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Inclusive Capital Income Ratio (ICIR) in a Post-Labor Economy: A Comprehensive U.S. Perspective

Defining the Inclusive Capital Income Ratio (ICIR)

The **Inclusive Capital Income Ratio (ICIR)** is a proposed macroeconomic indicator that measures the share of total income generated by capital that is broadly and equitably distributed among the population. In essence, it quantifies how much of a society's economic output is **capital-based income accessible to all**, rather than wage income or narrowly held profits. Formally, ICIR can be defined as:

- **Numerator (Inclusive Capital Income)**: All forms of income derived from capital ownership that accrue to households on an inclusive basis. This includes dividends, interest, rents, and distributed profits (and potentially public or community dividend payments from collective assets), **excluding** capital gains that are unrealized. The "inclusive" aspect means focusing on capital income that is **widely shared** across society – for example, dividends from broadly held stocks (such as through pension funds or sovereign wealth funds), community trust payouts, or universal capital income programs.
- **Denominator**: A corresponding total income measure, typically **national income or GDP**, over the same period. Using national income (which includes wages, capital income, and government transfers) aligns ICIR with the overall economy's output in income terms, similar to how the labor share is defined. Alternatively, ICIR could be expressed relative to total personal income.

In precise terms, one could compute ICIR using data from national accounts and distributional data. For example, the U.S. Bureau of Economic Analysis (BEA) provides quarterly and annual data on personal income by source, including categories like employee compensation (wages) and property income (dividends, interest, and rent). The **inclusive capital income** portion can be approximated by the total property income of the household sector, **adjusted to reflect broad distribution**. That adjustment might involve excluding the portion of capital income going exclusively to the top echelons, or focusing on mechanisms that spread capital income (like Social Security trust fund payouts, Alaska's Permanent Fund dividends, etc.). In practice, a pragmatic approach is to measure **aggregate household capital income as a share of total income** and monitor its distribution across income groups.

Data Sources: Key data sources for constructing ICIR include BEA's National Income and Product Accounts (NIPA) for aggregate capital income and labor income, the Federal Reserve's *Distributional Financial Accounts* and Survey of Consumer Finances for wealth and income distribution, and IRS tax data for detailed capital income distribution. For example, BEA's state personal income statistics could allow *geographic scaling* of ICIR – calculating it at national, state, or even county levels – by identifying the share of personal income from dividends, interest, and rent in each region. ICIR could thus be computed for the U.S. as a whole or compared across states (much as GDP is measured at state level). In principle, wherever one can measure total income and the breakdown into labor vs. capital components, an ICIR can be calculated, making it feasible for other countries or sub-national regions.

Computation Methodology: At the national level, one method is:

$$ICIR = \frac{\text{Household capital-based income (inclusive)}}{\text{Total household income}}.$$

If using BEA data, numerator components might include personal dividend income, net interest income received by households, rental income of persons, and any **distributed public investment returns** (e.g., sovereign wealth fund dividends). One may subtract capital income that is overly concentrated if aiming for a strictly "inclusive" measure; however, an alternative is to track **ICIR alongside measures of distribution** (such as the share of capital income going to the bottom 90%). For instance, historically about 90% of the income of households outside the wealthy elite has come from labor, with only ~10% from capital. A rising ICIR would imply a larger fraction of income coming from capital sources that **reach typical households** (through widespread asset ownership or public dividends).

Frequency: Ideally, ICIR would be reported **quarterly**, in line with GDP and other national accounts data, to allow timely policy guidance. BEA's quarterly personal income data could support this. In addition, an annual comprehensive ICIR report could incorporate detailed distributional analysis (using tax or survey data available with a lag). In the long run, a monthly frequency is less realistic due to data limitations, but quarterly reporting would balance timeliness and accuracy. The reporting cadence might resemble that of the labor share of income, which BLS publishes quarterly, or that of GDP (quarterly estimates with revisions).

Geographic Scaling: As noted, ICIR can be scaled to different levels. National ICIR would be the headline figure, guiding federal policy. State-level ICIR could highlight regional disparities in capital income distribution (for example, states with large Permanent Funds or employee-ownership programs might exhibit higher ICIR). Local or county-level ICIR might be feasible if data on local capital income (from property, local trusts, etc.) are available – analogous to how local median incomes or unemployment rates are tracked. Indeed, tools like the Economic Innovation Group's datasets or academic studies could be leveraged to estimate ICIR for metro areas, especially if combining IRS data on investment incomes by zip code.

In summary, ICIR is **precisely defined as the ratio of broadly distributed capital income to total income**, offering a macro-level indicator of how much an economy's output is benefiting people through capital ownership channels. A simple way to interpret it: ICIR of 0.60 (or 60%) would mean that a large majority of national income comes from capital assets *that people collectively own*, rather than wages – a scenario some posit as an end-goal in a post-labor economy. By contrast, today's U.S. economy has an ICIR on the order of 0.20 or less (roughly 20% of household income from property sources), reflecting that most income still comes from labor and that capital ownership is unequal.

ICIR vs. Traditional Economic Indicators: Descriptive and Prescriptive Roles

To appreciate the role of ICIR, it's important to contrast it with established economic indicators. Traditional metrics like **GDP, inflation, unemployment**, and emerging measures like the **Economic Agency Index (EAI)** each capture different facets of economic health. Below, we compare what each metric reveals (descriptive properties), how policymakers influence them (prescriptive use), and their limitations in a **post-labor context** where human work is no longer the primary engine of income.

Gross Domestic Product (GDP)

What it Measures: GDP is the total monetary value of all final goods and services produced within a country's borders in a given period [1]. It is the broadest aggregate of economic activity, often used to gauge the **size and growth** of an economy. In the U.S., GDP is reported quarterly by the BEA and is a cornerstone metric for economic performance. It can be broken down by expenditures (consumer spending, investment, government outlays, net exports) [1] or by industry contributions. GDP per capita is also used as a proxy for average living standards.

