public and private companies

This approach serves philosophical purposes beyond avoidance prevention. If CE represents a social contract where businesses share ownership with citizens whose infrastructure and institutions enable their success, sharing should extend to all ownership forms rather than arbitrary subsets.

X% in the Long Term: Post-Labor Economy Scenarios

The most speculative but important question about X% concerns its potential endpoint as automation advances toward full technological unemployment. If machines eventually perform almost all current human labor, what level of capital sharing becomes necessary and appropriate?

In pure post-labor economy scenarios where human work becomes economically irrelevant, X% might approach 100%—essentially universal ownership of productive capital. This would represent transition from market capitalism to automated social democracy where technological abundance is shared universally.

More likely, human work will evolve rather than disappear entirely, with people focusing on activities complementing rather than competing with machine capabilities. Care work, creative endeavors, interpersonal services, and complex problem-solving may remain primarily human domains.

In mixed scenarios, X% might stabilize between 30-70%, depending on remaining economic value of human labor. A society where human work contributes 50% of economic value might converge toward $X\% = 50\%$, ensuring capital and labor income remain balanced.

The key insight is that X% should be understood as dynamic parameter evolving with technological capabilities rather than fixed policy choice.

The Political Economics of X% Adjustment

The mechanism for adjusting X% over time presents crucial political economy challenges. Pure legislative control would subject the parameter to partisan manipulation and short-term pressures. Pure technocratic control might lack democratic legitimacy.

A hybrid approach might delegate X% adjustment to an independent body similar to the Federal Reserve, with board members appointed for long terms and mandated to consider both economic indicators and democratic input. This body could be required to:

- Conduct regular public hearings on X% calibration
- Commission independent research on automation impacts and distributional effects
- Maintain transparency about decision-making criteria and processes
- Provide advance notice of X% changes allowing market adjustment
- Possibly limit the rate of changes in X% within given time periods, e.g. 0.25% per quarter

Specific triggers for X% adjustment should be defined clearly in legislation to prevent arbitrary changes while ensuring responsiveness to economic conditions.

The Y% Parameter: Allocating Global Economic Participation

Revenue-Based Allocation: Why Sales Matter More Than Profits

The Y% parameter determines how multinational corporations' CE obligations are allocated among different countries based on their economic presence. Using revenue rather than profits reflects both practical and philosophical considerations central to fair international economic relations.

Revenue provides transparent, manipulation-resistant basis for measuring companies' economic relationships with different countries. Unlike profits, which can be shifted artificially through transfer pricing and complex international structures, revenues are much harder to misrepresent. A company either sells products and services to customers in a particular country or it doesn't.

The multinational tax avoidance literature provides extensive evidence of profit manipulation. Companies routinely use strategies to shift profits to low-tax jurisdictions while maintaining substantial operations in high-tax countries⁵⁶. CE's revenue-based approach largely eliminates these opportunities.

Consider Apple's tax strategy, enabling effective tax rates below 5% on international profits despite selling billions globally. Under current systems, Apple can legally attribute most profits to intellectual property held in Irish subsidiaries, even though actual economic activity occurs where customers buy products. CE's Y% mechanism would allocate contributions based on where sales actually occur.

Revenue-based allocation also reflects economic reality more accurately. A company's profits may fluctuate dramatically due to accounting decisions, capital investments, or business cycles, but revenue patterns indicate geographic distribution of actual economic relationships.

Implementing Revenue Tracking and Verification

Effective Y% implementation requires robust systems for tracking and verifying corporate revenues by country. This builds on existing international tax cooperation frameworks while extending them in new directions.

Foundation exists in current transfer pricing documentation and country-by-country reporting requirements developed through the OECD's Base Erosion and Profit Shifting (BEPS) initiative⁵⁷. Multinational corporations with revenues above €750 million already report detailed financial information by jurisdiction.

Key enhancements needed include:

Real-Time Reporting: Current tax reporting often occurs annually with significant delays. CE benefits from quarterly updates to enable regular CE fund rebalancing aligned with corporate earnings cycles.

Customer-Based Revenue Attribution: Existing systems focus on entity-based reporting, which may not capture economic reality for digital platforms and services. CE requires attribution based on customer location rather than just corporate structure.

Digital Commerce Integration: E-commerce, streaming services, software subscriptions, and cloud computing require sophisticated methods for determining customer location and economic substance through collaboration with payment processors and technology platforms.

Third-Party Verification: Unlike self-reported tax information, CE revenue data should be subject to independent verification through customs records, payment system data, and other objective sources.

Rebalancing Frequency and Administrative Efficiency

The frequency of CE fund rebalancing to reflect changes in Y% represents a crucial design choice balancing accuracy, administrative efficiency, and market stability.

Quarterly rebalancing aligns well with corporate financial reporting cycles and provides reasonable responsiveness to changing business patterns. Most large corporations already report quarterly revenues by geographic segment. Quarterly adjustments also allow CE fund response to seasonal business patterns and major market changes.

Annual rebalancing offers administrative simplicity but may be too infrequent for rapidly changing digital businesses. A multinational corporation entering new markets or withdrawing from existing ones could operate for months under incorrect Y% allocations.

A hybrid approach might use quarterly rebalancing for major changes above specified thresholds while conducting comprehensive annual reconciliations, combining responsiveness for significant shifts with administrative efficiency for routine operations.

Specific rebalancing mechanics require attention to market impact and operational complexity. Rather than forcing immediate stock transfers that could disrupt trading, the system might use credits and debits where companies with declining domestic sales withdraw securities over time, while companies with increasing domestic presence see future obligations increased correspondingly

International Application: Foreign Companies and Domestic Markets

One of CE's most innovative features is its treatment of foreign companies operating in domestic markets. The Y% mechanism ensures companies contribute based on economic participation rather than formal legal domicile, creating fair and economically rational systems for international business.

This recognizes economic reality that corporate nationality has become increasingly meaningless in globalized economy. Toyota, Samsung, and Nestlé may be legally domiciled in Japan, South Korea, and Switzerland respectively, but their success depends heavily on American consumers, infrastructure, and institutions.

This creates important advantages over traditional trade and tax policies:

Economic Integration: Rather than treating foreign companies as adversaries, CE makes them stakeholders in domestic prosperity. When Toyota succeeds in America, American CE shareholders benefit directly.

Reduced Trade Tensions: CE creates positive-sum dynamics where all citizens benefit from success of any company operating in their market, regardless of formal nationality.

Competitive Neutrality: Domestic and foreign companies face identical CE obligations based on economic activity rather than legal structure.

Revenue Generation: Foreign companies' contributions represent revenue generation that doesn't require traditional taxation or create economic distortions associated with tariffs.

Creating International Adoption Incentives

The Y% mechanism creates powerful demonstration effects encouraging global CE adoption. When the United States requires foreign companies to contribute based on American sales, other countries face pressure to implement similar systems or miss out on benefits from American companies' operations in their markets.

Consider this dialogue between hypothetical ministers in some other country:

Minister A: "American companies are contributing to the U.S. CE fund based on their American sales, and the U.S. government is asking our companies to do the same. Should we not also require them to contribute to a CE fund based on their sales here?"

Minister B: "Absolutely. But if we're requiring American companies to contribute, shouldn't our own domestic companies also contribute to ensure our citizens benefit fully?"

Minister C: "This raises interesting questions about our existing welfare funding sustainability. Would we be missing a budgetary opportunity by not implementing comprehensive CE?"

This dynamic enables natural expansion of CE systems without requiring formal treaties or international agreements. Countries adopting CE create competitive pressure on others to follow suit or accept that their citizens miss out on capital ownership benefits. Correspondingly, as more countries adopt CE, the X% all-countries policy variable "fills up" to that target, that is the totality of all countries' CE funds holdings approach X% of of the worldwide eligible stakeholder liabilities.

Of course, this last observation assumes a uniform global agreement on the value of X%. So let us consider what happens if a country, say, demanded double the variable for their own country, asking 2xX%. Then they would face declining percentages of sales (Y%) in their country, as companies adjusted to the competitive landscape of CE fund contribution requirements. It's easy to see that there would be tremendous political pressure for international cooperation in negotiating a single worldwide target for X%.

CE versus Tariff Systems: A Comparative Example

To illustrate Y%'s benefits, consider a scenario with two countries demonstrating how CE creates superior outcomes compared to traditional trade conflicts.

CE Implementation Scenario:

Country A and Country B each implement CE with X% = 10%. Company Alpha (domiciled in A) generates \$10 billion in sales globally, with \$7 billion in Country A sales, \$3 billion in Country B. Company Beta (domiciled in Country B) has \$20 billion in global sales, \$8 billion in Country A, and \$12 billion in Country B.

Under Y% mechanism:

- Alpha contributes 7% to Country A's CE fund, 3% to Country B's CE fund
- Beta contributes 4% to Country A's CE fund, 6% to Country B's CE fund

- Each company contributes 10% total contributions ($7\% + 3\% = 10\%$, $4\% + 6\% = 10\%$)
- Citizens in both countries benefit from both companies' success proportional to domestic economic activity

Tariff Conflict Alternative:

Instead of CE, countries impose 25% tariffs on each other's products.

Welfare Comparison:

Citizens: Under CE, citizens receive direct payments from corporate success while maintaining access to competitively priced goods. Under tariffs, citizens pay higher prices while government revenues remain subject to political allocation.

Companies: CE obligations are predictable and don't distort business decisions about serving customers efficiently. Tariffs force inefficient location and production decisions based on political rather than economic factors.

Countries: CE creates shared stakes in each other's prosperity, reducing incentives for economic conflict. Tariffs create adversarial relationships that can escalate beyond trade into broader tensions.

We expand upon this difference with more focus in the next chapter.

Additional Y% Implementation Considerations

Digital Platform Complications: Companies like Facebook, Google, and Amazon present unique challenges because their "sales" may not correspond to traditional commercial transactions. Social media platforms generate revenue through advertising while providing "free" services. These cases require sophisticated approaches considering user engagement, data generation, or economic value creation rather than traditional sales metrics.

B2B Companies Related to the point above, if business-to-business (B2B) company A sells to company B and company C, what country allocations should be made? This looks complex, but is completely surmountable: without going into details, all B2B sales eventually wind up in business-to-consumer (B2C) companies where the revenues are clearly attributable to countries. (Mathematically, this is a simple "tree" calculation where the B2C companies are the "leaves" of the trees.) For more detail on the treatment of B2B, B2C, and hybrid companies doing both forms of business, please see Appendix D at the end of this book.

Seasonal and Cyclical Variations: Many businesses experience significant seasonal variations in geographic sales patterns. The Y% system should account for these through appropriate averaging periods or seasonal adjustments to avoid artificial volatility.

Merger and Acquisition Effects: When companies merge or are acquired, their Y% allocations may change significantly. The system needs clear rules for handling these transitions to prevent gaming while ensuring appropriate CE fund adjustments.

Currency and Exchange Rate Considerations: Multinational companies operate in multiple currencies, and exchange rate fluctuations can significantly affect apparent geographic distribution of revenues. Y% calculations should use consistent currency conversion methods and potentially average exchange rates over time.

The CE fund Re-Balancing Exchange Concept. As now conceived, when the Y% of sales declines for a country, the CE fund returns corporate liabilities to that company. This is appropriate when perhaps only a few countries have adopted CE. When instead most countries have adopted CE, this process becomes inefficient, and in its place we can foresee an inter-country Re-Balancing Exchange as an international institution where

countries can directly transfer corporate liabilities held in their respective CE funds. For example, if country A loses 2% of its Y% for a company and countries B and C each gain 1%, the transfers of the company's contributed capital could go through an international Re-Balancing Exchange without the intermediary of the company itself.

Parameter Interaction and System Optimization

Balancing X% and Y% for Maximum Effectiveness

The interaction between X% and Y% parameters determines CE's overall impact on economic inequality, political sustainability, and international cooperation. Higher X% values provide more substantial citizen benefits but risk greater market disruption and political resistance. Higher Y% values (indicating greater domestic economic participation) increase CE fund assets but depend on international business patterns beyond direct policy control.

Optimal parameter combinations likely vary by country size, economic development level, and international integration. Large economies like the United States might sustain higher X% values because domestic companies have fewer alternatives. Smaller, more trade-dependent economies might need lower X% values to prevent capital flight but could benefit from higher average Y% values if they successfully attract international business.

Dynamic Adjustment Mechanisms

Both X% and Y% should incorporate automatic adjustment mechanisms responding to changing economic conditions:

X% Adjustment Triggers:

- Automation displacement metrics reaching specified thresholds
- Labor force participation rate changes
- Income inequality measures (Gini coefficient) exceeding target ranges
- Economic growth patterns indicating capital-labor substitution

Y% Adjustment Mechanisms:

- Quarterly recalculation based on updated corporate financial reports
- Annual comprehensive reconciliation for accuracy
- Special adjustments for major corporate restructuring or market entry/exit
- International coordination to prevent manipulation

International Coordination Framework

Successful CE implementation requires coordination mechanisms preventing regulatory arbitrage while encouraging voluntary adoption:

Information Sharing Agreements: Real-time sharing of corporate revenue and structure data among participating countries to prevent manipulation and ensure accurate Y% calculations.

Standardized Reporting Requirements: Common accounting principles and reporting formats for multinational corporations to reduce compliance costs and improve accuracy.

Dispute Resolution Mechanisms: Formal processes for resolving disagreements about Y% calculations or corporate structure interpretations between countries.

Technical Assistance Programs: Support for developing countries implementing CE systems, including technology transfer and capacity building.

Conclusion: Parameters as Policy Architecture

The X% and Y% parameters constitute the policy architecture determining CE's economic and political effectiveness. X% embodies democratic choices about balancing private ownership with universal capital sharing, while Y% ensures fair international allocation of economic participation.

Success requires understanding these parameters as dynamic instruments evolving with technological and economic conditions rather than fixed policy choices. X% must respond to changing patterns of technological displacement while maintaining market stability and democratic legitimacy. Y% must capture evolving patterns of international economic integration while preventing manipulation and ensuring fair burden-sharing.

