

DRAFT

BRIEFING PAPER ON THE MISSOURI CITIZEN'S LAND DEVELOPMENT COOPERATIVE ACT

A Pioneering Model for Sustainable Economic Development and Equal Ownership Opportunity for Every Citizen

(Prepared by the Center for Economic and Social Justice, December 19, 2022)

The **Missouri Citizen's Land Development Cooperative (CLDC) Act**, introduced by State Senator Karla May (D), was signed into law by Governor Mike Parson (R) on July 1, 2022. This historic legislation would establish America's and the world's first working model for creating equal access for every permanent resident (adult and child) to an equal ownership share in land, infrastructure, and land development owned and managed place through a CLDC.

The CLDC program will provide a workable and scalable prototype for communities throughout the state of Missouri and the United States, in both urban and rural communities. The key mechanism for financing Citizen's Land Development Cooperatives would involve commercial banks, insurance companies, and the discount window of regional Federal Reserve Banks (for example, in St. Louis and Kansas City). If proven successful, this model could be replicated within all twelve regions of the Federal Reserve System.

As such, the CLDC Act represents the first time that the fundamental human right to private property ownership would be made equally accessible to every human being, from birth to death. This unrealized right was articulated in Article 17 of the United Nations Universal Declaration of Human Rights in 1948:

- (1) Everyone has the right to own property, individually and in association with others.
- (2) No one shall be arbitrarily deprived of his property.

By making this ideal a reality for every person, we can begin to eradicate the systemic causes of poverty, racism, war, and environmental damage at every level of our society.

History Behind the CLDC

There has been longstanding bipartisan support in the US for a national economic policy of broadened capital ownership. This was declared by the Joint Economic Committee of Congress on March 10, 1976 but has yet to be implemented.

Leading supporters have included Republican Ronald Reagan who in the 1970s called for an "Industrial Homestead Act" as proposed by San Francisco lawyer and investment banker Louis Kelso. In 1985, President Reagan authorized a bipartisan Presidential Task Force on Project Economic Justice (authored and spearheaded by the Center for Economic and Social Justice) to recommend expanded capital ownership policies in foreign economic policy to counter communist insurgencies in Central America and the Caribbean.

Democratic Senator (and later US Vice President) Hubert Humphrey, serving as Chair of the Joint Economic Committee of Congress, on July 20, 1976 called for capital ownership for all Americans to be declared a twin pillar of U.S. economic policy, along with the goal of full employment. One

technique for extending capital ownership to corporate employees was championed by Democratic Senator Russell Long who established in US law Employee Stock Ownership Plans, which continue to enjoy strong bipartisan support in Congress.

SIMILAR INITIATIVES IN OTHER STATES

In 2004, similar legislation to establish for-profit, citizen-owned land development cooperatives (previously called “community investment corporations”) was introduced by Illinois State Representative Wyvetter Younge (D-East St. Louis). Rep. Younge’s bill was passed by the Illinois House of Representatives 114-0. This would have established the first CLDC in East St. Louis and the 14 surrounding communities, enabling each permanent resident from birth to death to gain a single, life-time, non-transferrable, full dividend-payout, voting share in a for-profit, professionally managed land and infrastructure planning and development company.

The initial land to be acquired and owned by the CLDC was to have been transferred free of charge from the city to the new entity, whose shareholders would be every permanent resident of the community. (For minors, who would have their own personal account in the CLDC, voting would be done by their parent/s or guardian/s.) Subsequent financing for land and infrastructure development would have been furnished by the St. Louis Federal Reserve Bank through local commercial banks, with private insurance companies supplying capital credit risk insurance. Citizens would acquire income from profits from the leasing of the land and would have a vote in the planning process and CLDC governance. Sadly, Rep. Younge, the project’s champion, died before her bill could be introduced into the Illinois Senate, and the initiative stalled.

The Missouri legislation (HB 2400 and SCR 26) as introduced by State Senator Karla May, is now being studied by legislators in the State of Connecticut, as well as community leaders in Bridgeport and Hartford, Connecticut.

PROBLEMS THAT THE CITIZENS LAND DEVELOPMENT COOPERATIVE ACT WOULD ADDRESS

The Citizens Land Development Cooperative Act supports the mission of the Missouri Department of Economic Development to “create an environment that encourages economic growth by supporting Missouri’s businesses and diverse industries, strengthening our communities, developing a talented and skilled workforce, and maintaining a high quality of life” — for *all* citizens of the State of Missouri.

