

to some industries, businesses and workers at the expense of American and foreign customers of US products. Replace subsidies with interest-free credit incentives to farmers who wish to associate voluntarily in cooperatives and in enterprises jointly owned by farmers and workers, including integrated agribusinesses. The income generated by farmer-owned enterprises would supplement farm incomes and reduce the need for subsidies.

- ⦿ **Restore Property Rights in Corporate Equity.** Restore the original rights of “private property” to all owners of corporate equity, particularly with respect to the right to profits and in the sharing of control over corporate policies. Preserve traditional powers of professional managers held accountable by Justice-Based Management corporate governance structures.
- ⦿ **Offer a More Just Social Contract for Workers.** A top priority during the next decade would be developing a more just “social contract” for persons employed in the private sector. This would be geared toward establishing maximum ownership incentives. Instead of inflationary “wage system” increases, employees would begin to earn future increases in income through production bonuses, equity accumulations, and profit earnings. These “bottom-line” rewards would be linked to workers’ individual contributions, and to the productivity and success of their work team and the enterprise for which they work.
- ⦿ **Encourage More Harmonious Worker-Management Relations.** Promote the right of non-management workers to form democratic unions and other voluntary associations. Instead of promoting the traditional “conflict model” of industrial relations, however, “labor” unions would be encouraged to transform themselves into democratic “ownership unions.” These ownership unions could become society’s primary institutions for promoting a free

market version of economic justice, while continuing to negotiate and advance workers’ economic interests, including worker ownership rights and Justice-Based Management policies. Under Capital Homesteading, unions could expand their role in a free market system by educating and expanding their membership to include all citizen-shareholders. Ownership unions would enhance the property rights of all shareholders by enhancing management accountability and transparency, and protecting against unjust executive compensation schemes.

- ⦿ **Promote a Life-Enhancing Physical and Cultural Environment.** Encourage special ownership incentives for those engaged in research and development, especially in the search for new and sustainable sources of energy, ecological restoration and labor-saving technologies. Provide sufficient low-cost credit and royalty-free licensing for enterprises capable of commercializing life-enhancing technologies developed for the military and space programs. Subsidize the development of new methods of conserving and recycling non-replenishable and limited natural resources that are vital to civilization’s long-term survival, at least until suitable substitutes can be discovered and developed. Promote the teaching at all levels of education of universal principles of personal morality and social morality that are based on the inherent dignity and sovereignty of every human person within all institutions of a just social order, including the State.
- ⦿ **Reduce Public Sector Costs.** Provide America’s military, policemen and firemen, teachers, and other public-sector workers with a growing and more direct equity stake in the free enterprise system, both as a supplement to their costly pension plans and so that they will better understand and defend the

institution of private property. Whenever feasible, transform government-owned enterprises and services into competitive private sector companies, by offering their workers (and customers and other stakeholders in capital-intensive operations like TVA) opportunities to participate in ownership, governance and profits.

- ⦿ **Establish Workable Demonstrations of Capital Homesteading at the Community, State, Regional and Global Levels.** Launch several Capital Homesteading demonstrations. These would be most effective in areas of high unemployment, such as the for-profit Citizens Land Cooperative now being developed in East St. Louis, Illinois. Similar projects could be developed on Native American reservations. A major objective would be to evaluate ownership-broadening Federal Reserve reforms, innovative broadened ownership mechanisms, advanced concepts of worker participation in decision-making, and servant leadership developments like Justice-Based Management.

Encourage State and local governments and other countries to promote widespread capital ownership as a basic “Just Third Way” framework for building a sound market economy.

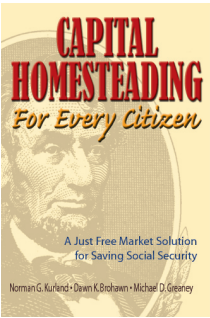
Study the feasibility of a national and global citizen-owned “Land and Natural Resources Bank” to plan development of Nature’s resources, receive rentals for use of land and natural resources, and distribute citizen dividends among the population. With the leadership of the

United States, urge the United Nations and other international agencies to encourage the use of such economic development vehicles in order to bring about “peace through justice” in such conflict-torn countries as Iraq, Afghanistan, Pakistan, the Sudan, Kashmir, the Democratic Republic of Congo, Somalia, Burma, Sri Lanka, etc. Such an approach could provide a model “Abraham Federation” solution for resolving the conflict between the Palestinians and Israelis.