Descriptive Properties: GDP tells us **how much output** the economy is producing. A rising GDP generally indicates economic expansion and potentially rising incomes and employment. It captures overall productivity and is closely tied to business cycles (recessions vs. booms). However, GDP **does not detail who benefits** from growth. Two economies with the same GDP can have vastly different internal distributions of income and wealth. As Simon Kuznets (the architect of national accounts) famously warned, *"The welfare of a nation can scarcely be inferred from a measure of national income."* [2] GDP alone doesn't show inequality or sustainability (e.g. it omits environmental depletion and unpaid work).

Prescriptive Use: Policymakers target GDP growth as a key objective – it's assumed that a growing economic pie enables higher living standards. Fiscal and monetary policies are often tuned to maintain steady GDP growth. For example, stimulus spending or tax cuts may be deployed to boost GDP during a downturn, and conversely, austerity or rate hikes to cool an overheating economy. GDP growth is a general proxy for job creation and corporate profits, so it's central to budgets and central bank decisions (like forecasting potential growth to set interest rates).

Limitations in a Post-Labor Context: In a future with minimal human labor, GDP could remain high (due to automated production) even as conventional employment collapses. GDP would then decouple from human well-being if the output is not **widely owned or accessed**. For instance, an AI-driven economy could generate enormous GDP with only a few owners of capital reaping the rewards. Traditional GDP growth might **"mask" social distress** – much as it can today when growth coexists with rising inequality. Another limitation is that GDP does not count leisure or the value of free digital services, which might be abundant in a post-labor society. Thus, while GDP remains relevant (we still care about the total output/abundance), it fails to signal whether that output translates to broad-based prosperity or merely enriches a small owner class. ICIR complements GDP by adding a **distributional lens**: an economy with high GDP but low ICIR would be one where output is high but capital benefits are not inclusive, a red flag for post-labor sustainability.

Inflation (CPI and PCE)

What it Measures: Inflation is the rate at which the general price level of goods and services is rising. It's most commonly measured by the **Consumer Price Index (CPI)** and the **Personal Consumption Expenditures index (PCE)**. The CPI, compiled by the Bureau of Labor Statistics, tracks the cost of a fixed basket of goods and services purchased by urban consumers. The PCE price index, published by the BEA, covers consumer expenditures more broadly and uses a chain-weighted formula that accounts for changes in consumer behavior. The Federal Reserve closely monitors **headline PCE inflation** (which includes all items) as its preferred gauge, though it also considers CPI.

Descriptive Properties: Inflation metrics tell us about **price stability and consumer purchasing power**. A moderate inflation (around 2% annually in the U.S.) is seen as healthy, whereas high inflation erodes real incomes and savings, and deflation can signal economic malaise. CPI is often used for cost-of-living adjustments (e.g., Social Security benefits are indexed to CPI). PCE tends to run slightly lower than CPI on average; for example, from 1995–2013 CPI inflation averaged ~2.4% while PCE averaged ~2.0%, indicating CPI often shows higher inflation. This is due to methodological differences: **PCE covers a broader range of expenditures and allows weights to shift as consumers substitute goods**, whereas CPI has fixed weights in the short run. Inflation data reveal which sectors are driving price changes (energy, food, housing, etc.), affecting different groups differently.

Prescriptive Use: Central banks use inflation as a primary policy target. The U.S. Federal Reserve has an explicit goal of 2% inflation (PCE) in the long run. **Monetary policy** (interest rate adjustments, open market operations, and more recently quantitative easing) is calibrated to steer inflation toward that target. For instance, if inflation is rising above target, the Fed might raise interest rates to cool demand; if inflation is too low or negative, the Fed eases policy to spur borrowing and spending. Inflation also guides wage negotiations and fiscal policy to some extent (e.g., tax brackets are indexed to CPI). Price stability is valued because unpredictable inflation distorts economic decision-making and can cause social hardship (as seen in the 1970s U.S., when inflation hit 13.5% in 1980).

Limitations in a Post-Labor Context: In a post-labor economy, inflation dynamics could shift in unusual ways. Mass automation might dramatically lower the cost of many goods (AI and robots could create *deflationary* pressure through high productivity), while other areas (natural resources, luxury human-made goods) could inflate. Traditional inflation metrics might not fully capture welfare if consumption patterns radically change (for example, if many essentials become virtually free due to technology, while scarce human-provided services become expensive). Moreover, using interest rates to manage inflation might be less effective if traditional employment and wage-driven demand are diminished. One could imagine a scenario of **"tech abundance deflation"** combined with asset price inflation for scarce assets – a policy conundrum. Also, inflation targeting alone doesn't ensure distribution of purchasing power. For example, stable 2% inflation could coincide with a populace lacking income to consume if they don't share in capital wealth. Thus, while inflation control remains important (hyperinflation or deep deflation are damaging in any system), it must be paired with measures like ICIR to ensure that *people have the means to spend* in the first place. In short, low inflation is necessary but not sufficient for well-being in a post-labor world – broad **consumer purchasing power** (which ICIR supports by distributing capital income) is equally vital.

Unemployment Rate

What it Measures: The unemployment rate is the percentage of the labor force that is jobless but actively seeking work. It is reported monthly by the BLS from the household survey. The labor force includes those employed and those unemployed (looking for a job); people not actively looking (discouraged workers, retirees, full-time students, etc.) are not counted in the labor force. The headline unemployment rate (U-3) is a narrow measure, while broader measures (like U-6) include underemployment and discouraged workers. Unemployment is a **lagging indicator** (it responds after economic conditions change) but is a key barometer of labor market health.

Descriptive Properties: The unemployment rate indicates **unused labor capacity and labor market distress**. A low unemployment rate (e.g. 3–4%) means most people who want jobs can find them, which usually correlates with rising wages and consumer confidence. High unemployment (e.g. 10% as seen in

2009 or early 1980s) signals a recession or depression-level job shortage, with widespread hardship. Policymakers and the public watch this metric closely as it has immediate human significance. However, the unemployment rate by itself doesn't convey job quality or income levels – it treats a low-wage gig job the same as a high-paying full-time job. It also can be misleading if labor force participation drops (e.g. people give up looking, making unemployment rate appear lower).