The technical complexity of implementing these parameters should not obscure their fundamental purpose: creating a fair and effective system for sharing the benefits of capital ownership in an age of technological abundance. When properly calibrated and implemented, X% and Y% can transform the disruptive potential of automation into shared prosperity while strengthening rather than undermining market economies and democratic institutions.

The choice of these parameters will ultimately determine whether CE succeeds in its ambitious goal of democratizing capital ownership while maintaining economic dynamism. Getting them right requires combining technical expertise with democratic input, international cooperation with domestic priorities, and long-term vision with practical implementation constraints.

Chapter 6 examines how CE's equity-based approach can replace tariffs as a trade mechanism, using the X% × Y% framework to create international cooperation rather than conflict. Chapter 7 then tackles the practical challenges of implementing these parameter choices in the real world, including institutional design, enforcement mechanisms, and international coordination.

Endnotes

⁵⁵ McKinsey Global Institute, "Generative AI and the Future of Work in America," July 2023. (Timeline projections showing 30% automation by 2030 and 50% by 2045 midpoint.)

⁵⁶ Gabriel Zucman, "The Hidden Wealth of Nations: The Scourge of Tax Havens," University of Chicago Press, 2015. Comprehensive analysis of multinational profit-shifting strategies and tax avoidance mechanisms.

⁵⁷ OECD, "Base Erosion and Profit Shifting (BEPS) Project," ongoing initiative since 2013. Framework for international tax cooperation including country-by-country reporting requirements for multinationals with revenues above €750 million.



Chapter 6: Trade Without Wars: Replacing Tariffs with Ownership

In the previous chapters, we established how the X% and Y% parameters work together—X% as a policy variable setting the total capital contribution rate, Y% as a sales-based calculated variable ensuring fair geographic allocation. If a company wants access to our jurisdiction's market, it must contribute a percentage of its equity stakes to the jurisdiction's CE fund, calibrated by the share of its global sales occurring here.

If we think of our jurisdiction as national—our "Sovereign"—this brings us to one of the most heated debates in modern politics: *Trade*.

For decades, voters have been presented with a false dilemma. On one side, the "Globalists" argue for free trade, promising cheap goods but often ignoring the hollowed-out factory towns left behind. On the other side, the "Protectionists" argue for tariffs, promising to save jobs but ignoring the fact that tariffs usually result in higher prices for the very workers they claim to protect.

It is a choice between losing your job or losing your purchasing power.

CE offers a third option. By shifting the cost of market access from the consumer (via tariffs) to the shareholder (via equity dilution), we can preserve the benefits of global trade while ensuring the citizens of the Sovereign capture their fair share of the value created. In this chapter, we examine why tariffs fail on their own terms, how CE's equity-based approach avoids their worst defects, and why the result is not merely better trade policy but a foundation for international peace.

The Old Way: The Tariff Trap

To understand why CE is superior, we first have to be honest about what a tariff actually is. Politicians often frame tariffs as a penalty paid by a foreign country. They say, "We are going to tax China," or "We are going to tax Germany."

Economically speaking, this is rarely what happens.

When the Sovereign imposes a 20% tariff on imported steel, the foreign steel company rarely absorbs that cost. Instead, the company treats it as an expense and passes it down the supply chain. The domestic washing machine manufacturer pays more for steel, and consequently, you pay more for the washing machine.

In academic circles, this is called "pass-through." The empirical evidence is now overwhelming. During the 2018–2019 U.S.–China trade war, researchers found that tariffs were almost entirely passed through to American import prices, with foreign exporters absorbing little or none of the cost⁵⁸. The pattern repeated with the broader tariff measures of 2025: prices began rising within days of the March announcements and continued climbing for months afterward, with imported goods increasing roughly twice as much as domestic products⁵⁹. The Richmond Federal Reserve summarized the consensus bluntly: the pass-through rate is generally near 100 percent, meaning the burden falls on domestic consumers and firms rather than foreign exporters⁶⁰.

When we impose a tariff, we are not taxing the foreign corporation's profits. We are taxing our own citizens' consumption.

The damage is not evenly distributed. Research on the 2025 tariffs shows that cheaper product varieties—the goods lower-income households depend on—experienced price increases roughly double those of premium products⁶¹. Tariffs are, in practice, regressive taxes that hit hardest the families least able to afford them.

Furthermore, tariffs create what economists call "deadweight loss"—by artificially raising prices, they force consumers to either buy less or buy inferior substitutes. The 2018 tariffs alone generated an estimated \$51 billion in consumer and business losses, while the jobs they "saved" in protected industries were more than offset by roughly 220,000 jobs *lost* in industries dependent on imported inputs⁶². The entire economic pie shrinks, and the crumbs are poorly distributed.

The New Way: The Market Access Fee ($X\% \times Y\%$)

Now, let's look at the CE approach.

Under the CE plan detailed in the previous chapter, we do not demand a cash tax at the border. Instead, we demand equity, calibrated to the company's domestic sales footprint. If a foreign corporation wants to sell \$10 billion worth of goods in our Sovereign territory, it must maintain a contribution of a specific fraction of its capital liabilities—calculated as $X\% \times Y\%$ —to our Sovereign CE fund.

This changes the economic dynamics in a fundamental way.

When a company issues new shares or contributes existing capital to satisfy this requirement, the cost is not a "line item" expense like a cash tax. It is a dilution event. The value of existing shares drops slightly because there are now more shares outstanding, or because a fraction of the company's capital claims are now held by the CE fund.

Who pays for this? The global shareholder base.

If a French luxury conglomerate wants to continue selling handbags in New York, and we require a continuing CE contribution, the pain of that contribution is felt by the conglomerate's shareholders in Paris, London, and Tokyo. They see their Earnings Per Share (EPS) diluted slightly.

Crucially, this dilution does not force an immediate increase in the price of the handbag. The marginal cost of producing the bag hasn't changed. The cost of shipping it hasn't changed. The company's incentive to sell as many units as possible at competitive prices remains fully intact—indeed, it is *strengthened*, because the company wants to maximize the value of its remaining equity. Therefore, the price on the shelf remains stable.

We have effectively shifted the tax incidence from the domestic consumer—including the single mother who needs affordable goods—to the global capital owner who seeks market access. This is the critical distinction: while tariff costs flow through the supply chain to the checkout counter, equity dilution is strictly a capital phenomenon that remains within the ownership structure of the firm.

The Showdown: A Tale of Two Cars

To illustrate this concretely, let's simulate a trade policy decision regarding a popular import: a reliable mid-sized sedan manufactured by a foreign automaker—let's call them "AutoCorp."

Scenario A: The Tariff War

The Sovereign is worried about trade imbalances and slaps a 25% tariff on AutoCorp vehicles.

The **Cost:** AutoCorp faces a \$5,000 duty on every \$20,000 car.

The **Reaction:** To protect their profit margins, AutoCorp raises the sticker price to \$25,000—consistent with the near-complete pass-through observed in empirical studies.

The **Result:** Domestic consumers groan. Fewer people buy new cars. AutoCorp sells fewer units, meaning less work for the domestic dockworkers, truck drivers, and dealership employees who handle the imports. Domestic automakers raise their prices too, since competitive pressure from imports has been artificially reduced.

The **Winner:** Nobody, really. The government collects some tariff revenue, but the economy slows down, consumer purchasing power drops, and inflation ticks upward—exactly the pattern documented during both the 2018 and 2025 tariff episodes.

Scenario B: The CE Contribution

The Sovereign declares a CE Market Access Requirement. AutoCorp's U.S. sales represent 25% of its global revenue ($Y\% = 25\%$), and the national $X\%$ rate is 10%.

The **Cost:** AutoCorp must contribute capital liabilities equivalent to $X\% \times Y\% = 2.5\%$ of its total capital to the CE fund.

The **Reaction:** The CFO of AutoCorp arranges the contribution. The stock price dips marginally on the global exchange due to dilution—spread across millions of shareholders worldwide.

The **Price:** The car remains \$20,000. AutoCorp still wants to sell as many cars as possible to maximize the value of the remaining 97.5% of equity not held by the CE fund.

The **Result:** Consumers keep buying cars at the efficient market price. Logistics jobs are preserved. Domestic automakers face healthy competitive pressure that keeps them innovating.

The **Dividend:** At the end of the quarter, the CE fund collects dividends from those AutoCorp shares. That money is distributed equally to every citizen—including the family that just bought the car.

The contrast is stark. The tariff extracts value from every domestic transaction, raising prices and shrinking markets. The CE contribution extracts value once, at the capital level, while leaving product markets undisturbed.

From Confrontation to Cooperation: How CE Goes Global

One of the most powerful features of the CE framework is how it encourages other countries to adopt similar systems—not through treaties or threats, but through the logic of self-interest. The Y% mechanism naturally "leaves room" for other countries to implement their own CE programs, creating a cooperative dynamic that is the precise opposite of tariff escalation.

To see why, consider a hypothetical foreign company—call it "United Scones PLC"—domiciled in the United Kingdom, with \$2 billion in global sales: \$1.5 billion in the U.K. and \$500 million in the U.S. If the U.S. has adopted CE at $X\% = 6\%$, the fair American claim on United Scones' capital is $X\% \times Y\% = 6\% \times 25\% = 1.5\%$. The remaining 4.5% of the company's capital is, in effect, *unclaimed* by any sovereign CE fund.

How will the rest of the world respond? Let's imagine a conversation between U.K. government ministers:

Minister A: "I say, can you believe the cheekiness of our American friends, demanding capital contributions from our companies for their new CE fund? I hear that *United Scones* has already agreed to give up 1.5% of its capital stock, and many of our other companies are being threatened similarly."

Minister B: "What gall. We must retaliate immediately. We must form a list of American companies doing business in the U.K., and do exactly the same thing to them."

Minister C: "I fully agree we must retaliate, but politically we will need our own CE fund to do so, without which we will face great criticism from our own citizens. So that raises the question about U.K. companies doing business *only* in the U.K. Should they not also pay into our own CE fund? We have serious sustainability issues with our welfare funding now, and these look to get worse. Would we be foregoing an opportunity here by not fully emulating the American plan?"

Notice what just happened. The U.K. "retaliation" is not a destructive tit-for-tat—it is a constructive decision to build their own citizens' capital ownership. Unlike tariff retaliations, which escalate conflict and shrink the economic pie for both sides, CE "retaliations" expand the ownership pie for all citizens. Each country that joins the system strengthens it.

If all major economies adopt CE at similar $X\%$ rates, the result is elegant: a global total capital contribution summing to approximately $X\%$ of global stakeholder capital, allocated among countries by the proportion of trade each conducts. The system self-balances through the Y% mechanism as trade patterns shift—no political renegotiation required.

Impact on Governmental Trade Practices

Beyond the macroeconomic arguments, the *administrative* superiority of CE over tariffs is worth examining. Tariffs are not merely poor economics; they are operationally expensive and cumbersome.

A tariff regime requires physical and bureaucratic infrastructure at every point of entry: goods must be inspected, classified under harmonized tariff schedules, valued by customs officials, and assessed duties shipment by shipment. Importers must navigate thousands of product-specific tariff codes—the U.S. Harmonized Tariff Schedule runs to thousands of pages—and are charged on each individual consignment. Warehousing, delays, and compliance costs cascade through supply chains.

By comparison, CE operates company by company rather than shipment by shipment. There are no customs inspectors determining the value of individual cargo containers. Instead, the CE system relies on audited financial statements—the same standardized corporate reporting that already exists for tax compliance and securities regulation. A company's Y% is calculated from its own revenue disclosures, and the corresponding

capital contribution is a single, periodic corporate transaction rather than a tariff imposed on millions of individual imports.

The efficiency gains are substantial. The administrative cost of operating a tariff system—customs enforcement, classification disputes, compliance monitoring, bonded warehousing—is replaced by what is essentially a financial accounting exercise already performed by the companies themselves.

Moreover, the two systems differ profoundly in their dynamic properties:

Whereas tariffs are frequently met with *unwelcome* retaliatory tariffs—escalating into trade wars that damage both sides—CE "retaliations" are *expected and welcome*, as illustrated in our U.K. ministerial dialogue above.

Whereas tariff arrangements require constant political adjustment as trade patterns, exchange rates, and domestic industries evolve, CE contributions adjust *automatically* as companies' geographic revenue mixes shift from quarter to quarter.

Whereas tariff revenue flows into general government coffers, subject to the vagaries of political allocation, CE dividends flow *directly* to citizens through the CE fund's automatic distribution mechanism.

And whereas tariffs create complex arbitrage opportunities—trans-shipment through third countries, tariff classification gaming, rules-of-origin manipulation—CE's equity-based approach is anchored to the single, auditable metric of where a company's customers actually are.

A Numerical Example: Two Countries, Two Companies

To make the comparison concrete, consider a simplified world with two countries, A and B, and two companies⁶³.

Company Alpha is domiciled in Country A with \$10 billion in global sales: \$7 billion in Country A and \$3 billion in Country B. **Company Beta** is domiciled in Country B with \$20 billion in global sales: \$8 billion in Country A and \$12 billion in Country B.

Under CE (X% = 10% in Both Countries)

Each company's Y% is calculated from its revenue split:

Alpha's Y% for Country A = 70%, for Country B = 30%.

Beta's Y% for Country A = 40%, for Country B = 60%.

The capital contributions work out as follows:

- Alpha contributes $10\% \times 70\% = 7\%$ of its capital to Country A's CE fund, and $10\% \times 30\% = 3\%$ to Country B's CE fund.
- Beta contributes $10\% \times 40\% = 4\%$ of its capital to Country A's CE fund, and $10\% \times 60\% = 6\%$ to Country B's CE fund.

Each company contributes exactly X% = 10% of its total capital across both CE funds ($7\% + 3\% = 10\%$; $4\% + 6\% = 10\%$). Citizens in both countries benefit from *both* companies' success, proportional to the economic activity occurring in their territory. Country A's citizens own stakes in both Alpha and Beta; Country B's citizens do too.

Under a Tariff War (25% Mutual Tariffs)

Now imagine the same two countries impose 25% tariffs on each other's products instead:

Consumers in both countries pay higher prices, reducing purchasing power across the board. Both companies lose sales volume and operational efficiency as trade barriers distort their logistics and pricing decisions. Government tariff revenues accrue to political systems rather than flowing directly to citizens. Economic efficiency declines as trade flows are artificially diverted, and escalating tensions risk broader diplomatic consequences.