- ⦿ **Initiate New Challenges for Multinationals.** Provide special encouragement to US-based multinational corporations and global financial institutions to become instruments of peace and a more just world economic order, by broadening access to their ownership base to all citizens of the world community. Encourage businesses to open up future ownership opportunities as they begin harnessing the resources of the sea, the airways and other planets.
- ⦿ **Promote a New Global Monetary System.** Encourage the convening of a second “Bretton Woods Conference” to consider the implications of the Kelsonian binary economic model on global currency standards, the feasibility of a single global currency, and more just foreign exchange rates. The new policy should seek to reform global financial markets to address the challenge of global poverty and sustainable development, as well as leveling the playing field among nations for global free and open trade.

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Every Citizen an Owner



For more detail on Capital Homesteading reforms, see **Capital Homesteading for Every Citizen: A Just Free Market Solution for Saving Social Security**, by Norman G. Kurland, Dawn K. Brohawn and Michael D. Greaney, published by Economic Justice Media, 2004. Free PDF version available at www.cesj.org.

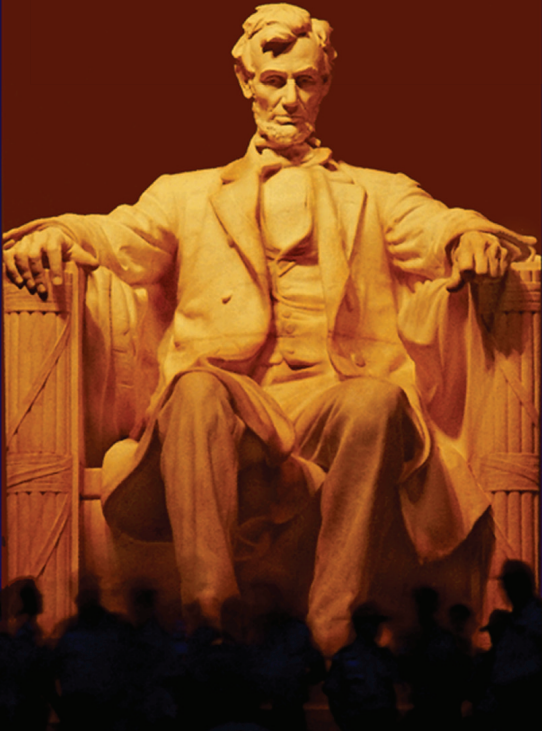
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The CAPITAL HOMESTEAD ACT



The Capital Homestead Act is a comprehensive national economic strategy for empowering every American citizen, including the poorest of the poor, with the means to acquire, control and enjoy the fruits of productive corporate assets.

This long-range agenda involves major restructuring of our tax system and our Federal Reserve policies to lift unjust artificial barriers to more equitable distribution of future corporate capital and faster growth rates of private sector investment. It would shift primary national income maintenance policies from inflationary wage and unproductive income redistribution expedients to market-based ownership sharing and dividend incomes.

The Capital Homestead Act’s central focus is the democratization of capital (productive) credit. By universalizing citizen access to direct capital ownership through access to interest-free productive credit, it would close the power and opportunity gap between today’s haves and have-nots, without taking away property from today’s owners.

[more >](#)

Goals of the Capital Homestead Act

As summarized below, the Capital Homestead Act is designed to:

- 1) Generate millions of new private sector jobs by lifting ownership-concentrating Federal Reserve credit barriers in order to accelerate private sector growth linked to expanded ownership opportunities, at a zero rate of inflation.
- 2) Radically overhaul and simplify the Federal tax system to eliminate budget deficits and ownership-concentrating tax barriers through a single rate tax on all individual incomes from all sources above basic subsistence levels. Its tax reforms would:
 - a) eliminate payroll taxes on working Americans and their employers;
 - b) integrate corporate and personal income taxes; and
 - c) exempt from taxation the basic incomes of all citizens up to a level that allows them to meet their own subsistence needs and living expenses, while providing “safety net” vouchers for the poor.

