
U-Shares

A Market-Based Architecture for Universal Capital Ownership

How Existing Corporate Law Mechanisms Can Deliver What UBI Cannot

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ushares.org | innovator@ushares.org

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Executive Summary

Artificial intelligence is accelerating a structural shift in how wealth is created. As algorithms and automation capture a growing share of economic output, the returns increasingly flow to capital owners, not workers. The resulting wealth concentration is not a policy failure that better redistribution can fix — it is an architectural problem that requires an architectural solution.

Universal Basic Income, the most prominent response to this challenge, cannot scale. At \$1,000 per month for every American adult, UBI costs roughly \$3 trillion per year — an amount that exceeds the entire federal discretionary budget. OECD microsimulation studies have found no fiscally sustainable universal transfer scenario in any developed country. UBI addresses symptoms (income insufficiency) while leaving the underlying disease (capital concentration) untouched.

U-Shares proposes a different approach: **predistribution rather than redistribution**. Instead of taxing wealth after it concentrates and transferring cash to those left behind, U-Shares broadens who owns the productive economy in the first place.

The mechanism draws on existing corporate and tax law. Congress would authorize a new equity class — Class U-Shares — that public corporations may issue, under the same Production Tax Credit architecture that launched the American wind and solar industries. U-Shares are marketable, heritable, and transferable. They pay a mandatory 5% annual dividend on original issue price (inflation-indexed), tax-deductible to the issuing corporation in the manner long established for Real Estate Investment Trusts. U.S. permanent residents (including minors) may hold up to \$130,000 in original issue value.

The central economic claim is that this system is **self-financing**. For general issuance, the net corporate cost is 3.95% of issued value per year — easily covered by corporate returns for the majority of profitable public companies. The Treasury gross cost at full program scale is approximately \$52 billion annually — roughly 5% of existing federal means-tested expenditure — and is offset at full scale by modeled 20–40% reductions in poverty-linked safety-net spending.

This claim has been tested. An adversarial validation process examined 54 sources across legal, fiscal, corporate finance, political, and operational domains. The claim map now shows one core claim fully validated and eight partially validated, with no claim rated “unresolved” or “materially challenged.” What the paper is transparent about is what still requires work: the 5% floor has not been stress-tested through recessions, no legislative champion has emerged, and the independent ROA replication has not yet been commissioned.

U-Shares is intellectually sound but operationally premature. This white paper presents the framework, the evidence, the risks, and a concrete path from concept to pilot — beginning with voluntary corporate participation that requires no Congressional action at all.

Section 1: The Problem UBI Cannot Solve

The Displacement Timeline

The conversation about AI and economic displacement has shifted from “if” to “how fast.” Andrew Yang built a presidential campaign around the claim that automation would eliminate millions of jobs. Daron Acemoglu, the 2024 Nobel laureate in economics, offers a more measured assessment: AI’s near-term GDP impact is likely modest (0.5–1.5% over a decade), with gains concentrated among firms and workers already positioned to capture them.

The disagreement is about speed, not direction. Whether displacement unfolds over five years or fifty, the structural trend is the same: returns to capital rise while returns to labor stagnate or decline. The share of national income going to workers has fallen from 65% in 1980 to under 60% today, a shift representing trillions of dollars annually.

UBI’s Fiscal Impossibility

UBI’s appeal is its simplicity: give everyone money, unconditionally. Its fatal flaw is arithmetic. A universal payment of \$12,000 per year to 260 million American adults costs \$3.12 trillion annually. This exceeds total federal income tax revenue. It exceeds the combined budgets of Social Security, Medicare, and Medicaid. No combination of politically feasible tax increases and spending cuts closes the gap.

The OECD confirmed this in microsimulation studies across member countries: when existing benefit programs are consolidated to fund a universal transfer, either the payment is too small to matter or the tax burden is too heavy to sustain. Finland’s two-year UBI experiment — the most rigorous national pilot to date — improved recipient well-being but produced no significant employment effects, and it served only 2,000 unemployed individuals.