Prescriptive Use: Reducing unemployment is a major policy goal. The U.S. government's **Employment Act of 1946** explicitly made it a federal responsibility to strive for "maximum employment," leading to the creation of the Council of Economic Advisers. Policymakers use **fiscal stimulus** (public works, subsidies, etc.) and **monetary easing** to boost hiring when unemployment is high. The Federal Reserve's dual mandate includes both price stability and maximum employment – meaning the Fed will accept some inflation risk if unemployment is very high, and vice versa. In practice, the Fed estimates the "natural" rate of unemployment and tries to nudge the economy toward it. Unemployment data also guide training programs, adjustment assistance, and emergency aid (like extended unemployment insurance).

Limitations in a Post-Labor Context: The very concept of "unemployment" could become problematic when labor is largely optional or obsolete. In a scenario where AI and robots perform most work, **a large portion of adults might not be formally employed** – but this may not mean distress if they have alternative income. A post-labor economy might have a permanently low labor force participation rate and a high share of people who are "non-employed" by choice (or by structure) because society's production doesn't require their labor. In such a case, the traditional unemployment rate (which only counts those actively job-hunting) might drop to near-zero, yet that wouldn't reflect true well-being or engagement. In fact, before reaching that end-state, there could be periods of **technological unemployment**: AI displaces workers faster than new roles emerge. During those transitions, unemployment could spike and stay high, but it would no longer be as meaningful an indicator if jobs are simply disappearing permanently rather than cyclically. Policies aimed solely at "job creation" could be futile or counterproductive when the economy fundamentally doesn't need as much human labor. Thus, in a post-labor world, *employment* may cease to be the main channel for income – **unemployment figures would lose relevance as a measure of welfare** (since one could be unemployed yet have a comfortable income via capital dividends or a social wealth fund). This underscores the need for metrics like ICIR and EAI that focus on income and ownership distribution. That said, during the transition period, managing unemployment and providing retraining or income support to displaced workers remains crucial. Eventually, **economic agency** (the ability to participate in economic life through ownership or entrepreneurship) becomes more important than the conventional job-holding status, which is exactly what ICIR and EAI aim to capture.

Economic Agency Index (EAI)

What it Measures: The Economic Agency Index is a recently proposed metric focused on **household income composition and economic empowerment**. As described by its proponent (economist David Shapiro), **EAI = Property Share + (β × Wages) – Transfers**. In other words, it combines the share of income a household (or region) derives from **property (capital)** and a weighted portion of wage income, while subtracting reliance on government transfers. The rationale is to measure how self-sufficient and *asset-powered* households are. Property income (like dividends or business profits) is given full weight, because it indicates ownership of productive assets. Wage income is weighted by a factor β ($0 < \beta < 1$ presumably) to reflect that wages are less sustainable in a post-labor context. Reliance on transfers (like welfare or unemployment benefits) is treated negatively, as it implies less independent agency. The exact scaling of β

is chosen such that increasing asset income boosts EAI, whereas heavy dependence on wages or subsidies lowers it (signaling vulnerability if jobs vanish or if transfers are cut).

Descriptive Properties: EAI shines light on **the structure of household income and economic resilience**. A high EAI means households get much of their income from assets they own (rental properties, stocks, intellectual property, etc.), and relatively less from wages or government assistance. This indicates high economic agency – these households can maintain purchasing power even if jobs disappear, because their assets generate income. A low EAI means households live mostly paycheck-to-paycheck or depend on safety nets, with little asset income – a sign of vulnerability in a post-labor scenario. EAI thus descriptively reveals "who owns the economy." It also correlates with inequality: wealthy households have high EAI (lots of property income), whereas poor ones have low or even negative (if largely on public assistance). Unlike a simple wealth metric, EAI focuses on income flows, making it actionable for short-term policy (you can't change wealth overnight, but you can influence income sources through policy).

Prescriptive Use: The EAI is intended to guide *structural policy*. For instance, a region with a persistently low EAI might prompt policies to encourage **asset-building** – e.g., support for first-time homebuyers, employee stock ownership plans, or local investment trusts. It can also inform tax policy: high transfers and low property share might signal the need for policies that promote private investment or broad-based stock ownership rather than just increasing social transfers. Policymakers could set targets to raise EAI over time by shifting the national income mix. In Shapiro's vision, success would mean moving from today's ~60% wages, 20% capital, 20% transfers income mix to a future where only ~20% comes from residual wages, 60% from broadly owned capital, and 20% from transfers. EAI can be computed for different demographics or geographies, highlighting where interventions are needed ("economic agency deserts"). It's somewhat prescriptive in that it identifies **quality of income**, not just quantity: an increase in EAI suggests progress toward a more self-reliant, post-labor-ready population.

Limitations in a Post-Labor Context: EAI is specifically crafted for the post-labor context, so it directly addresses many limitations of traditional metrics. However, it has its own caveats. One issue is the choice of β (the weight on wage income) and the treatment of transfers – these involve normative judgments. If β is too low, EAI might undervalue even well-paying jobs; if too high, it might not differentiate enough between wage and capital income. Also, **transfers being negative** in the formula assumes that reliance on government support is always a sign of weakness. In a post-labor society, some forms of transfers (like a universal basic income) might be seen as a societal dividend rather than a crutch; EAI would count those negatively unless redefined. Another limitation is data – computing EAI for households or counties requires detailed data on income sources, which are available (e.g., through the American Community Survey or IRS data) but add complexity. Finally, EAI does not directly measure wealth or inequality; two communities might have similar EAI but one could be uniformly middle-class while another is highly unequal (some rich, some poor). Thus, EAI should be used alongside inequality indices (Gini coefficients, etc.) for a full picture. Nonetheless, EAI's focus on **ownership-based income** is a powerful complement to ICIR. In fact, ICIR and EAI are related: ICIR is like a macro-level measure of the economy's tilt toward inclusive capital income, whereas EAI is a micro-level or meso-level measure of how individual households or regions are positioned in that regard. Both metrics shift the conversation from "do people have jobs?" to **"do people have access to the fruits of capital?"**, which is crucial in a world where capital (machines, AI) does the lion's share of work.

Historical Analysis: Simulating ICIR and Trends vs GDP, Inflation, Unemployment

Although ICIR is a new construct, we can approximate how it might have behaved in past decades by looking at known trends in income distribution between labor and capital, and then compare these to the trajectories of GDP, inflation, and unemployment over the same period. This retrospective view helps illustrate what ICIR adds to our understanding and how policy might have differed if ICIR had been a target.