The contrast in outcomes is dramatic:

For Citizens: Under CE, citizens receive direct dividend payments from corporate success while maintaining access to competitively priced goods from both domestic and foreign companies. Under tariffs, citizens pay higher prices for imports *and* for domestic substitutes (since competitive pressure is reduced), while any government revenue is subject to political allocation.

For Companies: CE obligations are predictable, transparent, and do not distort pricing or production decisions. Tariffs force companies into inefficient location, sourcing, and production choices driven by political rather than economic logic.

For Countries: CE creates mutual stakeholding—each nation's citizens have a financial interest in the other's prosperity. Tariffs create adversarial relationships prone to escalation.

Strategic Rent Shifting: Using Market Power Wisely

There is a final, strategic dimension to the CE approach that deserves attention.

Large consumer markets like the United States possess enormous bargaining power. Any company that wants to sell goods or services to 330 million affluent consumers must, by economic necessity, engage with the U.S. market. Tariffs use this bargaining power *destructively*—to punish and exclude. CE uses it *constructively*—to extract a share of corporate rents for the benefit of citizens.

This is what economists might call "strategic rent shifting." We are using the immense gravitational pull of our consumer market not to punish foreign companies, but to ensure that a portion of their global profits—the rents earned from access to our consumers—flows back to those consumers as capital owners. The foreign company still earns substantial profits from U.S. sales; the CE contribution simply ensures that citizens share in that value creation.

Importantly, this logic applies to domestic companies as well. American multinationals earning revenue abroad will contribute to foreign CE funds in proportion to their overseas sales, while contributing to the U.S. CE fund in proportion to their domestic sales. The system is symmetric, transparent, and self-adjusting.

Entangled Interests: The Peace Dividend

There is a final, geopolitical argument for replacing tariffs with CE contributions—one that transcends economics entirely.

Tariffs are acts of economic hostility. They sever commercial ties and reduce interdependence. If we shut out foreign goods, we have less reason to care whether that foreign nation succeeds or fails. Tariff wars have historically preceded, and sometimes precipitated, actual wars.

CE creates what we might call "entangled interests." If the American CE fund owns 5% of China's technology sector, and the Chinese CE fund owns 5% of America's agriculture sector, both nations have a direct financial incentive to see the other prosper. Citizens are no longer just rivals; they are *partners* with mutual stakes in each other's economic health.

This is not mere idealism. The European Union's foundational insight—beginning with the European Coal and Steel Community in 1951—was that intertwining economic interests makes military conflict between member states economically irrational. CE extends this logic from governments and corporations to *entire populations*. When hundreds of millions of citizens on both sides of a potential conflict literally own pieces of each other's economy, the political constituency for cooperation grows enormously, while the constituency for confrontation shrinks.

Imagine Chinese and American citizens both holding stakes in companies that operate across both markets. Trade disputes become portfolio optimization problems rather than international crises. Military conflict becomes not just politically costly but *personally* expensive for every citizen-shareholder on both sides.

The world has tried the alternative. Tariff escalations in the 1930s contributed to the collapse of international trade and the political instability that preceded World War II. We should not assume that modern tariff wars will end more benignly. CE offers a path toward the kind of deep economic interdependence that makes great power conflict, if not impossible, at least enormously more costly to contemplate.

Conclusion

For too long, we have accepted the idea that we must suffer higher prices to build a strong national economy. That is a relic of 20th-century thinking, born in an era when the only tools available were the blunt instruments of border taxes.

We now have a better option. By moving from taxing flows (tariffs) to acquiring capital stock (CE), we protect the purchasing power of every household while securing a permanent, growing stream of income for the future. We replace administrative complexity with financial simplicity. We replace international hostility with mutual stakeholding. And we replace the false choice between globalism and protectionism with a third way: ownership.

We don't need to start a trade war. We just need to ask for our citizens' share.

Endnotes

⁵⁸ Mary Amiti, Stephen J. Redding, and David E. Weinstein, "The Impact of the 2018 Tariffs on Prices and Welfare," *Journal of Economic Perspectives*, Vol. 33, No. 4, 2019, pp. 187–210. Found near-complete pass-through of 2018 U.S. tariffs to import prices, with virtually no reduction in foreign export prices. <https://www.aeaweb.org/articles?id=10.1257/jep.33.4.187>

⁵⁹ Alberto Cavallo, Agustín Llamas, and José Vázquez, "Tracking the Short-Run Price Impact of U.S. Tariffs," NBER Working Paper No. 34496, 2025. Daily retail price tracking showing 6.2% increase in imported goods prices and 3.6% increase in domestic goods prices following March 2025 tariff announcements, with cumulative CPI contribution of 0.7 percentage points. <https://www.nber.org/papers/w34496>

⁶⁰ Richmond Federal Reserve, "Tariffs: Estimating the Economic Impact of the 2025 Measures and Proposals," *Economic Brief* No. 25-12, June 2025. Summary of empirical literature finding pass-through rates generally near 100 percent. https://www.richmondfed.org/publications/research/economic_brief/2025/eb_25-12

⁶¹ Cavallo et al. (2025), same study as endnote 59. Found that the cheapest product varieties experienced price increases of approximately 5%, roughly double the 2.5% increase for premium products, indicating disproportionate impact on lower-income households.

⁶² Pablo D. Fajgelbaum, Pinelopi K. Goldberg, Patrick J. Kennedy, and Amit K. Khandelwal, "The Return to Protectionism," *Quarterly Journal of Economics*, Vol. 135, No. 1, 2020, pp. 1–55. Estimated \$51 billion in consumer and firm losses from 2018 tariffs, with net economic loss of approximately \$7.2 billion after accounting for protected-sector job gains, and approximately 220,000 jobs lost in import-dependent industries. <https://academic.oup.com/qje/article/135/1/1/5626442>

⁶³ This bilateral example draws on analysis developed in collaboration with the author and originally presented in the CE monograph's working papers.

This chapter draws from extensive research on international trade policy, tariff economics, and capital market mechanisms. Full documentation and detailed implementation frameworks are available in the complete [Citizens' Equity monograph](#).



Chapter 7: The Devil in the Details - Implementing Citizens' Equity

Designing the CE fund: Mechanics and Safeguards

The Citizens' Equity system's success depends on careful architectural design that prevents manipulation, ensures effective governance, and maintains public trust over decades. Unlike traditional government programs that operate through annual budgets and political oversight, CE requires institutional structures that can function independently while remaining accountable to citizens.

Fund Structure and Governance

The CE fund must operate as an independent entity insulated from short-term political pressures while maintaining democratic accountability. The optimal structure combines elements of successful sovereign wealth funds, central bank independence, and corporate governance best practices.

Independent Board of Directors: The CE fund should be governed by a professional board appointed for staggered 6-year terms, longer than electoral cycles. Board members should include economists, finance professionals, and representatives of different stakeholder groups, but should be prohibited from holding other government positions or having conflicts of interest with contributing companies. They should have a fiduciary relationship to citizens' interests, similar to pension fund trustees.

Transparent Operations: All holdings, transactions, and performance metrics must be publicly reported quarterly. Citizens should be able to track their individual account balances, fund performance, and distribution calculations through accessible online platforms. This transparency serves both accountability and educational purposes, helping citizens understand how their economic stake connects to overall economic performance.

Diversification: By statically holding all the liabilities contributed, the CE fund will have one of the most well-diversified portfolios ever constructed. Indeed, it may possess one of the most perfect "market portfolios" (the portfolio of all tradable capital assets, weighted by their total value, as defined by the Capital Asset Pricing Model) ever created, through including many non-traded or thinly-traded assets inaccessible to ordinary investors. For adjunct portfolios involving monies held pending distribution, portfolio rebalancing, payout structuring, and other short-term cashflows they should be maintained in a safe money-management portfolio together with a non-cash assets-in-transition portfolio (e.g. rebalancing and held in suspense for return to company.)

Professional Management: Day-to-day operational decisions should be delegated to professional portfolio managers operating under clear guidelines. Active management or stock-picking activities should be prohibited.

Contribution Mechanisms and Corporate Compliance

The heart of the CE system lies in its contribution formula: $X\% \times Y\%$ of corporate capital liabilities, where X represents the total percentage held by the CE fund and Y represents the percentage of sales to U.S. customers. This mechanism requires careful calibration and robust enforcement.

Defining Capital Liabilities: The contribution base should include all forms of corporate capital: common stock, preferred shares, bonds, convertible securities, warrants, stock options, and executive compensation agreements for senior management. This broad definition prevents companies from restructuring to avoid contributions while ensuring the fund captures value from all forms of corporate financing.

Sales Percentage Calculation: The Y% factor should be based on audited financial statements using standardized accounting principles. Companies must report total global sales and U.S.-specific sales, with verification requirements similar to current tax compliance systems. Transfer pricing rules should prevent manipulation through artificial geographic allocation of revenues. Alternatively, companies could themselves be defined as encompassing controlled by, or in common control, by the company.

Progressive Scaling: While the basic rate applies to all qualifying companies, larger corporations should perhaps face higher rates to reflect their greater reliance on public infrastructure and market systems. Companies with market capitalizations above \$50 billion might contribute at 12% while those below contribute at 10%, creating incentives for competitive markets rather than excessive concentration.

Implementation Timeline: A gradual 10-year phase-in prevents market disruption:

- **Years 1-3:** Companies with market cap above \$10 billion (approximately 1,000 companies)
- **Years 4-6:** Companies with market cap above \$1 billion (approximately 3,500 companies)
- **Years 7-10:** Companies with market cap above \$100 million (approximately 15,000 companies)

Anti-Avoidance Rules: Comprehensive measures must prevent corporate restructuring designed to minimize CE contributions. These should include substance-over-form requirements, consolidation rules for related entities, and penalties for artificial schemes that separate ownership from economic substance. International coordination will be helpful to prevent regulatory arbitrage.

Distribution Framework and Citizen Accounts

The system for distributing CE returns to citizens requires balancing simplicity, fairness, and practical implementation challenges.

Individual Citizen Accounts: Each eligible citizen should be entitled to a personal CE account that cannot be sold, pledged as collateral, or transferred to others. These accounts function similarly to Social Security accounts but hold actual ownership stakes rather than just benefit promises.

Quarterly Distributions: Payments should occur quarterly rather than monthly to reduce administrative costs while providing regular income. Distribution amounts should equal the fund's net income (dividends, interest, capital gains) minus operating expenses, distributed equally among all eligible citizens. This approach coordinates with quarterly financial reporting for corporate revenues and rebalancing of country allocations.

Eligibility Criteria: Clear rules must define eligibility based on citizenship status and residency requirements. The principles of equal treatment under law suggest universal eligibility regardless of age, income, or criminal history, but practical considerations may require some modifications:

- **Children:** Full eligibility from birth, perhaps with distributions potentially held in trust until age 18
- **Non-citizen residents:** Potential path to partial eligibility through taxation and civic participation
- **Dual citizens:** Prorated benefits based on tax obligations and residence patterns

Inheritance and Estate Planning: CE shares cannot be bequeathed but revert to the CE fund upon death, maintaining the principle of equal citizenship-based allocation while mitigating concentration across generations.

International Coordination and the Global Challenge

The global nature of modern business requires international cooperation to make CE effective. Without coordination among major economies, companies may relocate to avoid laws governing the CE contributions, potentially undermining the system's viability. And indeed, foreign companies could simply refuse to comply. On the other hand, the affected sovereign government could simply stop the sales of goods and services of a non-conforming company in that foreign country as an ultimate enforcement tool: imported goods can be blocked at the borders, internet domain names can also be blocked (although this presents some challenges—witness the TikTok case), and bank payments as well.

All of these issues illustrate that sovereigns (i.e. countries) are really the best jurisdictions to administer Citizens' Equity plans.

Multilateral Implementation Strategy

OECD Leadership: The Organization for Economic Cooperation and Development provides the natural forum for coordinating CE implementation among developed countries. The OECD's existing work on corporate taxation (Base Erosion and Profit Shifting initiative), digital services taxes, and multinational enterprise guidelines creates institutional precedents for cooperative approaches to corporate obligations⁶⁴.

Phased Geographic Rollout: Implementation should begin with countries that have strong regulatory institutions and enforcement capabilities. The initial group might include the United States, European Union, Canada, Australia, and Japan, representing large enough markets to make avoidance difficult for major corporations.

Trade Integration: New trade agreements should incorporate CE participation requirements. Countries implementing CE systems could offer preferential trade terms to other participating countries while imposing additional obligations on companies from non-participating jurisdictions.

Development Assistance: Developed countries could provide technical assistance and funding to help developing countries establish their own CE systems. This creates incentives for global participation while addressing legitimate capacity constraints in emerging economies.

Preventing Capital Flight and Regulatory Arbitrage

The risk of companies relocating to avoid CE contributions requires proactive countermeasures based on economic substance rather than just formal legal structures.

Market Access Penalties: Companies avoiding CE contributions should face restricted access to participating countries' markets. This could include:

- Higher tariffs or import restrictions on goods and services
- Exclusion from government contracts and procurement
- Licensing restrictions for professional services
- Blocked access to payment systems and app stores for digital companies

Substance Requirements: Real business operations—employees, assets, customer relationships, and especially sales—should determine CE obligations rather than just legal incorporation. A company with 90% of its customers and employees in participating countries cannot avoid contributions by maintaining headquarters in a non-participating jurisdiction.

Financial System Integration: Banks and financial institutions in participating countries should be required to report on clients' CE compliance status and restrict services to non-compliant entities. This creates additional enforcement mechanisms and makes avoidance more difficult and expensive.

Economic Pressure Mechanisms: Participating countries should coordinate economic pressure on non-compliant tax havens, including:

- Restrictions on banking relationships and correspondent banking services
- Exclusion from international payment systems (SWIFT, etc.)
- Enhanced due diligence requirements for transactions involving these jurisdictions
- Coordinated diplomatic pressure through international organizations

Beneficial Ownership Requirements: Companies claiming tax haven incorporation should be required to disclose ultimate beneficial ownership and demonstrate genuine business substance. Shell companies with no real operations should not escape CE obligations.