The Wealth Gap Requires Capital, Not Income

Income transfers sustain consumption. Capital builds wealth. This distinction is the crux of the argument for U-Shares. The median Black family in America holds \$24,100 in wealth. The median white family holds \$188,200 — a ratio of nearly 8:1. This gap did not emerge from income differences alone. It emerged from differential access to capital: homeownership, business equity, financial assets, and the compound returns those assets generate over decades.

Darrick Hamilton and William Darity’s research on baby bonds demonstrates that asset-based interventions can narrow the racial wealth gap within a generation. Nicolas Berggruen’s Institute for Universal Basic Capital argues that in an economy where machines generate most productivity gains, citizens need ownership stakes in those machines, not monthly checks.

Why Transfers Fail

Transfer programs share three structural weaknesses that no design improvement can eliminate:

Political fragility. Ontario launched a basic income pilot in 2017. A new government cancelled it in 2018. Transfer programs exist at the pleasure of whoever holds office. They create no property rights, no legal entitlements that survive a change in administration.

No wealth accumulation. A \$1,000 monthly UBI payment consumed entirely by rent and groceries leaves the recipient exactly as asset-poor at the end of the year as at the beginning.

Dependency dynamics. Programs funded from general tax revenue require sustained political coalitions to defend annual appropriations. The beneficiaries have no structural power to prevent cuts because they own nothing.

Section 2: U-Shares — How It Works

The Core Mechanism: Eleven Provisions

The U-Shares framework is defined by eleven provisions that form a single coherent architecture — no provision stands alone.

Provision 1 — Congressional Authorization. A new class of shares is authorized by Congress under the Federal Tax Code, designated Class U-Shares.

Provision 2 — Eligible Issuers and Issuance Limits. Available to all public companies and qualified private entities. Issuance capped at 20% of total paid-in capital. Voluntary and incentive-driven, not mandated.

Provision 3 — Marketability and Valuation. U-Shares must be registered for public-market trading or be redeemable in mutual-fund fashion. Genuine marketable equity, not a locked-up instrument.

Provision 4 — Mandatory Minimum Dividend. 5% annual dividend on original issue price, adjusted upward for inflation. Issuers who fail to pay forfeit deduction eligibility.

Provision 5 — Dividend Deductibility. U-Share dividends are deductible as a business expense — the same mechanism REITs have used since 1960 under 26 U.S.C. §857. Net cost to issuer: 3.95% of issued value per year at 21% corporate rate.

Provision 6 — Eligible Holders and Holding Vehicles. Three forms: direct ownership, IRA-style U-Share accounts, or U-Share ETFs/mutual funds distributing 97%+ of dividend revenue. Only U.S. permanent residents (including minors) may be beneficial owners.

Provision 7 — Individual Holding Limits. Up to \$130,000 in original issue value per person (inflation-indexed). At 5%, a family of four receives \$26,000 annually — above the poverty threshold. Graduated AGI exclusion phases out above \$80,000 family income.

Provision 8 — Corporate Incentives for Low-Income Distribution. 35% federal tax credit on discount given, 100% deduction on discount amount, plus 20% state matching credit for distributions to individuals at or below 200% of poverty level.

Provision 9 — Transferability of Tax Benefits. Tax benefits (not shares) are transferable — identical to the Production Tax Credit architecture that built wind and solar. 2024 IRA \$6418 market operated at ~\$0.95 per dollar transferred.

Provision 10 — Capital Accumulation Tax. 21% tax on U-Share dividends for households above 3x poverty level. These households are also ineligible for the AGI exclusion. Keeps the subsidy targeted to poverty reduction.

Provision 11 — U-Share Accounts and Withdrawals. Accounts permit hardship withdrawals, borrowing against holdings for home/education, and conversion into business equity. Income this month, a house in five years, a business in ten, an inheritance in forty.