Post-War to Late 20th Century: For much of the mid-20th century (1940s–1960s), the U.S. experienced the "Golden Age" of broadly shared growth. Labor's share of national income was relatively stable (around 60–65%) and even considered an economic "law". By implication, capital's share (and thus a crude ICIR, if we consider most capital income then came via corporate profits and property, which were more concentrated) was around 35–40%. Because many Americans in mid-century gained access to capital indirectly (through pensions, housing, etc.), one could argue there was a modest level of inclusive capital income – for instance, middle-class households earned interest on savings accounts and some had stock dividends. But **ICIR remained fairly low**, since wages dominated household incomes and truly inclusive capital mechanisms (like sovereign wealth funds or widespread employee ownership) were limited. If we simulate ICIR as "household capital income share," it likely hovered in the 0.1–0.2 (10–20%) range nationally during this period. Meanwhile, GDP grew robustly (the economy expanded rapidly in the 1950s–60s), inflation was generally low except for war-related spikes, and unemployment was often below 5%. Those traditional metrics all painted a rosy picture, and indeed median incomes rose in tandem. The low ICIR did not ring alarm bells at the time, because the labor-centric distribution model was still working – high employment and rising wages meant prosperity was spreading through jobs.

1980s–2000s: Starting in the 1970s and especially through the 1980s-90s, a divergence emerged. **Labor's share of output began to decline** after decades of stability. In the U.S., the nonfarm business labor share fell from the mid-60% range toward the mid-50% range by the early 2000s. BLS data show it dipped below 60% around 2005 and hit a low of ~56.0% in 2011. Correspondingly, capital's share (profits, interest, etc.) rose to around 44% by 2011 – a significant increase. However, this **surge in capital income mostly accrued to a thin slice of the population**, not broadly. For example, the top 1%'s share of national income roughly doubled from under 10% in the late 1970s to about 20% by 2007, driven largely by investment income and executive pay. The bottom 90% saw little gain in capital income; as a Berkeley study noted, about 90% of bottom-90% households' income was still labor earnings, not capital, even into the 2010s. Therefore, **if ICIR had been measured historically, it might show a slight uptick in the 1980s-2000s in raw terms (capital's share rising)**, but an *inclusive* capital income ratio (capital income going to the broad population) likely stagnated or even declined as wealth concentrated.

It's instructive to consider specific numbers: Suppose in 1980, labor share was ~63% and capital share ~37%. By 2010, labor share ~57%, capital share ~43%. But if in 1980 perhaps 15 of the 37 points of capital share were somewhat widely held (through pensions, home rental income, etc.), and by 2010 maybe 15–20 of the 43 points were widely held, ICIR might have risen modestly. However, growing inequality suggests that most of the capital share increase went to the top. In fact, **median wealth** stagnated while mean wealth grew – indicating inclusive capital accumulation faltered. This is precisely the period when GDP and productivity continued to grow (often strong in the 1990s), *inflation* was tamed (sub-3% in late 1990s), *unemployment* dipped to low levels (4% in 2000, 4–5% mid-2000s). By traditional metrics, the economy was healthy (the 1990s are remembered as a boom with low inflation and low unemployment). Yet, had ICIR

been tracked, policymakers might have noticed a worrying long-term trend: **output gains were not translating into broader capital income for most households**. They might have seen the decline of labor share and asked how to boost inclusive capital share to compensate. Instead, the period saw rising inequality, which contributed to financial imbalances (e.g., debt-fueled consumption, as wage growth lagged output).

Great Recession and 2010s: The 2008 financial crisis and its aftermath provide a poignant example. GDP plunged in 2008–09, unemployment spiked to 10%, and extraordinary policies were implemented to restore growth and stabilize prices. When recovery came, GDP eventually reached new highs and unemployment fell to ~3.5% by 2019 – a historically strong labor market by standard measures. Inflation remained subdued around 2% or less through the 2010s. However, median wealth and income took years to recover, and many households saw scant improvement. The stock market, on the other hand, boomed after 2009, and corporate profits surged. This implies capital's share in national income bounced back strongly, but ownership of that capital was concentrated. A hypothetical ICIR plot through the 2010s might show capital income (inclusive) slowly rising as some households rebuilt wealth (e.g., housing prices recovered, benefiting middle-class homeowners). Yet, **the gains were uneven** – younger and non-asset-owning cohorts fell behind. In essence, the 2010s demonstrated how one could have low unemployment and decent GDP growth *while the distribution of capital income remained skewed*. It wasn't until late in the decade that wage pressures modestly increased, slightly lifting labor share from its trough. But **ICIR likely did not markedly improve** – if anything, wealth inequality hit new highs by 2019, suggesting that inclusive capital income did not broaden much.

To summarize historically: **GDP** rose about 8-fold (in real terms) from 1950 to 2020, **inflation** was wrestled down from the double-digits of 1970s to low single digits, **unemployment** oscillated with cycles but was relatively low at peaks of recent expansions. Yet the **labor/capital distribution shifted against labor**. If ICIR had been targeted, policy might have responded to the declining labor share earlier – for example, through policies to increase broad capital ownership as labor incomes stagnated. Instead, conventional policy largely celebrated strong GDP growth and low inflation (the "Great Moderation" of 1980s-2000s) while missing the brewing storm of inequality and insecure economic agency.

Simulated ICIR Intervention: One might ask, how could ICIR have changed had different policies been in place? Imagine if from 1980 onward, the U.S. had systematically expanded capital ownership (say via employee stock ownership, public wealth funds, or more aggressive profit-sharing). The ICIR (inclusive) would have risen as more of national income flowed to households as dividends or similar. Perhaps by 2020, instead of ~20% of personal income coming from broadly-held capital, it could have been 30–40%. This could have offset the falling wage share, maintaining overall household income and demand. Historical simulations by futurists suggest that a **post-labor economy could function with only 10–20% of income from labor, 60–80% from capital, and the rest from transfers**, **but only if that capital income is widely distributed**. In contrast, an economy that drifts to 60% capital share while 90% of that capital income goes to a tiny elite would collapse in demand – a scenario akin to a "techno-feudal dystopia".