Automatic Information Exchange: Building on existing international tax cooperation frameworks, countries should share information about corporate structures and beneficial ownership to prevent avoidance through complex international arrangements.

Metrics for Forensics

There are three information items of particular importance, on which the CE fund management must secure good intelligence in order to verify compliance: (1) sales revenues received by companies from the U.S.; (2) global sales revenues by those companies; and (3) the stakeholder liabilities—types and quantities—of those companies. This is because of the three main strategies which could be employed to evade CE compliance. These would be:

Underrepresenting domestic sales - Evaders may try to report domestic sales as less than received

Overrepresenting foreign sales - Evaders may try to report non-domestic sales larger than received

Hiding stakeholder liabilities - Evaders may try to disguise or hide stakeholder interests

We identify the revenue-to-valuation ratios for foreign sales, domestic sales, and global sales; if these are higher than comparable companies in comparable nations, this constitutes a red flag for possible evasion.

Political Economy: Building Coalitions for Change

Implementing CE requires assembling a political coalition strong enough to overcome inevitable opposition from entrenched interests. This demands both strategic thinking about natural supporters and careful attention to addressing legitimate concerns from skeptics.

Natural Supporters and Coalition Building

Workers Facing Automation: The most obvious constituency includes people whose jobs are threatened by AI and automation. McKinsey's projection that 50% of work activities will be automated by 2045 creates a large and growing group with clear economic incentives to support alternative income sources⁶⁵.

Young People: Millennials and Generation Z face diminished economic prospects compared to previous generations, with lower homeownership rates, higher debt burdens, and uncertain career prospects in an AI-dominated economy. CE offers a pathway to capital ownership that traditional employment may not provide.

Small Business Owners: Entrepreneurs may support CE because it provides economic security that enables risk-taking. The knowledge that basic needs are covered through capital ownership could encourage more people to start businesses or pursue innovative projects.

Technology Workers: Many people in the tech industry understand AI's disruptive potential and may support CE as both economic insurance and social responsibility. Tech workers often support progressive policies and may view CE as ensuring that technological progress benefits everyone.

Organized Labor: Unions could support CE as complementing rather than replacing collective bargaining, providing a foundation of economic security that strengthens workers' bargaining positions.

Addressing Opposition and Building Broader Support

Current Capital Owners: Wealthy individuals and institutional investors will resist CE because it dilutes their ownership percentages and potentially reduces their political influence. However, CE can be framed as expanding markets and creating more stable societies that protect property rights more effectively than systems with extreme inequality.

Business Community: Corporate leaders may resist new obligations and compliance costs. The key is demonstrating that CE creates more stable and prosperous societies that provide better business environments than alternatives like high taxes, excessive regulation, or social instability.

Fiscal Conservatives: Concerns about CE's cost and economic efficiency must be addressed through careful economic analysis showing that broad capital ownership can reduce needs for other government programs while promoting economic growth through increased consumer spending and entrepreneurship.

Constitutional and Legal Framework: CE may face legal challenges based on property rights, regulatory authority, or interstate commerce provisions. Legal strategies should be developed early.

Learning from Alaska's Political Success

Alaska's Permanent Fund Dividend offers crucial insights into building and maintaining political support for universal ownership systems:

Bipartisan Appeal: The dividend enjoys support across party lines because it's seen as sharing Alaska's natural inheritance rather than government welfare. CE can be framed similarly as sharing in America's economic inheritance.

Universal Benefits: Alaska's universal eligibility (regardless of income, age, or employment status) maintains broad political support. Means-testing or exclusions would create political divisions and administrative complexity.

Automatic Distributions: Because payments depend on fund performance rather than legislative appropriations, politicians can't easily cut benefits during budget pressures. CE should incorporate similar automatic distribution mechanisms.

Long-term Thinking: Alaska's fund operates on long-term investment principles, which builds public understanding of how economic growth translates to individual benefits. CE education campaigns should emphasize this connection⁶⁶.

Risk Management and Mitigation Strategies

Any large-scale economic reform carries significant risks that must be identified and managed proactively.

Economic and Financial Risks

Corporate Gaming: Companies will inevitably seek ways to minimize CE contributions through restructuring, profit-shifting, or other avoidance strategies. Robust enforcement requires:

- Regular rule updates to address new avoidance schemes
- Substantial penalties for non-compliance
- International coordination to prevent regulatory arbitrage
- Sophisticated monitoring systems using AI to detect suspicious patterns

Implementation Disruption: The gradual dilution of existing shareholders by 10% over 10 years could trigger market instability if not carefully managed. Risk mitigation includes:

- Very gradual phase-in with clear advance notice (along the lines of Federal Reserve policies)
- Coordination with major institutional investors
- Possible transitional compensation for affected shareholders
- Emergency suspension mechanisms if market disruption threatens broader economic stability

Political and Governance Risks

Policy Reversal: Future political coalitions might attempt to reduce or eliminate CE obligations. Defenses include:

- Constitutional protections where possible
- Broad stakeholder coalitions including benefit recipients
- International treaty obligations that raise costs of withdrawal
- Design features that make dismantling politically costly

Capture Risk: The CE system itself could become subject to political or corporate capture if governance structures prove inadequate. Prevention mechanisms include:

- Independent oversight with staggered terms
- Transparency requirements and real-time public reporting
- Citizen engagement and education programs
- Professional management insulated from political pressure

International Tensions: Trade disputes or geopolitical conflicts could undermine international cooperation essential for CE's effectiveness. Risk reduction includes:

- Diverse international partnerships reducing dependence on any single relationship
- Flexible adaptation mechanisms for changing geopolitical circumstances
- Economic incentives strong enough to overcome political tensions
- Gradual expansion that doesn't depend on simultaneous global implementation

Implementation and Operational Risks

Technical Failures: Complex systems for tracking contributions and managing distributions create risks of operational failures that could undermine public confidence. Requirements include:

- Robust technology platforms with extensive testing and backup systems
- Gradual rollout allowing identification and correction of problems
- Clear communication about system limitations and ongoing improvements
- Professional management with experience in large-scale financial operations

Administrative Burden: Excessive complexity could make CE difficult to operate effectively or understand publicly. Design principles should prioritize:

- Simplicity in citizen-facing systems
- Clear communication about rights, benefits, and system operations
- Streamlined corporate compliance requirements based on existing reporting
- Automation of routine processes to minimize human error
- Regular audits and performance reviews

Unintended Consequences: Large-scale social innovations inevitably produce unexpected effects that may require system modifications. Adaptive management includes:

- Continuous monitoring of economic, social, and political impacts
- Flexible governance structures allowing rapid response to problems
- Regular review and adjustment processes
- International coordination for shared learning and best practices

Constitutional and Legal Framework

CE implementation requires establishing clear legal authority and addressing potential constitutional challenges.

Constitutional Foundations

Property Rights and Takings Clause: CE's requirement that corporations contribute shares to the CE fund constitutes a "taking" under the Fifth Amendment. However, several legal precedents support its constitutionality⁶⁷:

- **Regulatory Takings Doctrine:** Courts have upheld extensive regulations on business operations when they serve legitimate public purposes
- **Tax Power Precedent:** The government's taxation authority provides a model for wealth transfers that serve public purposes
- **Interstate Commerce Authority:** Congress's power to regulate interstate commerce clearly covers large corporations operating across state lines

Equal Protection Requirements: The Constitution's equal protection clause actually supports CE's universal citizenship-based eligibility rather than creating obstacles. Unlike means-tested programs that create different classes of citizens, CE treats all citizens equally.

Due Process Considerations: Implementation must include fair procedures for determining corporate obligations, appeal mechanisms for disputed assessments, and transparent rule-making processes.

Legislative Framework

Federal Implementation: CE requires comprehensive federal legislation establishing:

- Clear authority for the CE fund and its governance structure
- Corporate contribution requirements and enforcement mechanisms
- Citizen eligibility criteria and distribution systems
- International coordination authority
- Penalties for non-compliance and anti-avoidance rules

State Coordination: While CE should be federally administered for efficiency and consistency, state cooperation is essential for:

- Citizenship verification and record-keeping
- Coordination with existing benefit programs
- Local implementation support
- Political coalition building

Judicial Review: The legislation should provide for expedited judicial review of constitutional challenges while ensuring the system can operate during litigation.

Technology Infrastructure and Operations

CE requires sophisticated technology systems to track corporate contributions, manage citizen accounts, and distribute payments at unprecedented scale.

Corporate Contribution Tracking

Integration with Existing Systems: CE should build on existing corporate reporting infrastructure rather than creating parallel systems:

- SEC reporting requirements provide templates for corporate disclosure
- IRS systems for tax collection offer models for enforcement
- Banking regulations demonstrate feasibility of complex compliance requirements

Real-time Monitoring: Advanced technology systems should:

- Track corporate sales and market capitalization continuously
- Calculate contribution requirements automatically
- Detect potential avoidance schemes using AI pattern recognition
- Coordinate internationally to prevent regulatory arbitrage

Blockchain and Transparency: Distributed ledger technology could provide:

- Immutable records of corporate contributions
- Real-time public access to fund holdings and performance

- Automated smart contracts for distribution calculations
- Enhanced security against fraud and manipulation

Citizen Account Management

Scalable Infrastructure: Managing 330 million citizen accounts requires:

- Cloud-based systems capable of handling massive transaction volumes
- Real-time balance updates and distribution calculations
- Multiple payment channels (direct deposit, debit cards, mobile payments)
- Multilingual support and accessibility features

Security and Privacy: Protecting citizen financial data requires:

- Bank-level cybersecurity with regular penetration testing
- Multi-factor authentication and biometric verification
- Encryption of all personal and financial data
- Regular security audits by independent firms

User Experience: Citizen-facing systems should be:

- Simple enough for users with limited technical skills
- Available through multiple channels (web, mobile, phone, in-person)
- Integrated with existing government services where possible
- Designed with user feedback and testing

Transition Management and Legacy System Integration

Implementing CE requires careful coordination with existing social programs and economic institutions.

Integration with Existing Benefits

Social Security Coordination: CE should complement rather than replace Social Security:

- Both systems can operate simultaneously during transition
- CE provides inflation protection that Social Security lacks
- Combined systems offer more comprehensive retirement security
- Potential for eventual integration as CE matures

Welfare System Reforms: CE may reduce need for some welfare programs over time:

- Means-tested programs could be simplified as CE provides universal basic security
- Administrative savings from reduced welfare bureaucracy
- Gradual transition protecting current beneficiaries
- Evaluation of which programs remain necessary

Tax System Integration: CE interacts with tax policy in several ways:

- CE distributions should be treated as investment income for tax purposes
- Corporate tax rates may need adjustment to account for CE contributions
- Progressive taxation remains important for overall equity
- International tax coordination becomes more critical

Economic Transition Effects

Labor Market Adaptation: CE implementation coincides with AI-driven job displacement:

- CE provides income security enabling worker retraining
- Reduced desperation may improve workers' bargaining power
- Entrepreneurship incentives from basic economic security
- Potential for reduced working hours as automation increases productivity

Financial Market Evolution: CE changes investment patterns and market dynamics:

- Broad-based ownership may reduce market volatility
- Citizens become more informed about economic policy
- Potential for reduced speculation as ownership becomes long-term oriented
- Changes in corporate governance as citizen-shareholders gain influence

Innovation and Entrepreneurship: CE could accelerate innovation by:

- Providing security that enables risk-taking
- Creating market incentives for automation and productivity improvements
- Reducing regulatory burden on businesses as social safety net strengthens
- Encouraging long-term thinking and investment

International erfunderfundBest Practices and Coordination

Learning from successful models worldwide can improve CE design and implementation.

Sovereign Wealth Fund Models

Norway's Government Pension Fund Global: The world's largest sovereign wealth fund offers several lessons⁶⁸:

- Transparent governance with professional management
- Diversified international investment strategy
- Clear ethical guidelines for investment decisions
- Public reporting and democratic oversight

Singapore's GIC and Temasek: Singapore's dual fund structure demonstrates:

- Importance of clear mandates and performance metrics
- Benefits of international diversification

- Professional management insulated from political pressure
- Long-term investment horizons

Alaska's Permanent Fund: The most relevant precedent for CE shows:

- Political sustainability of universal payments
- Importance of automatic distribution mechanisms
- Benefits of constitutional protections
- Challenges of balancing growth with distributions

International Tax Cooperation

OECD BEPS Initiative: The Base Erosion and Profit Shifting project provides models for:

- Multilateral cooperation on corporate taxation
- Information sharing and coordination mechanisms
- Common standards for corporate reporting
- Enforcement cooperation against tax avoidance

European Union Coordination: EU experience with common policies offers insights into:

- Challenges of coordinating diverse national systems
- Benefits of common standards and regulations
- Importance of strong enforcement mechanisms
- Managing political tensions between member states

Performance Measurement and Continuous Improvement

CE requires comprehensive monitoring and evaluation systems to ensure effectiveness and guide improvements.

Key Performance Indicators

Economic Outcomes:

- Income inequality measures (Gini coefficient, income shares)
- Poverty rates and economic mobility
- Overall economic growth and productivity
- Labor market participation and wages

Social Indicators:

- Health outcomes and healthcare costs
- Educational attainment and skill development
- Crime rates and social stability
- Civic engagement and political participation

System Performance:

- Fund returns and distribution amounts
- Administrative costs and efficiency
- Corporate compliance rates
- International coordination effectiveness

Adaptive Management Framework

Regular Review Cycles: Systematic evaluation should occur:

- Annually for operational performance and immediate adjustments
- Every 5 years for major policy reviews and improvements
- Every 10 years for fundamental system evaluation and potential restructuring
- Continuously for technological upgrades and security improvements

Research and Development: Ongoing research should examine:

- Optimal contribution rates and distribution mechanisms
- Effects on work incentives and economic behavior
- International coordination opportunities and challenges
- Technological improvements to system operations

Stakeholder Engagement: Regular consultation with:

- Citizens receiving CE distributions
- Corporations subject to contribution requirements
- International partners and organizations
- Academic researchers and policy experts

The next chapter examines the personal values and principles that should guide CE implementation, including fundamental questions about equality, democracy, and human dignity in an age of technological transformation.