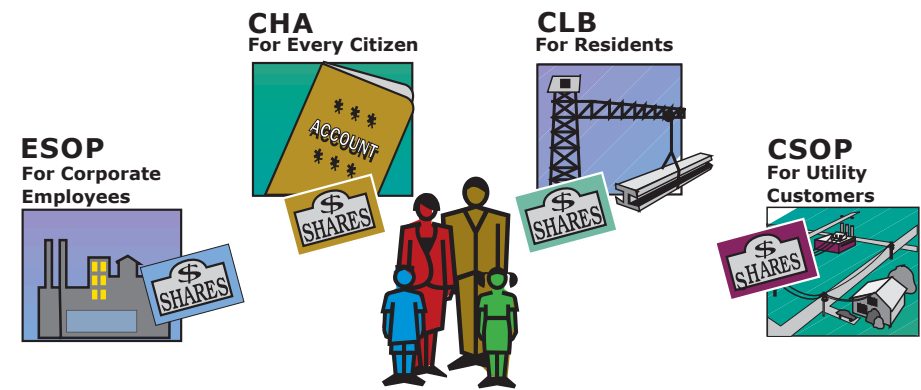
Capital Homesteading Vehicles

The “**Capital Homestead Account**” or “**CHA**” is the primary tax-sheltered vehicle for the democratization of capital credit through local banks. It would enable every man, woman and child to accumulate wealth and receive dividend incomes from newly issued shares in new and growing companies, without being taxed on the accumulations (including property and shares gained through inheritance, savings, and arrangements like ESOPs, CSOPs and CLBs). In addition to serving as a source of capital credit for corporate workers, CHAs would also provide an ownership-building account for individuals who do not work for profit-making enterprises, such as school teachers, civil servants, military personnel, police, and health workers, and for individuals who have no remunerative employment, such as the disabled, the unemployed, homemakers and children.

The “**Citizens Land Bank**” or “**CLB**” [also known as the for-profit Citizens Land Cooperative (CLC) or Community Investment Corporation (CIC)] allows residents of a community to share in the control and profits associated with land planning and development.

The “**Employee Stock Ownership Plan**” or “**ESOP**” channels low-cost credit for financing the needs of business corporations (such as expansion, capitalization and ownership transfers), and links private sector workers to ownership shares and dividend incomes in the companies for which they work. Shares acquired on credit by worker-owners are paid for out of the future corporate profits they help to generate.

The “**Consumer or Customer Stock Ownership Plan**” or “**CSOP**” lets customers of utilities share in the governance and profitability of “natural monopolies,” like telecommunications, water and power companies, mass-transit and cable television.



Policy Objectives of Capital Homesteading

To meet Social Security and Medicare entitlements, and provide for their eventual phasing out as the mainstay of retirement income for most Americans, and to shift the Federal Government’s role from today’s income redistribution policies to the more limited and healthy role of encouraging economic justice through free enterprise growth, a Capital Homestead program would:

- ⦿ **Promote Private Sector Growth Linked to Broadened Ownership.** Recreate in the 21st Century the conditions that resulted from the first Homestead Act of 1862, including full employment, declining prices, and widespread, individual and effective ownership of income generating assets. Set a realistic long-term target, based on the nation’s industrial growth potential, to achieve a minimum Capital Homestead stake for every American family. As an initial measure, this could be geared conservatively toward an equity accumulation of, for example, \$150,000 over the next 20 years.
- ⦿ **Stimulate Maximum Growth, with a Balanced Budget and Zero Inflation Rate.** Remove barriers to maximum rates of sustainable and environmentally sound, private sector growth to achieve a balanced Federal budget and a zero inflation rate under the Capital Homestead program.
- ⦿ **Establish a Tax System That Stimulates Economic Growth and Jobs, and is More Accountable to Taxpayers.** Re-write and radically simplify the existing Federal tax system to automatically balance the budget. Keep more money in the pockets of taxpayers from their initial earnings to cover their own health, education, housing and other basic household living expenses. Make Congress more directly accountable and responsive to all taxpayers. Eliminate all tax provisions, personal deductions, tax credits, and exemptions (except for the front-end exemptions for adults and dependents)

that unjustly discriminate against or discourage property accumulations and investment incomes for poor and non-rich families.