The Self-Financing Claim

General issuance. Net corporate cost of a 5% dividend at 21% federal rate is 3.95% of issued value per year. Any corporation with after-tax ROA above 3.95% can sustain the obligation from operating returns — a bar most profitable public corporations already clear.

Targeted discount-to-poverty issuance (Provision 8). The Chapter 4 Table E analysis shows a break-even at 7.58% after-tax ROA. The S&P; 500 median runs 8–10%, meaning most major issuers can issue Provision 8 distributions on a net-positive cash flow basis.

Federal fiscal position. Gross Treasury cost at full scale: ~\$52 billion annually (about 5% of ~\$1 trillion in means-tested expenditure). Offset by modeled 20–40% reductions in poverty-linked safety-net spending. Net federal fiscal position estimated positive at full scale.

Targeted Progressivity Built Into the Framework

Three provisions direct the program's benefits preferentially to low-income Americans:

- **Provision 7** — Graduated AGI exclusion phases out above \$80,000 family income.
- **Provision 8** — Tax-credit stack for poverty-level distributions; largest incentive for issuance to Americans at or below 200% of the poverty line.
- **Provision 10** — 21% Capital Accumulation Tax on dividends to households above 3x poverty level.

The architecture is universal in eligibility but progressive in economic effect. The net subsidy is concentrated at the bottom of the income distribution.

From Income Stream to Capital Base

The feature that separates U-Shares from every UBI variant is not the 5% dividend. It is what the holder can do with the underlying capital. Provision 11 permits hardship withdrawals, borrowing against the account for a home or education, and conversion into business equity.

The governing discipline is the oldest rule of wealth accumulation: **do not consume the capital**. Maintain it, and when the moment is right, convert it into a form that is more useful. A U-Share holding is income this month, a house in five years, a business in ten, an inheritance for a child in forty. It is not a transfer payment spent on the day it arrives.

The mechanism operates across education (529/Coverdell analog for tuition), housing (collateral for primary residence), business formation (conversion to equity stake), and emergency resilience (hardship

withdrawals as self-insurance). Every existing income-support program is structured around consumption. U-Shares is structured around conversion.

Section 3: The Evidence Base

Legal Precedent

Every major component of U-Shares has precedent in existing law. The **dividends-paid deduction** has been operating since 1960 for REITs under 26 U.S.C. §857. The REIT sector manages over \$4 trillion in assets under this framework without constitutional challenge. The Senate Finance Committee held formal hearings in 2016 on extending the deduction to all corporations. The U.S. Treasury recommended eliminating double taxation of dividends in a comprehensive 1992 report.

Creditor protection at scale is proven through ERISA (since 1974) and the Bankruptcy Abuse Prevention Act of 2005, which extended IRA protection to approximately \$1.7 million.

Economic Validation

The 7.58% after-tax ROA break-even is broadly consistent with publicly available data. Damodaran's sector-level data shows return on invested capital of 8–15% for Technology, Healthcare, and Consumer Staples. Significant industry variation exists: Utilities and Real Estate show 3–6%, structurally below the 5% floor. This means sector-specific exemptions or variable rates may be needed — a design refinement, not a fatal flaw.

U-Shares requires approximately \$5 trillion in total equity issuance at full scale — just 7.2% of the ~\$69 trillion U.S. equity market capitalization. Phased issuance of \$250–333 billion per year over 15–20 years is comparable to normal annual IPO and secondary offering volume.

Implementation Lessons from Analogous Programs

Alaska Permanent Fund Dividend (40+ years). Research shows the PFD reduced poverty by 20–40% with no measurable reduction in labor force participation. It has survived multiple changes in state government, demonstrating the political durability of universal capital dividends.

Employee Stock Ownership Plans (50 years). ESOPs cover over 10 million American workers with bipartisan support since 1974. NBER research found 23% higher total compensation in shared-capitalism firms. U-Shares extends the ESOP principle from employees to all citizens.