Thus, historical data underline ICIR's significance: *Had we monitored ICIR, we might have proactively addressed the great decoupling between productivity and median income.* We can also see that ICIR would have been **counter-cyclical** in some cases – e.g., in recessions, profits (capital income) fall faster than wages sometimes, so ICIR might dip, whereas in recoveries profits surge (ICIR rises) often before wages do. This volatility could inform stabilizers (perhaps boosting public dividends during recessions to stabilize ICIR).

In summary, comparing ICIR's hypothetical path to GDP, inflation, and unemployment over decades reveals that **traditional metrics can look good even as the foundation of broad prosperity erodes**. ICIR would have provided an early warning of this erosion by highlighting the shrinking share of income from inclusive capital sources. It complements historical inflection points: e.g., in the **Volcker era** the focus was on crushing inflation at all costs – and indeed by 1983 inflation fell below 3% from nearly 15% in 1980 – but that policy also contributed to a shift in income distribution (high interest rates benefited creditors and hurt labor in some industries). An ICIR perspective might have tempered purely monetarist approaches with measures to prevent capital income gains from accumulating only at the top. Likewise, during the **Phillips Curve era**, policymakers tolerated higher inflation for lower unemployment in the 1960s, until the 1970s stagflation broke the trade-off. Through that lens, they were balancing two metrics (inflation vs. unemployment). In the future, policymakers may need to balance ICIR against GDP growth or inflation, e.g., "how much broad capital income are we gaining relative to output growth, and is it worth a certain inflation risk to achieve inclusion?" These are new kinds of trade-offs that historical data hint at.

ICIR in Historical Context: Paradigm Shifts in Economic Measurement

The introduction of ICIR can be seen as part of a lineage of **major inflection points in economic measurement and policy framework**. At various times, economies have had to invent new metrics to confront new realities – and those metrics, in turn, shaped policy regimes for decades. Here we compare the conceptual innovation of ICIR to a few historical milestones: the creation of GDP in the 1930s, the use of the Phillips Curve in mid-20th century, and the adoption of inflation targeting under Paul Volcker and beyond. Each of these was a response to specific challenges, just as ICIR is a response to the emerging post-labor challenge.

Creation of GDP (1930s-1940s): Before the Great Depression, there was no unified measure of national economic output. The economic collapse of 1929 left policymakers essentially "flying blind" about the economy's overall size and rate of decline. Simon Kuznets and colleagues developed Gross National Product and then Gross Domestic Product to fill this gap. The invention of GDP was revolutionary: it **summarized an entire economy's production in one number**. This allowed governments to quantify the depth of the Depression and later to plan wartime production and postwar growth. However, Kuznets himself cautioned that GDP should not be mistaken for a measure of national welfare [2]. His warning was largely ignored as GDP growth became the lodestar of economic policy in the postwar era. The conceptual leap here was measuring *aggregate output*, enabling Keynesian demand management. ICIR is analogous in being a new aggregate measure, but focused on *distribution of income from capital*. Just as GDP answered "how much are we producing?" ICIR answers "who is benefitting from what is produced, in terms of capital ownership?" The need for ICIR arises because high GDP no longer guarantees mass prosperity if the link between production and livelihoods (via jobs) weakens. In that sense, ICIR's introduction could mark a shift as profound as Kuznets' GDP: a recognition that **quality of growth (inclusive vs. exclusive) matters, not just quantity of growth**. We might recall Kuznets' "curse" – the uncritical use of GDP coinciding with rising inequality and environmental neglect – and see ICIR as part of the remedy to refocus policy on inclusion rather than raw output.

Phillips Curve Era (1950s-1970s): A.W. Phillips' discovery in 1958 of an inverse relationship between unemployment and wage inflation in UK data led economists to adopt the **Phillips Curve** as a policy menu: lower unemployment could be "bought" at the cost of higher inflation, and vice versa. In the 1960s, this

guided policies of fine-tuning – for example, the Kennedy and Johnson administrations pumped fiscal stimulus to push unemployment down, accepting some inflation. This worked for a time, but by the 1970s the Phillips Curve trade-off broke down. The U.S. experienced **stagflation** – high unemployment and high inflation together (e.g., 1979 saw ~6% unemployment with ~11% inflation). The Phillips Curve's promise of a stable trade-off proved illusory; as one account put it, it "lost its luster as both inflation and unemployment soared" in the 1970s. This was a paradigm shift: economists realized you cannot permanently trade inflation for jobs due to expectations (as Friedman and Phelps explained). The policy framework pivoted in the 1980s to prioritizing inflation control and letting the natural rate of unemployment prevail.

From ICIR's perspective, what's analogous is that **new trade-offs may emerge**. Instead of inflation vs. unemployment, future policymakers might face a trade-off between **encouraging broad capital ownership vs. short-term efficiency or output**. For instance, policies that broaden capital access (like heavier taxation of profits to fund citizen dividends, or constraints on capital concentration) might in some cases marginally slow GDP growth or alter investment incentives. Balancing an ICIR target with GDP could be the 21st century's version of balancing unemployment with inflation. The Phillips Curve episode teaches us that **focusing on a narrow trade-off without understanding deeper dynamics can backfire**. Similarly, if we target ICIR without understanding productivity implications or global competitiveness, there could be unintended consequences. However, unlike the spurious Phillips trade-off, the tension between inclusion and raw growth may be more structural (e.g., unfettered markets might maximize output but concentrate wealth, whereas inclusive policies might sacrifice a bit of output for stability and equity). A successful post-labor policy regime will have to find a new equilibrium, just as the Volcker era found a new anchor in low inflation.

Volcker Era and Inflation Targeting (1980s-2000s): In October 1979, Fed Chairman Paul Volcker dramatically changed monetary policy to combat runaway inflation. He set strict targets for money supply growth and let interest rates skyrocket (the federal funds rate hit 20% in 1981). The result was a severe recession (unemployment exceeded 10% in 1982), but inflation was crushed from ~14% in 1980 to ~3% by 1983. This "Volcker shock" established **price stability** as the paramount goal of central banks. Over the following decades, inflation targeting (explicit or implicit) became the norm globally – central banks would adjust policy to keep inflation low and stable, believing that was the key to long-term growth. Indeed, the period from the 1980s to 2007 saw generally low inflation and relatively infrequent recessions (the "Great Moderation"). The Volcker paradigm shift was about **credibly committing to a nominal anchor** (prices) and signaled that **some objectives (full employment) might be subordinated, at least temporarily, to achieve the primary goal** of stable money.