Endnotes

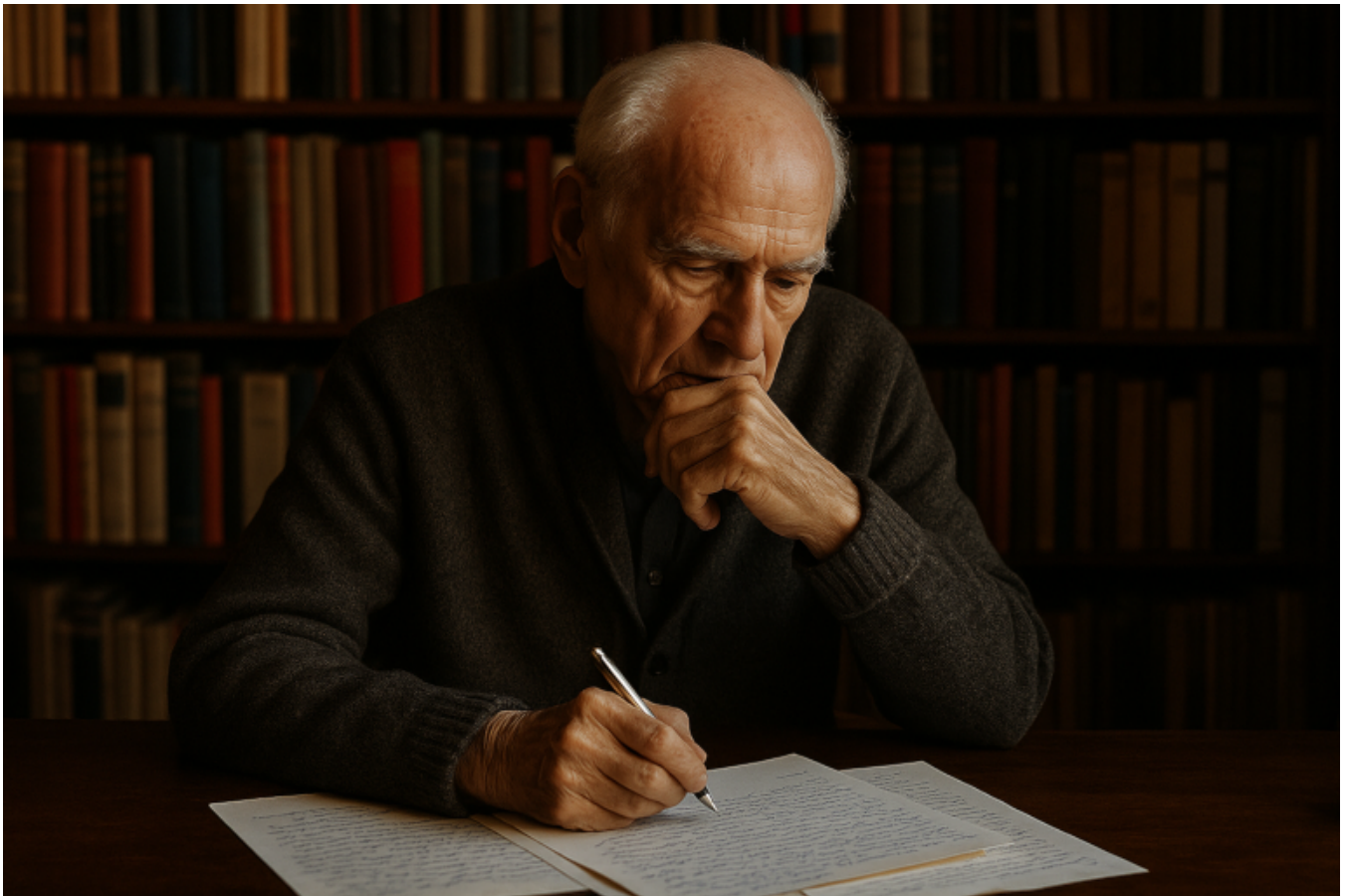
⁶⁴ OECD, "Base Erosion and Profit Shifting (BEPS) Project," ongoing since 2013. Multilateral framework for corporate tax cooperation providing institutional precedents for CE coordination mechanisms.

⁶⁵ McKinsey Global Institute, "The Age of AI: Artificial Intelligence and the Future of Work," 2023. Projection of 50% work activity automation by 2045 creating large constituency for alternative income sources.

⁶⁶ Alaska Permanent Fund Corporation, "Public Outreach and Education Programs," annual reports 2020-2024. Analysis of political sustainability mechanisms including bipartisan support and automatic distribution systems.

⁶⁷ Constitutional law analysis including Fifth Amendment takings clause jurisprudence, taxation authority precedents, and interstate commerce power as applied to corporate regulation and universal citizenship programs.

⁶⁸ Norway Government Pension Fund Global, "Annual Reports," 2020-2024. Analysis of governance structure, transparency mechanisms, and democratic oversight providing models for CE fund management.



Chapter 8: Personal Reflections on Principles and Values

In which choices are made based not on scientific evidence, but on my perceptions of how the general welfare is best served.

Equal Treatment Under the Law: The Constitutional Foundation

After years of studying economic policy and watching our democracy strain under the weight of inequality, I've come to believe that the constitutional principle of "equal protection under the law" should extend to economic citizenship. Citizens' Equity must be truly universal—no means tests, no criminality exclusions, no age restrictions beyond life and citizenship.

This isn't just idealistic thinking. It's practical democracy.

Every test we apply—every bureaucratic hurdle we create—undermines the fundamental promise of CE. When we decide that some citizens are more deserving than others, we recreate the us-versus-them dynamics that poison our politics. When we require people to prove their worthiness for economic participation, we build resentment into the system's foundation.

Consider what happens with means testing. Suddenly, we need an army of bureaucrats to determine who qualifies. We create incentives for people to hide income or assets. We generate paperwork, compliance costs, and administrative overhead. Worst of all, we divide citizens into the "deserving" and "undeserving," guaranteeing political conflict.

The evidence from universal programs supports this approach. Alaska's Permanent Fund Dividend maintains 81% public approval precisely because every resident receives the same payment regardless of circumstances⁶⁹. Social Security enjoys broad political support because recipients feel they've "earned" benefits through participation, not government charity.

Age tests? Should children receive CE? I believe they should. Economic security builds stronger families and gives parents more time to invest in child development. The data is clear: median household savings cover less than three months of expenses, and over 40% of adults report that a \$400 emergency would require borrowing or selling assets⁷⁰. Family economic stress affects children's educational outcomes, health, and long-term economic prospects. Universal payments provide family stability that benefits society broadly.

Should we deny CE to seniors who already receive Social Security? No—double-dipping isn't a bug, it's a feature. When everyone receives CE regardless of other income sources, we eliminate perverse incentives and bureaucratic complexity. Alaska demonstrates this works: residents receive both federal benefits and state dividends without administrative problems or political resentment.

Criminality tests present perhaps the strongest temptation to create exceptions. Surely we shouldn't reward criminals with capital ownership? But this thinking misses the point entirely. People emerging from prison face enormous barriers to economic reintegration. Accruing CE in suspense while incarcerated makes a lot of sense, if the proceeds are available to them for a fresh start upon release. Denying them CE increases recidivism risk and perpetuates cycles of poverty and crime. If we believe in redemption and second chances, CE should be part of that path.

The bureaucratic costs alone justify universality. Every test requires staff, systems, appeals processes, and ongoing monitoring. These costs directly reduce the resources available for actual CE distributions. More importantly, they create friction and humiliation that undermines public support for the entire system.

Jefferson's warning about democracy surviving "until the people discover they can feed at the public trough" reflects a partial truth—democracy does face risks when significant portions of the population become dependent on government transfers. But CE is different. It creates stakeholders, not dependents. When citizens own a piece of the productive economy, they have incentives to support policies that grow that economy, not policies that merely extract from it.

Why CE Builds Unity While UBI Breeds Division

Having watched the political debates around Universal Basic Income pilot programs, I've become convinced that traditional redistribution programs—no matter how well-intentioned—inevitably create social division. UBI asks one group of citizens (taxpayers) to support another group (beneficiaries), creating an inherent us-versus-them dynamic.

CE operates on fundamentally different principles. Instead of redistribution, it promotes what I call "predistribution"—ensuring that productive capital is broadly owned from the beginning rather than having to redistribute income after the fact. This isn't just semantics; it's the difference between sustainable democracy and perpetual class conflict.

Consider the political dynamics. UBI requires constant legislative battles over benefit levels, eligibility criteria, and funding mechanisms. Every economic downturn creates pressure to cut benefits. Every period of growth generates debates about whether benefits should increase. The program becomes a political football, subject to the whims of electoral cycles.

The track record of UBI pilot programs across the country demonstrates this instability⁷¹. Despite generally positive results—recipients spent money responsibly, stress decreased, employment often increased—political sustainability remains elusive. Arkansas banned UBI programs entirely in 2023. Even successful programs like Stockton's face ongoing funding challenges and political opposition.

CE sidesteps these conflicts entirely. There are no benefit levels to debate—distributions simply reflect the fund's performance. There's no question of "deserving" recipients—every citizen is a shareholder. There's no funding crisis because the fund is capitalized by the productive economy itself, not by taxpayer extractions.

More fundamentally, CE changes citizens' relationship to economic policy. Instead of viewing business success as a threat to worker interests, CE shareholders understand that business success benefits everyone. Instead of supporting policies that extract maximum short-term resources from the economy, shareholders support policies that maximize long-term economic growth.

This psychological shift could transform American politics. Imagine environmental policy debates where citizens balance climate concerns against economic impacts knowing they're shareholders in both clean energy companies and fossil fuel industries. Imagine trade policy discussions where citizens understand that both domestic production and international investment matter to their personal portfolios.

UBI perpetuates the zero-sum thinking that poisons our politics. CE creates positive-sum incentives that align individual interests with collective prosperity.

The Global Trade Benefits of Universal Ownership

One of the most intriguing aspects of CE is how it could transform international trade relations. Current trade policy suffers from a fundamental asymmetry: the benefits of international commerce accrue primarily to capital owners, while the costs often fall on workers whose jobs move overseas.

CE creates what I call "partial ownership" of offshore operations through the Y% mechanism—the percentage of sales to U.S. customers that determines contribution levels. When Toyota or Samsung sell cars and phones to American consumers, U.S. citizens become partial shareholders in those companies' success. This "skin in the game" effect could revolutionize trade policy.

Consider how this changes the politics of import tariffs. Under the current system, import restrictions protect domestic workers at the expense of consumers and foreign producers. There's a clear us-versus-them dynamic. With CE, American citizens have economic interests in both domestic production and foreign companies' U.S. sales. Tariffs that help domestic producers but hurt foreign companies selling in America affect citizens' portfolios from both directions.

This doesn't eliminate all trade conflicts, but it creates more sophisticated incentives. Instead of blanket protectionism or free-trade absolutism, CE shareholders would favor policies that maximize the total value of their diversified holdings. This might include supporting domestic innovation while maintaining access to efficient foreign producers.

The international demonstration effect could be equally powerful. As American citizens prosper through CE, other countries would face great pressure to adopt similar systems. A global network of CE programs would create unprecedented economic interdependence—not just between governments or corporations, but between entire populations.

Imagine Chinese and American citizens both owning stakes in companies that operate across both markets. War becomes literally unaffordable because it destroys everyone's investments. Trade disputes become internal portfolio optimization problems rather than international conflicts.

This vision may seem utopian, but it reflects the natural evolution of economic integration. Just as the European Union made war between member countries economically irrational, global CE could make major power conflicts economically impossible.

Practical Gradualism: Starting Big and Working Down

While I believe in universal coverage for citizens, I'm equally convinced that corporate participation should follow practical gradualism—starting with the largest international companies and gradually expanding to smaller enterprises.

This approach serves multiple purposes. Large multinational corporations have the administrative infrastructure to handle CE compliance without significant burden. They're already subject to complex regulatory frameworks in multiple jurisdictions. Adding CE contributions to their existing obligations represents an incremental rather than revolutionary change.

Starting with large companies also maximizes initial impact while minimizing implementation challenges. The largest 1,000 U.S. public companies represent roughly 80% of total market capitalization. Beginning with this group would capture the vast majority of potential CE fund contributions while affecting only a manageable number of entities.

The political economy also favors this approach. Large corporations have limited public sympathy, making them acceptable targets for new obligations. Small businesses, by contrast, are politically popular and economically fragile. Attempting to impose CE requirements on mom-and-pop enterprises from the beginning would generate fierce political resistance and potentially damage the entrepreneurial ecosystem that drives innovation. (But in a fully-matured international CE system of the future, we could envision even early start-ups making capital contributions to a CE fund.)

Research on Employee Stock Ownership Plans (ESOPs) supports gradual expansion. ESOPs work best in companies with at least 20-25 employees and minimum EBITDA of approximately \$2 million⁷². Companies that have been in business for several years with stable cash flows demonstrate the strongest ESOP performance. These characteristics align with our graduated approach, ensuring that CE requirements apply only to companies capable of handling the obligations.

As the system matures and proves successful, expansion to smaller companies becomes both politically feasible and administratively practical. Smaller companies can observe the system's operation, develop compliance capabilities, and understand the benefits of participation. Technology solutions can be developed to minimize compliance costs. Public support for the program can build based on demonstrated results.

I envision a gradual phase-in over 10 years:

Years 1-3: Companies with market cap above \$10 billion (approximately 1,000 companies)

Years 4-6: Companies with market cap above \$1 billion (approximately 3,500 companies)

Years 7-10: Companies with market cap above \$100 million (approximately 15,000 companies)

This timeline allows for learning, adjustment, and organic growth of administrative capabilities. It also provides smaller companies time to prepare and potentially reorganize to optimize their CE obligations.

The minimum threshold question deserves careful consideration. I lean toward eventual inclusion of most business entities, but with contribution rates that scale with size and complexity. A local restaurant shouldn't face the same reporting requirements as Amazon, but it should contribute something to the CE fund that supports the infrastructure enabling its success.