This Act, and the innovative program it encompasses, would introduce monetary and tax reforms for reversing the growing inequality of opportunity, ownership, and power, thus eradicating the structural roots of poverty, racism, crime, and violence within and between communities, states, and nations. **It must be noted that such tax and monetary reforms will ultimately require federal approval and legislation as described within Missouri SCR 26 (introduced by State Sen. Karla May) calling for the US Congress to adopt the “Economic Democracy Act.”** The CLDC (or CLDCs) when implemented will:

- **Provide a new, sustainable, private-sector source of financing for land and infrastructure development**, which does not require taxpayer dollars, foundation or government support, or

conventional sources of private equity. The Act establishes the Citizens Land Development Cooperative (CLDC) as a citizen-owned land and infrastructure development corporation that can access the existing power of the twelve regional Federal Reserve Banks to create asset-backed money and interest-free, insured capital credit through competitive local commercial banks working with the private insurance industry. This approach would overcome the centuries' old idea that future capital formation can only be financed with accumulated "past savings." It allows for the financing of new capital (including advanced technology) with "future savings" (i.e., future profits used to repay the insured capital loans). Corporations would receive tax deductions for all dividend payouts, thereby encouraging corporations to expand their shareholder base using these methods. It would also provide a second source of incomes for citizens, beyond wages and welfare. Gradually this would increase the tax base while reducing the dependency of poor citizens on government welfare programs as they become economically empowered through ownership.

- **Create equal capital ownership opportunity for every permanent resident of a community.** What makes the for-profit CLDC unique as a vehicle for land planning and development is that it provides every permanent resident (from the poorest to the richest, from birth to death or departure from the community) within urban and rural communities with an equal, lifetime share of profits from the leasing and use of improved and redeveloped land and infrastructure owned by the CLDC.
- **Empower each citizen-shareholder with an equal voting share in the CLDC's governance and the land planning and development process,** along with the means to hire top-flight professional managers, land planners, architects, engineers, etc. to guide the process.
- **Offer incentives for attracting new industries and well-managed businesses into the community.** With additional incentives for 100% bank-financed, employee-owned corporations and cooperatives to locate in the community or region, this new economic development approach would help generate new jobs and ownership opportunities, particularly within the 8 most targeted industries identified in Missouri's Strategic Plan for Economic Growth. Public utilities could also sell new shares to their customers through similar ownership democratization methods using insured bank loans backed by the Federal Reserve. With greater financial stability from ownership incomes, community citizens would have the means to start up new businesses, including in high-tech industries.
- **Introduce citizen and worker ownership education programs into the community,** and thus would increase financial literacy and entrepreneurship in the community. (Justice University online classes are being introduced in St. Louis as part of the "Heart of America" Project developed by St. Louis-based Descendants of American Slaves for Economic and Social Justice to educate citizens on the ownership system and the CLDC.)
- **Protect the private property rights of all owners,** including present owners, and encourages a culture of shared values, shared rights, and shared responsibility.
- **Provide a permanent, citizen-owned and -controlled economic base** for strengthening the financial stability, independence and participation of all citizens and families in the community.

- **Increases resources for equal access to quality education**, and prepares citizens for the world of the future, where advancing technologies will replace most forms of economic work. Rather than posing a threat to the well-being of citizens and their families, ownership of those new technologies would offer the opportunity for every person to engage in non-economic work for personal development, societal improvement, and the common good.

THE ROLE OF THE GOVERNOR'S CLDC COMMISSION

- Convene policymakers, agency heads, educators, bankers, business leaders, insurance professionals, urban and rural planners, labor unions, community organizations, religious organizations, social activists, and citizens to learn about the Citizens Land Development Cooperative Act.
- Identify the types of professionals that will be needed to design a long-term plan for land and infrastructure development under the CLDC.
- Identify government-owned land that could be transferred free of charge to the Citizens Land Development Cooperative. (Purchases of privately owned land would be financed through Fed-monetized, insured capital loans to the CLDC through commercial banks.)
- Determine the level of financing needed to develop the land and upgrade vital infrastructure in the community/communities participating in the CLDC.
- Arrange meetings with top officials of the St. Louis and Kansas City Federal Reserve Banks to present the CLDC strategy and the role that the regional Federal Reserve Banks would play, in conjunction with local commercial banks and insurance companies.
- Help organize citizen forums to participate in the planning process and the structuring and governance of the CLDC, and to learn about their rights as shareholders in the CLDC.
- Ensure that feasibility standards are established for obtaining Fed-monetized loans for CLDC development projects and other private-sector growth financing opportunities available to every citizen.
- Ensure that appropriate risk assessment procedures and standards are developed for lenders and insurance companies to determine risk levels and premiums.

RECOMMENDATION: At the earliest possible time, the Governor should be briefed on the nature and scope of this pilot program, in order to select Commission members who will have the knowledge, experience, commitment and influence to achieve its mission. As stated earlier, the Missouri CLDC Act is the first of its kind. The members of the Commission to establish Citizens Land Development Cooperatives in the State of Missouri have the historic opportunity — to introduce a new model of economic democratization and universal access to sustainable, environmentally sound, and citizen-owned growth in an inclusive free market economy.

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