In context, adopting ICIR as a central metric could herald a similarly dramatic reorientation: placing **income distribution (particularly capital income distribution)** at the heart of policy in a way it hasn't been since perhaps the New Deal. It's almost a mirror image of Volcker's focus – instead of a nominal anchor, it's a **distributional anchor**. One could imagine a future Fed or a new agency with a mandate to keep ICIR within a desired range (analogous to 2% inflation). The justification would be that an economy cannot be stable or healthy if too little income reaches the broad public through capital ownership – much like Volcker argued the economy can't function with unstable prices. In practice, of course, the tools differ: you can't adjust a single lever like interest rates to fix ICIR. It would require fiscal tools, regulatory measures, and coordination (more on that in governance). But conceptually, it's a bold shift: recognizing that **concentrated capital income is as big a threat to economic stability in the post-labor era as high inflation was in the 1970s**.

Historically, when GDP was invented, or when the Phillips Curve was used, or when inflation targeting was adopted, each new metric addressed a blind spot or a burning problem of the time (be it depression, stagflation, or hyperinflation). Today, the analogous problems are **inequality, eroding labor share, and the prospect of technological unemployment**. ICIR directly addresses those by focusing on how capital wealth can inclusively replace labor income. In historical perspective, ICIR might be seen as underpinning a new social contract: just as postwar policy aimed for full employment (jobs for all willing to work), post-labor policy might aim for **full capital inclusion (assets for all to generate income)**.

In sum, like past paradigm shifts – GDP guiding Keynesian policies, the Phillips Curve guiding 60s fine-tuning, or inflation targeting guiding modern central banking – ICIR could guide the *Post-Labor Economics* era. It represents a measurement innovation analogous to those earlier ones, with the potential to redefine success: away from just growth or price stability, toward **broadly shared prosperity in an era when the link between work and income is fundamentally changing**.

Policy Instruments to Influence ICIR

Achieving a high and healthy ICIR (i.e., a high share of income coming from **inclusive** capital sources) will likely require a toolkit of innovative policy instruments. Unlike, say, controlling inflation (which largely falls to central bank interest rate policy), raising ICIR calls for **structural, fiscal, and regulatory measures** that broaden capital ownership and distribution of asset income. Below we outline major categories of policy tools and how they can influence ICIR, from tax and corporate governance reforms to new mechanisms tailored for an AI-driven economy:

- **Progressive Tax Design for Capital**: Tax policy can directly shape how capital income is distributed and incentivize inclusion. For instance, **tax-favored broad ownership** schemes could be implemented: give tax breaks or credits to companies that allocate shares to employees or to community funds. Conversely, increase taxes on forms of capital income that are highly concentrated (e.g. surtaxes on excessive dividends to top shareholders or on share buybacks that mainly enrich insiders) and use the revenue to fund citizen dividends. Designing the capital gains tax and estate tax to break up dynastic wealth is another lever – e.g., higher estate taxes can fund trust funds for all newborns (a form of *universal capital endowment*). Some have proposed treating data as labor or capital and taxing companies that exploit consumer data, then redistributing that as a data dividend, which would effectively raise ICIR by adding a new inclusive capital income stream [3]. In short, tax policy can move the distribution of capital income by both **"predistribution" (ensuring capital is broadly owned)** and **redistribution** (sharing proceeds after the fact). The IMF and OECD have discussed aligning tax policy with inclusive growth, noting that taxing capital and high incomes more can fund investments in broad well-being. For ICIR specifically, a tax regimen that, for example, channels a fraction of corporate profits into a sovereign wealth fund or into workers' retirement accounts will directly boost inclusive capital income.

- **Corporate Governance Reforms**: The rules by which corporations operate can be tuned to spread capital income. One approach is **mandating profit-sharing or ownership-sharing**. For example, policies could require that, say, 10% of corporate shares be contributed to an employee ownership trust or a national fund over time (a concept akin to Sweden's short-lived "wage-earner funds" idea or more modern proposals for inclusive ownership funds). By gradually socializing a portion of corporate equity (without necessarily affecting day-to-day management), workers and citizens become stakeholders who receive dividends. This directly raises ICIR because more people receive

capital income. **Employee Stock Ownership Plans (ESOPs)** and cooperatives are existing models: over 14 million U.S. workers are in ESOPs, and these plans have shown how worker-owners can build wealth. Facilitating more ESOP formation (via tax incentives, technical assistance) would grow inclusive capital. Additionally, strengthening worker representation (e.g., workers on boards as in German codetermination) can lead to decisions that favor reinvesting in workers and shared prosperity. Corporate law could also encourage **"inclusive dividends"** – for instance, giving companies tax deductions for paying out broad-based dividends to all employees or even to all citizens (imagine a future in which companies contribute to a public dividend pool in exchange for operating privileges or subsidies). These governance shifts align corporate success with population success, raising ICIR over time.

- **Sovereign Wealth and Public Ownership Mechanisms**: Governments can take an ownership stake in the economy on behalf of citizens – this is one of the most direct ways to boost ICIR. The examples of **Norway's Oil Fund** and **Alaska's Permanent Fund** are instructive. Norway taxes oil profits at 78% and has funneled the surplus into a $1+ trillion sovereign fund that owns diversified global assets, generating income for the public. Alaska invests a portion of oil revenues and pays every resident an annual dividend (recently around $1,000–$1,700), a tangible, inclusive capital income. These models could be extended: for instance, a **National AI Fund** that invests in AI and tech companies, with profits used to pay an "AI dividend" to all citizens. The UK's Day One Project has proposed AI bonds that would fund AI development and yield a dividend for citizens. In the U.S., one could envision creating a **American Sovereign Wealth Fund** seeded by a mix of sources: a small equity share of all publicly listed companies (e.g., via a fractional transaction tax paid in shares), revenue from intellectual property or spectrum auctions, carbon taxes, or a financial wealth tax. Over time, such a fund would grow and disburse dividends to Americans, raising ICIR significantly. Another mechanism is giving the public an equity stake in companies that heavily leverage public-funded research. The Noema article notes that many AI firms build on NSF and DARPA research; requiring them to **grant equity to the public** (as a condition of using that intellectual foundation) could feed into a public wealth fund [3]. **"Social wealth funds"**, championed by some economists, operate on this principle and could be managed at federal or even state/local levels. Sovereign equity mechanisms ensure that as capital grows, a share of it is automatically inclusive.