UK Child Trust Fund (cautionary tale). When the program matured, 42% of eligible young adults never claimed their funds — over £1.7 billion stranded. This is a direct warning: U-Shares must solve the engagement problem through active fiduciary stewardship and mandatory outreach.

Section 4: How to Start Without Congress

The full U-Shares vision requires federal legislation. But the pathway to proving the concept does not. Five mechanisms allow a voluntary pilot under existing law:

Voluntary Corporate Pilot. Delaware corporate law permits custom share classes with any combination of dividend, voting, and transfer characteristics. A willing corporation could issue Class U shares through a standard board resolution and charter amendment. No federal legislation required.

ESOP Hybrid / Community Stock Ownership Plan. Louis Kelso proposed Community Stock Ownership Plans extending equity beyond employees. A modern CSOP could leverage existing ESOP tax advantages while testing universal ownership.

Regulation A+ Trust Offering. SEC Regulation A+ permits public offerings of up to \$75 million. A trust could distribute beneficial interests to a defined citizen population.

State Baby Bond Partnerships. Connecticut, Washington D.C., and other jurisdictions have baby bond programs. A U-Shares pilot could add corporate equity to these government-funded accounts.

B-Corp Community Shares. Benefit corporations could issue community shares with U-Shares characteristics as part of their social mission.

Each pathway produces data, tests different components, and can begin within twelve months under existing law.

Section 5: What Could Go Wrong — And How We Would Know

A proposal that cannot articulate its own failure modes is not serious. U-Shares has five primary vulnerabilities, each grounded in specific evidence.

Failure Mode 1: CBO Scoring Kills It in Committee

CBO scores tax expenditures as static revenue losses and cannot credit downstream safety-net savings. The dividend deduction will be scored as a large revenue loss with no offset for poverty reduction.

Mitigation: Invoke the IRS enforcement precedent, request CBO supplemental analysis, commission independent fiscal modeling, and preempt the score narrative by predicting it.

Failure Mode 2: No Political Coalition Materializes

No sitting member of Congress has championed U-Shares. The 2005 Social Security partial privatization effort failed despite presidential backing.

Mitigation: Build on the bipartisan ESOP tradition (50 years), Aspen Institute framework, and baby bonds movement. Frame as ownership expansion, not government expansion.

Failure Mode 3: Fee Extraction Hollows Out Accounts

Chile's private pension fees consumed 10–25% of account value. The LIHTC syndication market loses 10–27% to intermediaries.

Mitigation: Statutory fee caps modeled on the Thrift Savings Plan's 0.04% expense ratio. Direct refundability. Public administration.

Failure Mode 4: Constitutional Challenge

The voluntary-with-incentive design tracks the Production Tax Credit architecture, avoiding Commerce Clause issues. Residual questions in state preemption and the Capital Accumulation Tax.

Mitigation: Preserve voluntary language through legislative drafting. Model creditor exemption on existing IRA §522(b)(3)(C). Commission early constitutional review.

Failure Mode 5: Beneficiaries Do Not Engage

The UK Child Trust Fund's 42% non-claim rate is the most directly relevant warning.

Mitigation: Mandatory annual statements (physical mail). Automatic dividend reinvestment as default. Fiduciary trust with outreach obligations. Target: 95% account awareness within five years.

The Falsification Tests

If U-Shares is wrong, here is how the evidence will show it:

- If independent ROA replication shows median S&P; 500 after-tax ROA below 3.95% on a sustained basis, the general-issuance self-financing claim fails.
- If a voluntary pilot cannot maintain the 5% dividend for three consecutive years without financial distress, the floor is unsustainable.
- If account administration costs exceed 1% of assets annually after five years, the fee extraction problem is structural.
- If a formal fiscal analysis shows 10-year net cost exceeding \$500 billion with no plausible offset, the self-financing claim is false.
- If fewer than 10% of surveyed Fortune 500 CEOs express willingness to participate after full briefing, corporate resistance is too deep.

