

A CAPITAL HOMESTEAD ACT: THE "BIG PICTURE" IN BRIEF

Center for Economic and Social Justice
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The Capital Homestead Act is a comprehensive national economic strategy for empowering every American citizen, particularly 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 foster more equitable distribution of future corporate capital, faster rates of growth of private sector investment, and a shifting of mass purchasing power from inflationary wage and welfare patterns to profit sharing and dividend incomes. The Capital Homestead Act's central focus is the democratization of capital credit.

The 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, with the aim of accelerating 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 through a flat rate tax on all individual incomes from wages, profits and investment incomes, while:
 - a. eliminating payroll taxes on working Americans and their employers;
 - b. integrating corporate and personal income taxes; and
 - c. exempting incomes of the poor.

Major Policy Objectives of the Capital Homestead Act

To shift the Federal Government's role from today's income redistribution policies to the more limited and healthier role of encouraging "economic justice" through free enterprise growth, a Capital Homestead Act should begin establishing:

Positive Policies for Private Sector Growth. Re-create the conditions that resulted from the first Homestead Act of 1862: Full employment, declining prices--and a broad distribution of property ownership.

National Ownership Goals and Targets. 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, perhaps \$100,000 over the next 20 years.

Saving the Social Security System. Keep existing promises and reduce the growing burden on the Social Security System, by enabling every American to accumulate (through inheritances, gifts, ESOPs, IRAs, community investment corporations and other expanded ownership vehicles

sheltered from taxes under the "Capital Homestead Exemption") sufficient wealth-producing assets to provide each person with an adequate and secure taxable income from property, independent of Social Security benefits and incomes from other sources.

Capital Homestead Exemption. Establish a personal "Capital Homestead Exemption" (perhaps \$500,000 per individual), thus providing every American an opportunity to accumulate over his or her working lifetime an income-producing, space-age equivalent of the 160 acres of land offered to landless Americans under the original Homestead programs, free from capital gains, inheritance, and gift taxes.

Planning for Maximum Growth, with a Balanced Budget and Zero Inflation Rate. Implement a peace-time counterpart of World War II's War Industrialization Board to bring together America's finest minds and prime movers to recommend ways to unharness maximum rates of sustainable private sector growth to achieve a balanced Federal budget and a zero inflation rate under the Capital Homestead Act, including reasonable national ownership targets and priorities.

Anti-Monopoly Reforms. Link all economic reforms to methods that discourage privileged access to or monopolistic accumulations of private property ownership of the means of production. Enforce anti-trust laws by providing access to capital credit to broadly owned new competitors to enhance and sustain market-oriented growth.

Democratization of Federal Reserve Credit. Reform Federal Reserve monetary policy (especially by reactivating the Fed's power to discount "eligible" commercial, industrial, and agricultural paper) to bring about a two-tiered, non-subsidized interest rate structure within member banks of the Fed. This reform would encourage more widespread individual access to lower-cost bank credit for ownership-expanding private-sector productivity growth, while allowing savers to receive market interest rates for non-productive or ownership-concentrating uses of credit, including government deficits.

Liquidity for Local Banks. Require the Fed to supply sufficient money and credit through local banks to meet the liquidity and broadened ownership needs of an expanding economy. Such "Fed facilitated" 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.

Capital Credit Insurance to Overcome the Collateralization Barrier of the Non-Rich. Promote the availability of private sector capital credit insurance as a substitute for collateral to cover the risk of default on "eligible" Capital Homesteading loans for expanding share ownership among workers and other capital-deficient citizens, similar to the role played by home mortgage insurance for broadening home ownership in America.

Stabilized Value of Currency. Create a stable currency backed by productive private sector assets rather than non-productive public sector debt. Terminate use of the Fed's money-creating powers to support foreign currencies or to buy and sell Treasury securities, thus forcing governments to borrow directly from savers in the open markets.

A Tax System More Accountable to Taxpayers. Radically simplify the existing Federal tax system in ways that automatically balance the budget and make Congress more directly accountable and responsive to all taxpayers.