Skin in the Game: Democracy's Best Defense

The more I study democratic decline around the world, the more convinced I become that economic stakeholding is essential for political stability. Democracy works when citizens have meaningful stakes in society's success. It fails when large populations feel excluded from economic progress.

CE provides what Nassim Taleb calls "skin in the game"—personal consequences for collective decisions⁷³. When citizens own capital rather than just labor, they internalize the full costs and benefits of economic policies. This creates incentives for thoughtful, long-term decision-making rather than short-term political opportunism.

Consider how CE might affect attitudes toward government spending. Currently, many citizens view government expenditures as either pure benefit (if they receive them) or pure cost (if they pay for them). CE shareholders would evaluate spending based on its impact on overall economic growth and their portfolio returns. Infrastructure investment that boosts productivity would gain support. Wasteful spending that diverts resources from productive uses would face opposition.

This doesn't guarantee perfect policy outcomes, but it improves the incentive structure. Instead of democracy becoming a contest between competing interest groups seeking to extract resources from each other, it becomes a collective optimization problem where citizens seek policies that maximize shared prosperity.

The historical precedent is encouraging. The expansion of property ownership in 20th century America—through homeownership programs, employer-sponsored retirement accounts, and broader stock market participation—coincided with unprecedented political stability and economic growth. CE extends this stakeholder society to its logical conclusion.

The psychological research on ownership supports this optimism. Studies of homeownership show that property owners are more likely to vote, participate in community organizations, and support local investments⁷⁴. Research on ESOPs demonstrates that employee-owners become more engaged in company performance and more supportive of long-term investments. A meta-analysis of 102 studies representing 56,984 firms found that employee ownership significantly improves firm performance, with the effect strengthening as ownership participation increases⁷⁵.

Critics might argue that CE could make citizens too conservative, too focused on preserving existing wealth rather than supporting necessary changes. I think this misunderstands how capital markets work. Shareholders benefit from creative destruction when it increases overall productivity. They support innovation that makes old business models obsolete if it creates more value than it destroys.

What shareholders oppose is waste, not change. They favor policies that increase the size of the economic pie rather than just fighting over its distribution. This seems like exactly the incentive structure democracy needs.

Moral Hazard and Personal Responsibility

Critics of redistribution programs often raise concerns about moral hazard—the risk that financial support reduces incentives for personal effort and responsibility. These concerns deserve serious consideration, even in the CE context.

CE minimizes traditional moral hazard problems because distributions depend on overall economic performance rather than individual circumstances. Unlike means-tested welfare that disappears when recipients improve their situations, CE income continues regardless of employment status, family composition, or personal choices.

But CE could create different kinds of moral hazard. If basic economic security is guaranteed, might some citizens choose idleness over productivity? Could universal ownership reduce the incentive for individual entrepreneurship and risk-taking?

The evidence from UBI pilots and Alaska's Permanent Fund Dividend suggests these risks are manageable. Alaska's 2018 study found that the dividend had no significant effect on employment and increased part-time work by only 1.8 percentage points⁷⁶. The Mincome experiment in Manitoba showed only a 13% reduction in labor supply, primarily among teenagers and new mothers who used the security to stay in school or care for children.

CE distributions, even in a mature system, would provide security rather than luxury. Our calculations suggest monthly payments of \$58-130 per person in conservative scenarios—enough to prevent destitution but not enough to support comfortable idleness.

More importantly, CE preserves and may even enhance incentives for productive activity. Unlike welfare recipients who face benefit cliffs that make work financially irrational, CE shareholders keep all their employment income while also receiving investment returns. The combination provides both security and opportunity.

Entrepreneurship incentives may actually increase under CE. Current welfare systems trap people in poverty by penalizing success. CE provides a stable platform that enables risk-taking. Would-be entrepreneurs can pursue ventures knowing they won't lose basic economic security if their businesses fail.

The broader social effects seem likely to be positive. CE could reduce the desperation that drives destructive behavior while increasing the security that enables long-term planning. Crime, drug abuse, and family breakdown often stem from economic hopelessness. Providing universal stakes in economic success could address root causes rather than just symptoms.

Learning from Alaska: The Power of Universal Ownership

Alaska's Permanent Fund Dividend provides the most relevant real-world evidence for CE's viability. Since 1982, every Alaskan resident has received annual payments based on the fund's performance, creating a 40+ year track record of universal ownership sharing.

The results validate CE's core principles:

Political Sustainability: The dividend enjoys overwhelming bipartisan support with 81% public approval. Politicians who threaten the dividend face electoral consequences, demonstrating the political power of universal stakeholder benefits.

Economic Impact: Research shows the dividend reduced Alaska's poverty rate by 20-40% without significant negative employment effects⁷⁷. The universal nature of payments eliminates welfare traps and dependency concerns.

Automatic Adaptation: Payments fluctuate with fund performance, automatically adjusting to economic conditions without legislative intervention. This creates natural counter-cyclical effects and eliminates political battles over benefit levels.

Long-term Growth: The fund has grown from initial deposits of \$734,000 in 1977 to over \$80 billion today, demonstrating how patient capital investment can compound over decades.

Social Cohesion: Alaska demonstrates higher economic equality than any other U.S. state, partly attributable to the dividend's redistributive effects.

Alaska's track record—over four decades of continuous dividend payments reaching every eligible resident—shows that meaningful universal payments are sustainable in the real world⁷⁸. For a family of four, this represents \$6,808 annually—substantial enough to meaningfully impact family budgets and economic security.

The key insight from Alaska is that sharing ownership of common assets builds rather than undermines social solidarity. Alaskans don't view the dividend as welfare or government dependence, but as their rightful share of the state's natural inheritance. This framing creates stakeholder psychology rather than dependency relationships.

CE extends Alaska's model from natural resources to the entire productive economy, creating citizen ownership of the technological and economic infrastructure that enables modern prosperity.

The Wisdom of Humility

Having outlined my convictions about CE principles, I want to acknowledge the limits of my knowledge and the uncertainty inherent in social innovation. CE represents a significant departure from existing systems, and unintended consequences are inevitable.

The genius of federalism is that it allows experimentation and learning. I hope CE implementation will begin with pilot programs in states or regions willing to test different approaches. We need real-world experience with different contribution rates, distribution mechanisms, and eligibility criteria.

My preference for universal eligibility, graduated corporate participation, and global coordination reflects my best judgment about optimal system design. But these are judgment calls based on limited data and personal values. Other reasonable people might reach different conclusions.

What I'm confident about is the fundamental problem CE addresses: the growing disconnect between capital ownership and democratic citizenship. Some solution to this challenge is necessary for democratic survival. CE offers one approach, but not necessarily the only one.

The evidence from automation trends, wealth concentration, and UBI limitations suggests that ownership-based solutions deserve serious consideration. The accelerating pace of AI-driven automation, the growing concentration of wealth among a shrinking ownership class, and the political instability of UBI programs all point toward the need for fundamental economic reform⁷⁹.

If these reflections contribute to broader thinking about economic democracy, they will have served their purpose regardless of whether CE as specifically outlined here ever becomes reality. The conversation about democratic capitalism's future is more important than any particular policy proposal.

The stakes couldn't be higher. The choice between economic democracy and economic oligarchy will shape the next century of human development. I believe CE points toward the democratic alternative, but ultimately that choice belongs to all of us as citizens and stakeholders in the future we're creating together.

Alaska shows us that universal ownership is not only possible but popular and effective. Employee ownership research demonstrates that broad-based ownership improves both economic performance and worker engagement. The automation revolution creates both unprecedented challenges and unprecedented opportunities.

The time for experimentation is now, while democratic institutions still have the power to shape economic outcomes rather than merely react to them. The next phase requires moving from theoretical analysis to practical implementation, with all the compromises, adjustments, and learning that entails.

The choice before us isn't between perfect systems and imperfect ones, but between proactive reform and reactive crisis management. CE offers a path toward shared prosperity in an age of technological abundance. Whether we take that path depends on our collective wisdom, courage, and commitment to democratic values.

Endnotes

⁶⁹ Alaska polls and political science research showing 81% approval for Permanent Fund Dividend across party lines, from Institute on Taxation and Economic Policy and University of Alaska studies, 2020-2024.

⁷⁰ Federal Reserve Board, "Report on the Economic Well-Being of U.S. Households in 2023," May 2024. Survey data showing widespread financial fragility among American households, including inability to cover unexpected expenses from savings.

⁷¹ Stanford Basic Income Lab and Center for Guaranteed Income Research, "Guaranteed Income Programs Database," 2024. Analysis of over 150 pilot programs with political sustainability challenges despite positive results.

⁷² National Center for Employee Ownership, "ESOP Company Characteristics and Performance," 2024. Research showing optimal company size and financial stability requirements for successful employee ownership implementation.

⁷³ Nassim Nicholas Taleb, "Skin in the Game: Hidden Asymmetries in Daily Life," Random House, 2018. Concept of personal consequences for collective decisions applied to democratic governance.

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⁷⁵ Virginie Pérotin, "What Do We Really Know About Worker Cooperatives?" Co-operatives UK, 2016. Meta-analysis of 102 studies covering 56,984 firms showing employee ownership performance improvements.

⁷⁶ Alaska Department of Labor and Workforce Development, "Alaska Economic Trends," 2018. Study showing minimal employment effects from Permanent Fund Dividend payments.

⁷⁷ Scott Goldsmith, "The Alaska Permanent Fund Dividend: A Case Study in Implementation of a Basic Income Guarantee," University of Alaska Anchorage, 2010. Research on poverty reduction and employment effects.

⁷⁸ Alaska Permanent Fund Corporation, "2024 Dividend Distribution," October 2024. Annual payment data showing \$1,702 per resident to over 600,000 eligible recipients.

⁷⁹ McKinsey Global Institute automation timeline acceleration; Oxfam International wealth concentration data during 2020-2023; political instability analysis of UBI programs including Arkansas 2023 ban and funding challenges across multiple pilots.



Chapter 9: Objections and Responses (The FAQ)

In which I attempt to confront what I perceive to be common objections to the CE.

Question:

I heard that, in the Alaska Permanent Fund, people just used payments to buy drugs. And I also heard that the purchasing power of the Fund payments was way down from when it started.

Answer:

You heard right. One study showed that drug overdoses climbed 14% the day after payments were made, and 10% during the week after payment⁸⁰. But what is the remedy for that? Withhold payments from identified drug users? (Maybe pay them in food stamps?) Most of the money distributed by the Alaska Fund was used for what we would consider good choices: food, housing, transportation. I believe that the remedy for drug use is via medical and other interventions. CE is not designed to solve every social problem, it's designed to protect the general population from the coming absence of need for their labor, by sharing the capital that is replacing that labor.

You're also right on the second point, the purchasing power of the Fund's payments has declined by about a third. One big reason is the declining value of the dollar over the four decades of its operation, but that's not the Fund's fault. And after all, the Fund is tied to a declining resource, energy under the ground in Alaska; CE is instead tied to the entire economy.

Q:

I thought UBI paid people a lot more, \$250, \$500, even \$1000 a month. Your 'moderate' plan CE shows only about \$91 a month. Why should we prefer a plan that pays so little?

A:

None of the UBI plans were sustainable at those levels, and the CE calculations show us exactly *how* unsustainable they are: The moderate plan took a capitalization of 8% of the entire stock market (broadly construed) just to make \$91 a month available to all citizens. \$500 a month for every American today would therefore require about 44% of the stock market as capital to sustain, which is clearly politically near-impossible.

Q:

Who is paying for all the capital it takes to run the CE plan? Will it increase the government's deficit spending? Can taxpayers afford it?

A:

It's the global investor community which will be paying for the required capital, not the taxpayers. This capital appropriation is levied against companies, the shares and other ownership evidences of which are in institutional and personal portfolios. While these investors will see no changes in their shareholding accounts, they will be diluted in ownership, to the tune of about 1% per annum during the 10-year accretion period of the exemplar CE. This means about 1% less expectation of returns in those portfolios during a year, that is, if average returns that year would have been 10%, they may instead be 9%. This pain falls mainly on the richest 1% of families, who hold 54% of stock market wealth. However, the good news for this group is, unlike other forms of wealth tax, those investors need not disclose any personal details regarding their wealth, nor file any annoying new IRS wealth-tax forms.

No new deficits would be introduced, since government spending is *de minimis*, being only on program administration, not on program capitalization. In fact, it is entirely possible that the federal tax revenues may actually increase, due to the beneficial effects of new consumer spending on GDP caused by CE payments. It's also entirely possible that this improved GDP will improve stock prices, perhaps more than restoring the 1% downward return bias investors face, and if so, it's really a win-win-win proposition.

Q:

Your CE is taking money out of the stock market, how can you possibly think that this might grow the GDP? I would think it would do just the opposite.

A:

The concept comes from the economists' notion of the "marginal propensity to consume." A quick example: suppose there are 100 people who all have incomes of \$10,000 a year. 15 of those people buy a jar of pickles weekly at the grocery store. Now one of the pickle-buyers has sudden good fortune, his income goes to \$100,000, 10 times more than the others. Does he now buy 10 jars of pickles? Not likely. Maybe 2 jars, after all, how many pickles can you eat? Now suppose that \$100,000 windfall is used to instead distribute equally, and all 100 incomes rise from \$10,000 to \$11,000. Suddenly, 8 more people add pickles to their shopping list, having found them a marginal purchase and foregone them previously. If you were a pickle manufacturer,

which economy would you prefer? The first, concentrated-income economy (16 pickle jars sold), or the second, all-boats-rising economy (23 pickle jars sold)? The moral of the story is that small, but widely distributed benefits can have an out-sized influence on the consumer economy.

Q:

I find this billionaire-oligarch bunch pretty annoying when they start throwing their weight around. Why not just instead levy wealth taxes on them, to level the playing field a bit more?

A:

Two reasons: (1) taxes are remitted to the government, and become subject to political whims and policies, before citizens will see any benefits from them, while CE payments go directly to citizens; and (2) California tried this in 2022, with legislation to impose a 0.4% wealth tax on wealth levels above \$30MM, and the measure failed badly⁸¹. If the richest and most progressive state in the union, controlled by one party, cannot do this, it is surely a political impossibility at the national level.