Section 6: The CBO Scoring Problem

The single largest obstacle to U-Shares is not economic, legal, or political. It is methodological. The Congressional Budget Office's scoring system was designed to prevent gaming of incremental tax policy in the 1980s. It was not designed to evaluate structural reforms whose benefits accrue through reduced safety-net spending, increased labor participation, and intergenerational wealth accumulation.

CBO operates under scorekeeping guidelines that prohibit counting "secondary" spending reductions. If U-Shares lifts twenty million people above the poverty line and they cease drawing SNAP, Medicaid, TANF, and housing assistance, CBO is not permitted to credit those savings. The same rule explains the IRA paradox: Congress appropriated \$80 billion for IRS enforcement, CBO estimated it would generate over \$200 billion in revenue — but the \$200 billion was excluded from the score.

The likely CBO score for U-Shares will include the full static revenue loss from the dividend deduction, a partial income/payroll tax offset (21–25% of gross cost), and small dynamic GDP effects. **Not counted anywhere:** reduced SNAP, Medicaid, TANF, and housing spending; reduced EITC claims; reduced incarceration and emergency healthcare costs; increased tax revenue from wealth-enabled entrepreneurship; and any effect after the tenth year.

The score will look bad. It will look bad not because U-Shares fails the economics, but because the scoring system is structurally incapable of evaluating a structural reform of this kind. Every structural reform in American history, from the Homestead Act to the GI Bill, would have failed a modern CBO score.

State-Level Fiscal Symmetry

States have no equivalent scoring prohibition. State fiscal offices can legitimately model downstream savings from Medicaid FMAP exposure (states pay 25–50% of costs), TANF Maintenance of Effort, SNAP administrative match (50% state share), state corrections, and state housing programs.

Under Provision 8, a participating state provides a 20% matching tax credit. In most states, the captured downstream savings exceed the match cost within the first several years. A state that publishes a candid fiscal analysis showing the match is a net budget winner changes the federal conversation. The CBO's static score becomes the artifact; the state's integrated model becomes the proof.

This federalism is a deliberate design feature. It aligns the incentives of the level of government that can honestly score the savings with the level that bears the largest share of poverty-linked costs.

Section 7: The Path Forward

Immediate (0–90 Days)

- **Independent ROA replication** using Damodaran’s freely available NYU datasets. The single highest-value, lowest-cost research task available.
- **Expert engagement:** tax policy economist (\$15–25K), corporate finance scholar, constitutional law scholar, political scientist, financial services operations expert.
- **Legal pathway selection** from the five pilot mechanisms in Section 4.

Near-Term (90 Days – 12 Months)

- **Pilot partner identification.** One to three corporations with above-average ROA and stakeholder commitments. Technology firms are the most symbolically powerful partners.
- **Pilot design and launch.** Two-year voluntary pilot, 1,000–10,000 participants. Measure dividend sustainability, administration costs, engagement rates, and corporate financial impact.

Medium-Term (12–36 Months)

- **Pilot results and iteration.** Refine design, adjust dividend rate if needed, implement fee controls.
- **Legislative groundwork.** Engage Congressional staff. Produce CBO-scorable proposal with dynamic scoring support.

The Ask

U-Shares needs three things to move from concept to reality:

Research funding (\$50–100K) for independent ROA replication, fiscal modeling, constitutional analysis, and coalition mapping.

Expert volunteers — tax policy economists, corporate finance scholars, constitutional law professors, and financial services architects willing to pressure-test the framework.

A pilot partner — one corporation willing to issue community shares with U-Shares characteristics. The pilot requires no legislation, no regulatory approval beyond standard SEC compliance, and no commitment beyond a two-year test.