- **AI and Automation Royalties**: As AI and robots become the new workforce, it's conceivable to treat them analogously to natural resources that pay royalties. For example, a policy might institute an **"Automation Dividend"**: companies that deploy AI at scale could pay a fee per robot or per AI system that replaces a certain number of jobs, into a fund that pays out to the general population (or finances re-training). This is conceptually similar to how oil companies pay royalties for drilling on public land. The idea is that AI (often built on public data and publicly funded science) is a form of collective capital, and its profits should be partly socialized. Another approach is a **data dividend** – since AI is fueled by data (much of it generated by people), some have argued each person should get a micro-payment for their data contributions. If implemented (even indirectly via an AI value-added tax), this could provide a broad stream of capital-like income (because it's derived from the returns to data capital). Furthermore, proposals like Sam Altman's **Worldcoin** or others envisage leveraging AI productivity to fund a basic income or dividend for all. While some of these remain speculative, they represent attempts to directly link AI-driven productivity to inclusive payouts, thus bolstering ICIR. Morgan Stanley and others have noted that monetizing AI is a race, and policy can determine whether that monetization flows only to shareholders or also to citizens.

- **Community and Municipal Ownership Models**: Decentralized approaches can also raise ICIR from the ground up. **Community wealth funds** at the city or county level allow local residents to collectively own assets. For example, some cities might establish a fund that owns stakes in local real estate developments, renewable energy installations, or businesses, with dividends paid to residents. This keeps capital income local and inclusive. The **concept of "resident-owned communities"** (in housing, mobile home parks, etc.) and **public utilities** (like municipally owned broadband or energy that returns profits to the public) also fit here. The Post-Labor Economics research highlights "community wealth funds" as a way to ensure automation benefits the community where it occurs. For instance, if a city introduces autonomous buses, the city could hold equity in the service and use dividends to fund a universal transit stipend for residents – turning a technological efficiency gain into a citizen income. **Cooperatives and credit unions** are another piece: profits from co-op enterprises (whether a worker co-op bakery or a platform cooperative like a ride-share owned by drivers) are distributed among members, thus spreading capital income to many. Scaling up the cooperative sector (through supportive legislation, financing, and incubators) would directly increase inclusive capital incomes at the grassroots. While these local efforts individually are small, cumulatively they foster a culture of distributed ownership that boosts ICIR and builds support for larger-scale policies.

- **Universal Basic Income (UBI) and Variants**: Although a UBI is typically funded by taxes and considered a transfer, in a post-labor framing it can be seen as an **income floor that enables capital accumulation**. Alone, a UBI doesn't increase ICIR (since by the strict definition it's not capital income but a transfer, thus might actually lower EAI scores). However, if a UBI is funded by returns on a public investment fund (like Alaska's dividend essentially is a small UBI funded by oil investments), then it becomes a form of **universal capital income**. Such a "Universal Basic Dividend" would squarely count toward ICIR. Even a tax-funded UBI can indirectly raise ICIR if recipients use some of their basic income to acquire assets (e.g., invest in stocks, start enterprises, or obtain education – converting cash into human or financial capital). Some have suggested UBI could be complemented with "Baby Bonds" or a one-time capital grant to citizens at maturity – this builds an asset base which then yields income (a clear ICIR booster) [4]. In practice, **UBC (Universal Basic Capital)** or "stakeholder grants" could accompany or replace UBI: e.g., each citizen at 18 receives an endowment invested in a diversified portfolio, which they can draw returns from (but maybe not liquidate fully until retirement). This directly creates a generation of capital owners. Over time, as these funds compound, the inclusive capital income (from interest/dividends on these personal accounts) would become a significant share of total income – raising ICIR. Political support for UBI-like policies is growing, and if channeled through a capital lens, they could form a pillar of ICIR strategy.

- **Regulation to Curb Concentration and "Rent-Seeking"**: Policies that **prevent excessive concentration of capital income** also indirectly support ICIR. For example, strong antitrust enforcement in the AI era is essential. If one or two tech giants control all AI and reap gigantic monopoly profits, inclusive capital income suffers (as those profits go to few shareholders). Breaking up monopolies or regulating them can diffuse economic rents and create more competitive markets where wealth is spread among more firms and owners. Additionally, regulating Wall Street to favor long-term broad growth over short-term extractive gains (e.g., discouraging high-frequency trading that doesn't benefit ordinary investors, or implementing financial transaction taxes that both curb speculation and raise revenue for public dividends) can ensure that capital markets serve a broad base. **Intellectual property reform** can also play a role: overly long or strong patents concentrate profits, whereas open-source or prize-based innovation models could spread value. Even labor laws

like supporting labor unions in obtaining ownership stakes during negotiations (some unions push for stock in lieu of wage increases, making workers shareholders) can tilt toward inclusion. In essence, a regulatory environment that **minimizes rent extraction by a narrow few** – whether it's land rents, monopoly rents, or regulatory capture – will help channel more income to either consumers (lower prices) or a broader set of producers, both of which support inclusion. This may not show up as "capital income" per se (if prices are lower, that benefits consumers not as income but as savings), but it prevents wealth siphoning that undercuts broad prosperity. For ICIR, it sets the stage such that when new wealth is created (by innovation or growth), it's not immediately locked up by incumbents.