Q:

I think that CE could run into problems with U.S. constitutional law. The Fifth Amendment says '...nor shall private property be taken for public use, without just compensation.'" What would you say to that objection?

A:

I am not a Constitutional law scholar, but my rejoinder is that there is in fact a just quid-pro-quo. I don't think that there is any language in the Constitution that says companies must be granted the right to conduct any sort of business they wish in the U.S. Some types of business are heavily regulated (pharmaceuticals, liquor, tobacco, insecticides, cannabis, even lightbulbs and showerheads in California), and some are prohibited completely (opium, hallucinogens, cannons). And almost universally, all businesses must be licensed to do business in various U.S. jurisdictions. All this suggests that doing business in the U.S. is a privilege granted by the U.S., it is not a right. The U.S. charges companies doing business in the liquor industry a liquor tax, and if the tax is not paid, the business cannot be conducted. I see no reason why the U.S. federal government cannot simply charge companies for the privilege of doing business in the U.S., even though it may have chosen not to in the past. In the case of the exemplar CE, the fee so charged would equal 1% of the corporation's market value for 10 years, payable in capital liability securities or in cash (for the purchase of same), and zero thereafter.

Another avenue of argument is the Interstate Commerce clause, allowing federal oversight. Since surely some of the goods and services provided by the largest companies will cross state lines, this will likely satisfy this clause.

Finally, the government clearly has control over imports, and most of the larger companies will be multi-national.

This question contributes much to the phasing strategy of implementation, reinforcing the idea that gradualism in first applying the levies to the very largest companies is desirable, in order to gain strong legal cases on which courts can adjudicate favorably.

Q:

How do we know that CE won't just become another government program that gets captured by special interests and used for political purposes?

A:

This is a crucial concern, and CE's design specifically addresses it through several mechanisms. First, the CE fund operates independently with professional management and staggered board terms longer than electoral cycles, similar to the Federal Reserve. Second, distributions are automatic based on fund performance—politicians can't use payment levels as political tools because there are no discretionary payment decisions. Third, unlike traditional government programs funded through annual appropriations, CE is capitalized by the productive economy itself, not by taxpayers, removing it from budget politics. Finally, since every citizen is a shareholder, there's a broad constituency with incentives to protect the system's integrity. Alaska's Permanent Fund has operated successfully for over 40 years precisely because these structural protections make political capture difficult and costly.

Q:

What happens if companies just leave the United States to avoid CE contributions? Won't this destroy our economy?

A:

This concern reflects a misunderstanding of how CE works. Companies contribute based on their U.S. sales (the Y% factor), not where they're incorporated. A company can move its headquarters to the Cayman Islands, but if it wants to sell products to American consumers, it still contributes to the CE fund. CE actually improves upon current corporate taxation because it's harder to avoid—you can shift profits offshore, but you can't hide where your customers are. Additionally, the international coordination mechanisms we've outlined create incentives for other countries to adopt similar systems rather than becoming tax havens. Companies that try to avoid CE obligations would face market access restrictions, making avoidance economically unviable. Alaska's experience shows that resource extraction companies have continued operating despite dividend obligations because the market access is worth more than the cost.

Q:

This sounds like socialism to me. How is taking private property and redistributing it not just another step toward government control of the economy?

A:

CE is actually the opposite of socialism—it's capitalism made more universal. Instead of government owning or controlling businesses, CE makes every citizen a private owner of capital. The government doesn't run companies or make business decisions; it simply ensures that ownership is broadly shared rather than concentrated. Think of it as extending the principle behind employer 401(k) matching or Employee Stock Ownership Plans to the entire economy. Citizens become shareholders, not dependents, with personal stakes in business success and economic growth. This creates stronger incentives for market-friendly policies than our current system where most people have no capital ownership at all. Alaska's Permanent Fund demonstrates how ownership sharing actually strengthens rather than weakens market economies by giving everyone a stake in business success.

Q:

What about the work disincentives? If people get money for doing nothing, won't many just stop working?

A:

The evidence from Alaska and other ownership-sharing programs suggests these concerns are overblown. Alaska's Permanent Fund Dividend hasn't reduced employment—if anything, it's made the state more attractive to workers and businesses. The key difference is that CE payments come from ownership, not welfare. Unlike means-tested programs that disappear when you work more, CE payments continue regardless of your employment status, eliminating welfare cliffs. People keep all their wages plus their ownership returns, creating strong incentives to remain productive. Moreover, our calculations show modest payment levels (\$58-130 monthly per person) that provide security rather than luxury. Most people will continue working because they want more than basic subsistence. The psychological research on ownership shows that employee-owners actually become more productive and engaged, not less, because they have skin in the game.

Q:

How do we prevent this from becoming a massive bureaucracy that wastes money on administration instead of helping citizens?

A:

CE is designed to be remarkably simple administratively. Unlike welfare systems that require means-testing, eligibility verification, and complex benefit calculations, CE has universal eligibility and automatic distributions. The system builds on existing infrastructure—SEC reporting for corporate compliance, Social Security administration for citizen accounts. The CE fund operates like a mutual fund, which is mature technology requiring minimal staff. Most operations can be automated, from contribution calculations to distribution payments. Alaska's Permanent Fund operates with a small professional staff and low administrative costs precisely because the system is simple: collect resource revenues, invest them, and distribute returns. CE extends this proven model. The transparency requirements we've outlined—real-time public reporting of all holdings and transactions—create accountability while keeping administration lean. Citizens can monitor their accounts online just like any investment account.

Endnotes

⁸⁰ Aparna Soni and Jeffrey Haspel, "The Effects of the Alaska Permanent Fund Dividend on Substance Use," National Bureau of Economic Research Working Paper No. 29862, March 2022.

⁸¹ California Assembly Bill 2088 (2022), which would have imposed 0.4% wealth tax on net worth above \$30 million, failed to advance through legislature despite Democratic supermajority control.



Conclusion: The Choice Before Us

As I write this conclusion, artificial intelligence continues its relentless advance into domains once thought uniquely human. ChatGPT and its successors can now pass bar exams, diagnose medical conditions, and write computer code. Meanwhile, wealth concentration has reached levels not seen since the 1920s, with extreme post-pandemic wealth concentration⁸².

These trends are not separate phenomena—they are two sides of the same coin. AI's ability to replace human cognitive labor accelerates the shift from a labor-based to a capital-based economy. Those who own the machines that think will prosper; those who depend on thinking for their livelihood will struggle.

Citizens' Equity offers a different path. Instead of accepting this division between capital owners and economic dependents, CE democratizes ownership itself. Instead of fighting technological progress or accepting its inequitable consequences, we can ensure that every citizen shares in the prosperity that automation creates.

The Window Is Closing

The opportunity for proactive reform won't last forever. Once AI-driven wealth concentration reaches critical mass, the political power of capital owners may make democratic change impossible. We're already seeing how extreme wealth translates into political influence through campaign contributions, lobbying, and media ownership.

Alaska's Permanent Fund Dividend proves that universal ownership is not utopian but practical. For over 40 years, every Alaskan has received their share of the state's natural wealth. This four decades demonstrates a continuing sustainability which UBI has never experienced.

CE extends Alaska's model from natural resources to the entire productive economy. Instead of just oil revenues, citizens would own stakes in the artificial intelligence, robotics, and digital platforms that increasingly drive economic growth.

The calculations are encouraging. Even with conservative assumptions, a 10% CE could provide about \$91 monthly per citizen initially, with potential for growth as the system matures. For families struggling with \$1,000 emergencies and living paycheck to paycheck, this represents genuine economic security enhancement.

Beyond the Economics: Rebuilding Democracy

But CE's importance extends beyond its economic benefits. Democracy requires citizens who feel they have a stake in society's success. When most people are excluded from economic progress, democracy becomes a competition between factions rather than a collaborative enterprise.

CE transforms citizens from economic subjects into economic participants. As shareholders in the productive economy, citizens would have incentives to support policies that promote long-term economic growth rather than short-term extraction. Environmental policy, trade negotiations, and technology regulation would be approached by stakeholders rather than dependents.

The psychological research is clear: ownership changes behavior. Employee-owners become more engaged, more productive, and more supportive of their companies' long-term success. CE could create similar effects at national scale, fostering the civic engagement and long-term thinking that democracy requires.

The Global Opportunity

CE's $X\% \times Y\%$ formula—where companies contribute based on both their size and their domestic market presence—creates natural incentives for international adoption. When the United States requires foreign companies to contribute based on their American sales, other countries face strong pressure to implement similar systems to capture their fair share.

This could create a virtuous cycle of international cooperation rather than the zero-sum trade conflicts we see today. Citizens who own stakes in both domestic and foreign companies operating in their markets have incentives to support policies that maximize overall economic value rather than merely protecting narrow interests.

The European Union demonstrates how economic integration can reduce conflicts between nations. Global CE could create similar effects by giving entire populations shared stakes in international prosperity.

Implementation: The Path Forward

The path from here to CE implementation requires building political coalitions, designing robust institutions, and managing complex transitions. The challenges are real: constitutional questions, international coordination, technological infrastructure, and inevitable opposition from entrenched interests.

But these challenges are surmountable with careful planning and gradual implementation. Starting with the largest corporations and expanding gradually allows for learning and adjustment. Beginning with willing countries and expanding internationally creates demonstration effects and competitive pressure.

Alaska shows that universal ownership systems can be designed, implemented, and sustained over decades. Employee Stock Ownership Plans demonstrate that broad-based ownership improves both economic performance and worker engagement. The precedents exist; the question is whether we have the wisdom and courage to build upon them.

The Stakes

The choice before us will shape the next century of human development. We can accept an AI-dominated economy where a small technological elite controls both economic resources and political power. Or we can democratize ownership of the technologies that will define our future.

This isn't about preventing technological progress—that's neither possible nor desirable. It's about ensuring that progress serves all humanity rather than just a privileged few. It's about maintaining democracy and human dignity in an age of machine intelligence.

The Industrial Revolution ultimately created unprecedented prosperity, but only after decades of social upheaval, worker struggle, and political reform. We have the opportunity to manage the AI Revolution more thoughtfully, learning from history while avoiding its worst mistakes.

CE represents one approach to this challenge. It may not be perfect, and it will certainly require refinement through experience. But it offers something essential: a vision of technological progress compatible with democratic values and human flourishing.

The algorithms are already learning. The question is whether democracy can learn fast enough to remain relevant in the world they're creating. Citizens' Equity offers a path forward—one that honors both technological progress and democratic citizenship.

The choice is ours to make, but we must make it soon. The future of democracy may depend on whether we choose ownership or dependence, stakeholder capitalism or oligarchy, shared prosperity or shared decline.

I believe we can choose wisely. The question is whether we will.

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Legal scholarship on regulatory takings, interstate commerce authority, and equal protection doctrine as applied to universal economic programs.

Sovereign Wealth Fund Models

Norway Government Pension Fund Global. Governance structures, investment strategies, and public reporting systems.

Singapore GIC and Temasek Holdings. Dual fund structures and professional management models.

Technology and Implementation

Academic research on blockchain applications for transparent fund management and citizen account systems.

Cybersecurity frameworks for large-scale financial systems and citizen data protection.

Studies on scalable cloud infrastructure for managing hundreds of millions of individual accounts.

Acknowledgments

This book would not have been possible without the extensive research assistance provided by Claude (Anthropic AI), who helped gather data, analyze trends, and strengthen arguments throughout the manuscript. Thanks also to ChatGPT (Open AI), which provided the graphics. While the ideas and opinions expressed remain my own, the breadth and depth of research reflected here owes much to AI assistance—a fitting irony for a book about democratizing AI-generated wealth.

I am grateful to the researchers at institutions worldwide who have studied inequality, automation, universal basic income, and employee ownership. Their rigorous empirical work provides the foundation for the policy proposals advanced here.

Special acknowledgment goes to the state of Alaska and its citizens, who have demonstrated for over four decades that universal ownership systems are not only possible but popular and effective. Their experiment in economic democracy provides crucial real-world validation for the broader CE proposal.

Thanks also to the many cities, counties, and organizations that have conducted guaranteed income pilot programs across the United States. While I argue that UBI has fundamental limitations, these experiments have provided invaluable data about direct cash transfers and their effects on recipients and communities.

Finally, I acknowledge the uncertainty inherent in any proposal for large-scale social and economic change. CE as outlined here represents my best judgment about how to address the challenges of technological unemployment and wealth concentration, but it will undoubtedly require significant refinement through democratic deliberation and real-world experience.

The goal is not to provide final answers but to contribute to the urgent conversation about democracy's future in an age of artificial intelligence. That conversation belongs to all of us as citizens and stakeholders in the society we're creating together.