Removal of Tax Obstacles to Broadened Ownership. Eliminate tax provisions that unjustly discriminate against or discourage property accumulations and investment incomes, especially for poor and non-rich families.

Pro-Competition Policies. Remove economic bottlenecks to effective market competition so that just prices, just wages and just profits can be controlled by the laws of supply and demand, rather than by central planners, by fiat or regulation, by government-sanctioned monopolies, or by other coercive pressures.

A Market-Driven Wage and Price System. Gradually eliminate rigid, artificially-protected wage and price levels and other restrictions on free trade, which afford special privileges to some industries, businesses and workers at the expense of American and foreign customers of U.S. products. Selectively target duties on foreign products produced in violation of just market principles.

More Just Social Contract for Workers. Focus top priority during the next decade on developing a more just "social contract" for persons employed in the private sector, geared to maximum ownership incentives, so that instead of inflationary "wage system" increases, all employees can begin to earn their future gains increasingly through production bonuses, equity accumulations, and profit earnings linked to their personal efforts and to the productivity and success of their work team and the enterprise for which they work.

Restoration of 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, while still safeguarding the traditional functions of professional managers.

More Harmonious Industrial Relations. Promote the right of non-management employees to form democratic trade unions and other voluntary associations for negotiating and advancing their economic interests, including their ownership rights, vis-à-vis management.

Expanding Equity Opportunities for Farm Families. Preserve farm families as the basic unit for maintaining self-sufficiency in meeting America's food supply, while discouraging the spread of ownership-concentrating conglomerate and foreign takeovers of prime agricultural lands. Equity sharing among dozens of farm families working together in large corporate agribusinesses would update the "family farm" concept.

Phasing-out of Agricultural Subsidies. Assist farmers who wish to associate together voluntarily in cooperatives and in enterprises jointly owned by farmers and workers, including integrated agribusinesses, for supplementing their farm incomes and reducing the need for subsidies.

Incentives for Research and Development. Encourage special ownership incentives for those engaged in research and development, especially in the search for new sources of energy and labor-saving technology.

Conservation of Resources. Develop new methods of conserving and re-cycling non-replenishable and limited natural resources that are vital to society's long-term survival, until suitable substitutes can be discovered and developed.

Property Incomes for Public Servants. Provide America's military, policemen and firemen, teachers, and other public employees 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.

Downsizing of the Public Sector. "People-ize" government-owned enterprises and services into competitive private sector companies, whenever feasible, by offering their employees (and customers in capital-intensive operations like TVA) opportunities to take over their ownership and control.

Prototype Policy Reforms for Local and Foreign Governments. Encourage State and local governments and other countries to promote widespread capital ownership as a basic pillar for building a sound market economy.

Localized Free Enterprise Zones. Launch several Capital Homesteading demonstrations, possibly in areas of high unemployment (like the Super Empowerment Zone proposed in 1996 for the District of Columbia) to evaluate ownership-broadening Federal Reserve reforms, innovative broadened ownership mechanisms and advanced concepts of worker participation in decision-making and self-management.

Land and Natural Resources Owned by the People, Not Government. Anything that can be owned by government, especially income-producing land and natural resources, can be and should be owned and controlled locally, broadly, and equitably by individual citizens and their families, not by government, or by a few owners, land speculators, or corporations with few or no local share owners.

New Challenges for Multinationals. Provide special encouragement to U.S.-based multinational corporations 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, especially for exploiting the resources of the sea and other planets.

For more details, see "The Capital Homestead Act: National Infrastructural Reforms to Make Every Citizen a Shareholder," published by the Center for Economic and Social Justice, Arlington, VA. See also "Beyond ESOP: Steps Toward Tax Justice," Chapter 8 in Curing World Poverty: The New Role of Property, John H. Miller, ed., Social Justice Review: St. Louis, 1994. To obtain these and other writings on tax and monetary reforms to promote expanded capital ownership, contact:

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