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"Fair Exchange"

Use government's buying power to:

- **anchor productive capital locally,**
- **treat citizen-investors as owners, &**
- **make corporations accountable.**

by
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Nation-states are losing hegemony to global corporations. This threatens democracy, leading back towards feudalism. Fair Exchange is a proposal to use governments' considerable power as a corporate customer to wrench back control over our tax money invested in private corporations.

Fair Exchange Investment and Taxpayer Protection Act (FEITPA) of 2001

Following the September 11, 2001 terrorist acts, many private businesses (most notably the airlines) sought investment from the US government in grant or loan form to handle the damages and increased risks. Many own or operate assets both within and outside the US, while the taxpayers making the loans and loan guarantees are US citizens who may also be harmed by related loss of employment. The government has successfully insisted on 10-30% equity or warrants from each airline receiving bailout assistance under the Air Transportation Safety and System Stabilization Act of 2001, P.L.107-42 Sec.102 (d) ("ATSSSA 2001" or "Airline Bailout Act"). This FEITPA proposal tracks (but expands upon) the language of the Airline Bailout Act. FEITPA would make the airline bailout one-time policy on government investment in private business a general policy for all such investments. FEITPA proposes the US Congress create a Federal Equity Exchange Board (FEEB) and require that in exchange for government grants, loans and loan guarantees, the FEEB shall obtain contracts under which the government, the business' employees and all current US taxpayers would participate in the gain of the participating business through common or preferred stock and instruments such as warrants and stock options (FEESOP). The FEEB's purpose would be to utilize the financing capacity of the federal government to accomplish and balance three goals: 1) to broadly distribute "meaningful ownership" among U.S. citizens in the same way that the Homestead Acts of the 1860's made many citizens landowners; 2) to provide necessary financing to stabilize US businesses and the US economy; and 3) create a second stream of income as jobs become less permanent. This framework provides citizens appropriate returns on their investment when the government acts quickly to respond to an emergency. It also uses the economic strength of the US government to counterbalance the trend whereby hegemony of global corporations is increasing as that of nation-states is decreasing. The Chrysler Loan Guarantee Act of 1979 is a precedent. The Alaska Permanent Fund is another useful example.

Fair Exchange Proposal - Equity Quid Pro Quo Proposed Legislative Language

This is a more generic version of the above FEITPA proposal. The “Fair Exchange” Proposal (also called “stock or equity quid pro quo”) provides an equity return to citizens for specific government benefits provided to businesses. The equity would be used to promote local economic development and local control. It is not a proposal for government ownership of businesses. Rather, it calls for ownership of company stock by a “commonweal agency” that may be organized in a number of ways including: a community land trust, a community economic development fund, or individual accounts for all the local citizens. It may be a non-profit or for-profit entity. The citizen shareholders elect some of its leaders and some are hired by the elected representatives based on business expertise and ability to discern and serve community needs. The intent is to (1) deter government units from competing with each other for corporate location by means that undermine their local economies; (2) build a diverse stock portfolio for every citizen over a generation; (3) create a source of non-wage income and a vote in corporate decision from a diverse citizenry; and (4) create means for the new corporate citizenry to intelligently and collectively exercise their concerns by electing some members of the boards of directors of the funds that hold their stock. Specific language includes:

"In exchange for government benefits granted to a business for providing jobs, or government grant of licenses or permits enabling extraction of natural resources or use of collective resources, such as air and water for business purposes, the business shall provide a quid pro quo at fair market value to the commonweal."

"Commonweal" means private or public entities, and other entities provided they met specific tests of bona fide interest in protecting the long-term economic, social, ecological and/or cultural interests of the local citizens. (The Canadian Labour Venture Funds are examples of Commonweal Agencies.) They should provide the community receiving the benefit with individual accounts to provide citizens with: a) wealth creation for their families; b) the ability to withdraw and use the funds; and c) the ability to vote for the leadership of the trust, and to take action to formulate the policies of the trust.

"*Government benefits*" means any tax deduction, abatement, grant, government subsidized or guaranteed loan, license (e.g. banking and broadcasting), lease, concession, or contract, preparing and/or providing parcels of land, government contracts, and favorable utility rates, use of non-renewal resources, etc.

"*Quid pro quo*" means corporate common stock with the greatest voting and dividend rights or preferred stock convertible into such common stock or its equivalent in cash.

For more on these concepts and related proposals check out the following links: http://capitalownership.org/PapersMay2001/Homestead.htm or http://cog.kent.edu