Appendix A: Detailed CE Calculation Methodology

Asset Base Estimation

U.S. Stock Market Capitalization

- Source: Sibilis Research, Federal Reserve, World Bank data⁸³
- Total public company market cap: \$52 trillion (2024)
- Methodology: Sum of all publicly traded companies' market values
- Limitations: Excludes private companies, partnerships, sole proprietorships

Corporate Bond Market

- Source: Securities Industry and Financial Markets Association (SIFMA)⁸⁴
- Total corporate debt securities: \$12 trillion (2024)
- Methodology: Sum of all outstanding corporate bonds by face value
- Limitations: Excludes private debt, bank loans, other credit instruments

Executive Compensation

- Source: SEC proxy filings, compensation consulting firms⁸⁵
- Estimated total C-suite compensation: \$200 billion annually
- Methodology: Average compensation for top 10 executives at major corporations
- Limitations: Definitional challenges for "senior management" across company sizes

Contribution Rate Calculations

X% Parameter (Ownership Percentage)

- Range: 5% to 15% in various scenarios
- Base case: 10% as optimal balance between impact and political feasibility
- Methodology: Graduated implementation over 10 years (0.25% quarterly increases)

Y% Parameter (Domestic Sales Percentage)

- Range: 60% to 100% depending on international coordination assumptions
- Conservative: 60%, Moderate: 80%, Optimistic: 100%
- Methodology: Based on corporate financial reports of sales geography

Effective Contribution Rates

- Conservative scenario: 6% (X=10%, Y=60%)
- Moderate scenario: 8% (X=10%, Y=80%)
- Optimistic scenario: 10% (X=10%, Y=100%)

Population and Distribution Calculations

Eligible Population

- U.S. citizens: 330 million (Census Bureau estimate)⁸⁶
- Methodology: All citizens regardless of age, income, or other characteristics
- Exclusions: None (universal eligibility principle)

Per-Capita Capital Allocation

- Conservative: \$11,667 per citizen ($\$64.2T \times 6\% \div 330M$)
- Moderate: \$15,576 per citizen ($\$64.2T \times 8\% \div 330M$)
- Optimistic: \$19,455 per citizen ($\$64.2T \times 10\% \div 330M$)

Annual Distribution Estimates

- Conservative: \$700 annually (\$58 monthly) at 6% return
- Moderate: \$1,090 annually (\$91 monthly) at 7% return
- Optimistic: \$1,556 annually (\$130 monthly) at 8% return

Sensitivity Analysis

Return Rate Variations

- 5% annual return: Distributions 17% lower than base case
- 7% annual return: Base case scenario
- 9% annual return: Distributions 29% higher than base case

Participation Rate Variations

- 60% domestic sales: Conservative scenario
- 80% domestic sales: Moderate scenario
- 100% domestic sales: Optimistic scenario

Population Growth Adjustments

- Annual population growth of 0.5% reduces per-capita distributions proportionally
- Immigration and citizenship policies affect eligible population
- Birth/death rates automatically adjust number of shareholders

Comparison Benchmarks

Alaska Permanent Fund Dividend

- 2024 payment: \$1,702 per resident
- Equivalent monthly: \$142 per person
- CE moderate scenario: \$91 monthly (64% of Alaska level)
- Validation: CE projections within reasonable range of proven model

Current Government Programs

- Social Security average: \$1,907 monthly⁸⁷
- SNAP benefits average: \$175 monthly⁸⁸
- CE supplement represents 33-74% of SNAP benefits, meaningful addition

Poverty and Emergency Metrics

- 59% of Americans cannot cover \$1,000 emergency
- CE annual distributions: \$700-1,556 per person
- Family of four: \$2,800-6,224 annually
- Significant contribution to emergency savings and budget relief

Appendix B: International Coordination Framework

Multilateral Implementation Sequence

Phase 1: Core Democracies (Years 1-3)

- United States, European Union, Canada, Australia, Japan
- Combined GDP: ~\$45 trillion⁸⁹
- Sufficient market size to prevent easy corporate avoidance
- Shared democratic institutions and regulatory capacity

Phase 2: Additional OECD Countries (Years 4-6)

- South Korea, United Kingdom, Switzerland, Nordic countries
- Expanded coverage reduces regulatory arbitrage opportunities
- Learning from Phase 1 implementation experiences

Phase 3: Major Emerging Economies (Years 7-10)

- China, India, Brazil, Mexico (selective participation)
- Adapted models reflecting different economic structures
- Focus on state-owned enterprises and development priorities

Treaty and Trade Integration

Bilateral Investment Treaties

- CE participation as condition for preferential trade terms
- Graduated implementation requirements for developing countries
- Technical assistance and capacity building provisions

WTO and Multilateral Trade Framework

- CE compliance as non-tariff trade measure
- Dispute resolution mechanisms for implementation disagreements
- Most-favored-nation treatment for participating countries

Tax Treaty Network

- Information sharing agreements for corporate compliance
- Coordination on transfer pricing and profit allocation
- Standardized reporting requirements across jurisdictions

Enforcement and Anti-Avoidance Mechanisms

Market Access Restrictions

- Graduated penalties for non-compliant corporations
- Exclusion from government contracts and public procurement
- Restricted access to financial markets and payment systems

Beneficial Ownership Transparency

- International database of corporate ownership structures
- Real-time reporting of changes in control or structure
- Penalties for shell companies and artificial arrangements

Economic Substance Requirements

- Minimum physical presence and economic activity standards
- Employee, asset, and revenue thresholds for legitimate operations
- Regular audits and verification of substance claims

Coordination Institutions

International CE Coordination Board

- Representatives from participating countries
- Technical standardization and best practice sharing
- Dispute resolution and compliance monitoring

Secretariat and Technical Support

- Based within OECD or similar international organization
- Research, analysis, and implementation support
- Public reporting on global CE implementation progress

Civil Society and Academic Network

- Independent monitoring and evaluation of CE effectiveness
 - Research on economic, social, and political impacts
 - Public education and stakeholder engagement
-

Appendix C: Technology Infrastructure Requirements

Citizen Account Management System

Core Platform Requirements

- Cloud-based architecture supporting 330+ million accounts
- Real-time balance updates and transaction processing
- Multi-channel access (web, mobile, phone, in-person)
- 99.9% uptime with redundant backup systems

Security and Privacy Framework

- Bank-level cybersecurity with multi-factor authentication
- End-to-end encryption for all personal and financial data
- Biometric verification options for account access
- Regular penetration testing and security audits

User Experience Design

- Multilingual support for major U.S. languages
- Accessibility compliance (ADA, Section 508)
- Simple interfaces for users with limited technical skills
- Integration with existing government services where possible

Corporate Contribution Tracking

Integration with Existing Systems

- SEC reporting infrastructure for public companies
- IRS compliance and enforcement systems
- Banking regulations and oversight mechanisms
- International coordination through existing tax treaties

Real-Time Monitoring Capabilities

- Automated calculation of contribution requirements
- AI-powered detection of potential avoidance schemes
- Integration with stock exchanges for real-time valuation
- Cross-border coordination for multinational corporations

Blockchain and Distributed Ledger Applications

- Immutable records of corporate contributions
- Smart contracts for automated distribution calculations
- Public transparency through distributed verification
- Enhanced security against fraud and manipulation

Fund Management Technology

Portfolio Management Systems

- Integration with global financial markets
- Automated rebalancing and diversification algorithms
- Real-time performance monitoring and reporting
- Integration with existing sovereign wealth fund technologies

Risk Management and Compliance

- Automated compliance monitoring for investment restrictions
- Risk assessment and stress testing capabilities
- Real-time fraud detection and prevention
- Audit trails for all transactions and decisions

Reporting and Transparency Platform

- Public dashboard for fund performance and holdings
- Individual citizen account statements and projections
- Integration with government transparency requirements
- Mobile apps for citizen engagement and education

Implementation and Testing Strategy

Pilot Testing Framework

- Small-scale testing with limited populations
- Gradual expansion based on performance and feedback
- A/B testing for user interface and system design
- Integration testing with existing government systems

Disaster Recovery and Business Continuity

- Geographically distributed backup systems
- Rapid recovery procedures for system failures
- Emergency protocols for cybersecurity incidents
- Communication systems for citizen notification during outages

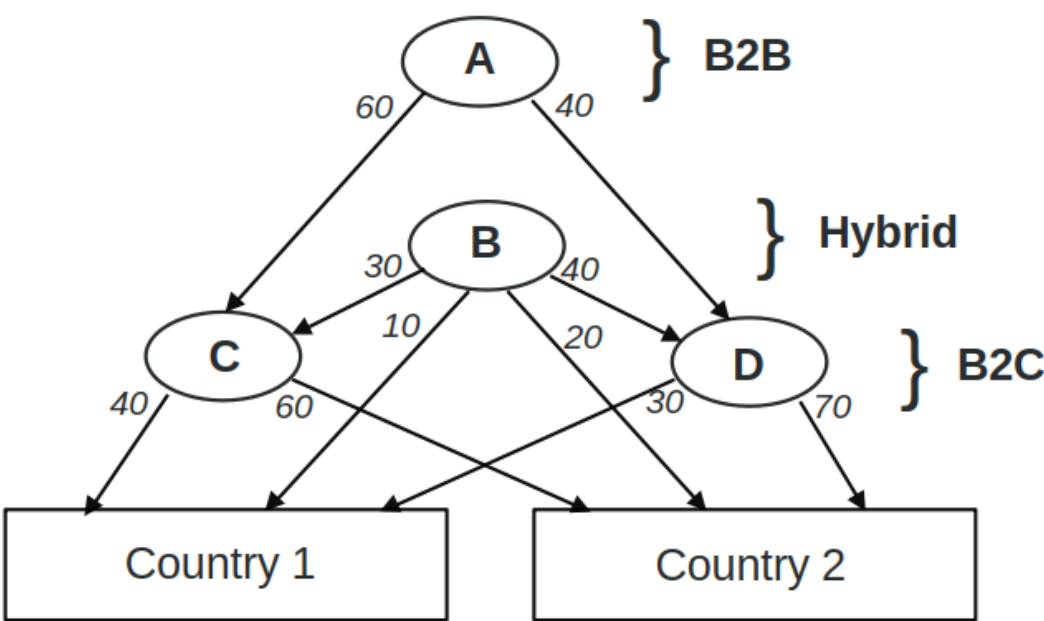
Continuous Improvement Process

- Regular user feedback collection and analysis
- Performance monitoring and optimization
- Security updates and threat response protocols
- Technology upgrades and modernization planning

This comprehensive technological framework ensures that CE can operate effectively at scale while maintaining security, transparency, and citizen trust. The system builds on proven technologies and existing infrastructure while incorporating cutting-edge capabilities for fraud prevention and citizen engagement.-

Appendix D: Dealing with Supply Chain Complexities in Determining Contributions

A Simple Example with B2B, B2C, and Hybrid Companies



Components of the Example

Inspecting the diagram above, the circles represent companies named A, B, C, and D. The rectangles represent countries, labeled 1 and 2. For simplicity, we will assume that these are the only companies and only countries in our small world setting. The arrows between these represent sales, with product and services moving along the direction of the arrow, while the revenues from such sales move in the opposite direction. The numbers next to the arrows represent the percentage of company revenues received from various sources.

It may be helpful to think of the companies in concrete terms, so we might suppose that companies C and D are automobile manufacturers who retail their product to customers via dealerships in the two countries: they are therefore "business-to-consumer." or "B2C" companies. The numbers next to the arrows of the diagram show that Company C derives 40 percent of its sales revenue from Country 1 and 60 percent of same from Country 2. Likewise, company D's sales revenue percentages are shown as 30 and 70. These two company Y% numbers are therefore quite easy to compute, by direct observation, as $Y(1,C) = 40\%$ and $Y(2,C) = 60\%$ for company C, and $Y(1,D) = 30\%$, $Y(2,D) = 70\%$. (Note that each company's Y% numbers sum to 100%, i.e. the entirety of its sales revenue, since all countries in our small world are participating in their own CE plans.)

On the other hand, Company A manufactures taillight assemblies, providing a supply chain link to both companies C and D. Thus they only do business with other companies, so they are pure "business-to-business" ("B2B") companies. This raises the question "How shall we apportion their sales revenue to countries?" This is not as hard as may look at first glance: we simply follow where their sales go, through all

routes to a country. Let's take Country 1: 60% of A's sales go to company C, and 40% of C's sales go to Country 1, so the result is that $40\% \times 60\% = 24\%$ of A's sales reach Country 1 via company C. But similarly, 40% of A's sales go to company D, of which 30% are sold into Country 1, so $40\% \times 30\% = 12\%$. Summing, $Y(1,A) = 24\% + 12\% = 36\%$. We see that a simple rule emerges, which is to multiply the percentage numbers along each supply chain path to a country, and then sum those. A similar calculation for Country 2 for company A yields $Y(2,A) = 40\% \times 70\% + 60\% \times 60\% = 64\%$. Again, it's no accident that the two numbers again sum to 100%.

Finally, following our simple rule will also suffice to determine the Y% variables for company B, our "hybrid" company which engages in both B2B and B2C businesses. We can imagine B as a manufacturer of automotive floor mats, which both supplies the two auto manufacturers, but also sells replacement mats directly to consumers. Applying our rule, it's easy to see that the Y% numbers for company B are $Y(1,B) = 30\% \times 40\% + 40\% \times 30\% + 10\% = 34\%$, and $Y(2,B) = 40\% \times 70\% + 30\% \times 60\% + 20\% = 66\%$, again summing to 100%.

A Deeper Look at the Mathematics of Supply Chains

The more mathematical readers may catch the fact that B2B companies introduce the possible complication that there may be circularities in some supply chains, and so our simple rule above for calculating Y% may appear to fail. In fact, the problem is isomorphic to well-known Markov Chain analysis, with the companies as transient states and countries as absorbing states. The path multiplications and additions we performed above were nothing more than squaring the matrix of transition probabilities, since no path from a company to a country was longer than of length 2 in our example. Equilibrium analysis (where no "probability" is changing) of the Markov Chain yields the results we seek in the general case: If $\mathbf{C}$ is the Markov matrix describing the global supply chains, we solve the equation $\mathbf{C} \mathbf{x} = \mathbf{x}$ for the "absorbing probabilities" embedded in $\mathbf{x}$, and these are the same respective country Y% numbers we seek. For our objective, a complete description of the global supply chains is a very large, sparse, (and perhaps highly separable) matrix of "transition probabilities," amenable to sparse-matrix techniques. Moreover, the Markov matrices are measure-preserving, ensuring that the "sum-to-100%" property always applies.

For the non-mathematical readers, we can summarize this way : the collection of revenue percentages provides a sufficient description of the many complex interactions of supply chains, and these can be analyzed by standard math methods that are well-known and highly effective, to determine accurate Y% shares between countries.

Finally, for the economists, we say merely *"Leontief lives! (next door to comrade Markov)"*

Side Benefits of Supply Chain Analysis

It may be that the revenue data breakdowns, described here as the basis for determining company capital contributions to a sovereign CE fund, could themselves be of substantial importance in research about supply chains. Almost certainly, these data could be used also for an "early warning" system for policy-makers to identify and address supply chain disruptions which could be damaging to countries' economies. The publication of the supply-chain matrices described above would provide economists with highly useful data to really understand the inner workings of the global economy. The separations of supply chain linkages also offers economists data-based definitions of "industries" and their changing dynamics.

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