For example, a single tax rate on all sources of labor or capital income over exemptions would be automatically set to meet all Federal entitlement and other programs, and to pay down past deficits. To meet personal living costs the basic incomes of all taxpayers up to \$30,000 per adult and \$20,000 per dependent (or \$100,000 for a family of four) would be free from any income or payroll taxes. To increase taxable income incomes for all citizens, corporations could escape from the multiple tax on corporate incomes by deducting dividend payouts.

- ⦿ **Keep the Social Security System and Medicare Promises.** Keep existing promises and reduce the unsustainable burden on the Social Security and Medicare Systems, by enabling every American to accumulate sufficient wealth-producing assets to provide each person with an adequate and secure taxable income from property, independent of Social Security and Medicare benefits and incomes from other sources. Based on conservative projections of U.S. growth potential, by age 65 a child born today could accumulate a capital estate of nearly \$500,000, generating \$1.6 million in after-tax dividends over that period.
- ⦿ **Restructure the Credit and Tax Systems to Encourage Universal Health Care through the Private Sector.** Capital Homestead reforms, supplemented by health care vouchers for the poor, would provide a sustainable way to finance the health care system. These reforms would empower each citizen and family with the means to enjoy and pay for affordable, quality health coverage of their choice. Through market-disciplined, comprehensive health care enterprises that are owned and controlled by health care providers and health care subscribers (patients),

the doctor-patient relationship could be restored, while providing greater insurance portability, accountability and lower administrative overhead costs throughout the system.

- ⦿ **Solve the Home Foreclosure Crisis and Make Home Ownership Accessible to all Citizens.** Starting in communities with homes whose market values are deflated due to the subprime mortgage crisis, resident-owned Homeowners’ Equity Corporations (HECs) could receive interest-free credit to buy up the foreclosed properties. As occupants of the homes in default pay the HEC their monthly rents (which could be supplemented with housing vouchers for the poor), these would be applied toward debt service, using pre-tax dollars to pay off the loans that the HEC used to purchase the foreclosed properties. As they make their regular monthly lease payments, these renters would become full owners of HEC shares and their dwellings.
- ⦿ **Stop Federal Reserve Monetization of Government Debt.** Terminate use of the Federal Reserve’s powers to create debt-backed money, to support foreign currencies, or to buy and sell primary or secondary Treasury securities. This would reduce excessive Government spending and improve accountability. It would force Government to borrow for deficits directly from savers in the open markets.
- ⦿ **Stabilize the Value of the Currency.** Require the Federal Reserve to create a stable, asset-backed currency to encourage ownership by all citizens of productive private sector assets rather than non-productive public sector debt or future ownership monopolies.
- ⦿ **Reduce Dependency on Past Savings for Financing Growth.** Require the Federal Reserve to distinguish between “sound” and “unsound” uses of credit, by providing interest-free money to expand bank credit to enable every American to become an owner of a

viable accumulation of new income-producing assets. This would reduce America’s dependency on past savings, corporate retained earnings, or foreign government wealth funds advantaged by America’s growing trade imbalances.

Require the Federal Reserve System to supply sufficient money and credit through local banks to meet the liquidity and broadened ownership needs of an expanding market-disciplined economy. Such “Fed monetized” loans would be subject to appropriate feasibility standards administered by the banks and limited only by the goal of maintaining a stable value for the dollar.

Unsound uses of credit, such as the speculative credit that created subprime home mortgages and the global financial meltdown, would be financed from the accumulations of those wealthy Americans and foreigners who could afford the risks.

- ⦿ **Democratize Ownership of the Federal Reserve.** Provide every citizen a single, lifetime, non-transferable voting share in the nation’s central bank and in one of the 12 regional Federal Reserve banks. This will ensure that the Fed’s board of governors is broadly representative of all groups affected by Fed policy, and that power over future money creation is spread widely among all citizens.
- ⦿ **Discourage Monopolies and Monopolistic Ownership.** Link all economic reforms to methods that discourage privileged access to monopolistic accumulations of private property ownership of the means of production. Enforce anti-trust laws by providing access to interest-free capital credit to encourage broadly owned new competitors to enhance and sustain market-oriented growth.
- ⦿ **Introduce a Market-Driven Wage and Price System.** Gradually eliminate rigid, artificially-protected wage and price levels and other restrictions on free trade that afford special privileges