Appendix A: The Nine Core Claims

#	Claim	Status	Grade
1	Dividend deductibility is fiscally viable at scale	Partially validated	Legal precedent
2	5% dividend floor is sustainable across issuer types	Partially validated	Empirical
3a	General-issuance self-financing (3.95% break-even)	Validated	Empirical
3b	Provision 8 self-financing (7.58% break-even)	Partially validated	Empirical
4	Net fiscal impact is positive after downstream savings	Partially validated	Modeling
5	Creditor protection has adequate legal precedent	Partially validated	Legal precedent
6	Tax-benefit transferability works at scale (PTC architecture)	Partially validated	Historical
7	Political coalition for predistribution is buildable	Partially validated	Historical
8	Capital sufficiency (7.2% of market cap)	Partially validated	Empirical
9	Constitutional barriers are manageable	Partially validated	Legal precedent

Summary: 1 validated, 8 partially validated (across ten line items). No claim at “Unresolved” or “Materially challenged.” Adversarial validation conducted against 54 sources across six evidence domains. Last updated 2026-04-17.

Appendix B: Source Inventory Summary

Domain	Sources	Depth	Key Sources
UBC / Capital ownership theory	13	Moderate	Hamilton/Darity baby bonds, Berggruen UBC, Bruenig social wealth fund, Kelso ESOP
UBI / Transfer programs	12	Moderate	OECD microsimulation, Finland pilot, Stockton SEED, GiveDirectly Kenya RCT
Legal / Constitutional	8	Thin	REIT Section 857, 2016 Senate Finance hearing, 1992 Treasury report
Fiscal / Tax policy	7	Thin	CBO scoring methodology, PGPF analysis, IMF universality framework
Failure modes / Adversarial	6	Thin	Cato LIHTC critique, FREOPP unintended consequences, Wharton PTC research
Implementation / Operations	8	Thin	Alaska PFD, Singapore CPF, Norway GPF, UK Child Trust Fund, Chile AFP

Six dedicated adversarial sources were included specifically to challenge U-Shares claims. Coverage is acknowledged as thin across all domains — deepening the evidence base is a priority.

Appendix C: Glossary

Baby bonds. Government-funded trust accounts established at birth. Proposed by Darrick Hamilton and William Darity. Several U.S. states have enacted versions.

CBO/JCT scoring. The process by which the Congressional Budget Office and Joint Committee on Taxation estimate fiscal impact. Static scoring measures direct revenue effects; dynamic scoring incorporates macroeconomic feedback.

Class U-Shares. The proposed new equity class: marketable, heritable, transferable shares paying a mandatory 5% annual dividend on original issue price (inflation-indexed).

Dividends-paid deduction. A corporate tax deduction for dividends distributed. Currently available to REITs (26 U.S.C. §857). U-Shares proposes extending this to all public corporations for Class U-Share dividends.

ERISA. Employee Retirement Income Security Act of 1974. Establishes fiduciary standards and creditor protections for employee benefit plans.

ESOP. Employee Stock Ownership Plan. Covers over 10 million American workers with bipartisan Congressional support since 1974.

Predistribution. Structuring markets so gains are distributed fairly at the point of production, rather than redistributed afterward. Term coined by Jacob Hacker (2011).

REIT. Real Estate Investment Trust. Receives tax-deductible treatment for dividends paid when distributing 90%+ of taxable income. Operating since 1960. The primary legal precedent for U-Shares.

ROA (Return on Assets). Net income divided by total assets. U-Shares break-even: 3.95% for general issuance, 7.58% for Provision 8 discount-to-poverty distributions.

Self-financing. The claim that U-Shares dividends can be paid from existing corporate returns. At Treasury level, ~\$52B/year gross cost offset by 20–40% reductions in means-tested spending.

UBC (Universal Basic Capital). A policy paradigm where every citizen receives a capital stake rather than recurring income transfers. U-Shares is a specific implementation.

UBI (Universal Basic Income). Recurring unconditional cash transfers funded from general tax revenue. U-Shares is positioned as a structural alternative.

This white paper was produced by The U-Shares Idea research program. The full validation record, adversarial audit, source inventory, and all supporting documentation are available for review. The authors welcome adversarial engagement: the proposal improves when its weaknesses are found before its

opponents find them.

The U-Shares Idea | ushares.org | innovator@ushares.org

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