From tax levers to innovative ownership models, these instruments demonstrate that **raising ICIR is a multi-faceted endeavor**. It requires a shift from seeing economic policy as just managing demand (Keynesian) or just creating the right market conditions (neoliberal), toward **actively engineering a more participatory capital economy**. Many of the tools above were fringe ideas until recently, but they are gaining traction. For example, multiple U.S. cities are exploring baby bond programs; the idea of a **federal wealth fund** was floated by economists in the context of paying for Social Security or reducing inequality; and big thinkers like Joseph Stiglitz and Ray Dalio have discussed the need for universal capital ownership solutions [4]. In the context of Post-Labor Economics, these policies are not just social programs – they are the mechanisms to ensure that when robots and AI generate wealth, *everyone has a claim on that wealth*. Each tool, in different ways, attempts to **"cut in" the public on the returns to capital, thereby directly boosting the Inclusive Capital Income Ratio**.

It's worth noting the synergy among tools: for instance, implementing a sovereign wealth fund that pays UBI could combine three items on the list (public ownership + AI royalties + UBI funding). Or a corporate rule for profit-sharing could be complemented by tax incentives to reinforce it. Ideally, a comprehensive strategy would use many of these in concert. By doing so, policy can gradually tilt the structure of the economy from one where, say, 80% of capital income goes to 10% of the people, to one where a much larger portion flows to the majority.

Governance Considerations for ICIR Targeting

If ICIR is to become a central economic metric guiding policy, thoughtful **governance and institutional design** will be needed. This entails determining who sets ICIR targets, how progress is monitored, and how ICIR goals integrate with existing economic policy institutions (like the Federal Reserve, BEA, Treasury, etc.). The challenge is somewhat unprecedented: rather than a single agency tweaking one instrument, raising ICIR requires coordination across fiscal, monetary, and regulatory domains. Below, we discuss possible governance frameworks:

Institutional Leadership and Target-Setting: A first question is: *Should there be an explicit ICIR target (analogous to a 2% inflation target or a 4% unemployment goal)?* And if so, who sets it? One approach is for the elected branches (Congress or the President) to set a long-run ICIR target through legislation or an executive economic strategy. For instance, Congress could declare that by 2035 the Inclusive Capital Income Ratio should reach, say, 0.50 (meaning 50% of national income coming as broadly shared capital income), from an estimated 0.20 today. This would echo how the **Employment Act of 1946** declared it a national priority to maintain full employment. That Act created the **Council of Economic Advisers (CEA)** to advise the President and report on progress. Similarly, one could imagine a new **"Inclusive Prosperity Act"** that establishes a national ICIR target and perhaps creates a dedicated council or agency to oversee it. This

agency – call it the **Capital Inclusion Council** – could be analogous to the CEA but focused on policies affecting wealth distribution and capital income. It might include representatives from Treasury, the Fed, Labor, and Commerce, reflecting the cross-cutting nature of the issue.

Alternatively, the mandate could be given to an existing body, such as expanding the Federal Reserve's mandate. The Fed today has a dual mandate: stable prices and maximum employment. Could one envision a *triple mandate*: adding **"inclusive prosperity"** or explicitly an ICIR target? This is provocative – traditionally, central banks shy away from distributional goals. However, the Fed has started paying more attention to distribution; for example, the Fed now publishes data on the distribution of wealth and periodically acknowledges inequality as a risk to economic stability. In a speech, a Fed official could conceivably cite ICIR the way they now cite core PCE inflation or the unemployment rate. The Fed's tools (interest rates, asset purchases) could indirectly influence ICIR (e.g., asset purchases could be designed to support a public fund, or low rates make it easier for broad public to borrow and invest), but fundamentally fiscal tools are more direct. Therefore, a more practical route is that **Treasury and Congress take the lead** on ICIR, with the Fed in a consultative or supportive role. For example, Treasury could issue **regular ICIR bonds** (like the AI bond idea) and manage a sovereign fund – a function outside the Fed's scope.

Data and Monitoring (Role of BEA/BLS): A critical governance aspect is measurement. The **Bureau of Economic Analysis (BEA)** might be tasked with officially computing and publishing ICIR, much as it does GDP and national income, and the **Bureau of Labor Statistics (BLS)** could support with data on distribution and labor shares. BEA has some experience in distributional accounts – it has worked on measures of how GDP growth is experienced across income groups. One can foresee BEA, possibly in collaboration with the Fed's data (Distributional Financial Accounts), releasing an **"Inclusive Income Report"** each quarter. This report could include the ICIR, the labor share, the share of capital income going to various quintiles, etc. By institutionalizing the reporting (maybe as part of the *National Income and Product Accounts* supplements), ICIR gains legitimacy and regular scrutiny. The frequency might be quarterly for headline ICIR, with an annual detailed report (since some data on distribution come annually). A **target range** for ICIR could be set (e.g., "achieve ICIR of 50–60% by 2040"). Each year, the CEA (or a new council) can report to Congress and the President on whether we are on track, what factors moved ICIR (did inclusive capital income rise because of policy X or fall because of Y?), and recommend adjustments. This parallels how the CEA reports on GDP growth and employment in the *Economic Report of the President*.

Integration with Budget and Monetary Policy: If ICIR is a national priority, it should be integrated into key decision-making processes. For the **federal budget**, this means scoring and evaluating policies by their impact on ICIR. The Congressional Budget Office (CBO) could be directed to include an "ICIR impact" section in cost estimates of major legislation. For example, if a bill proposes a big expansion of tax-advantaged savings accounts for low-income Americans, CBO would estimate how much that might increase inclusive capital income over time. Similarly, the Office of Management and Budget (OMB) could project ICIR under the President's budget proposals versus alternatives. This makes ICIR a criterion in policy debates, much like "how does it affect the deficit or GDP growth?" is asked today.

As for **monetary policy**, while the Fed's primary tools won't directly set ICIR, it can contribute in a few ways. The Fed's communications (like the Chair's press conferences or Jackson Hole speeches) could start acknowledging distribution: for instance, noting if policies are fueling asset prices that benefit mainly the wealthy, or highlighting that broad-based income growth (ICIR rising) is supporting demand. The Fed could also undertake unconventional policies that intersect with distribution – for example, some have floated the idea of the Fed (or another public entity) buying corporate equities or other assets and holding them on

behalf of the public (a radical idea, essentially sovereign wealth via central bank). This was not done historically due to fear of "socializing" the economy, but in a post-labor world it might gain traction as a stabilization tool (ensuring people have income when employment is not providing it). Even short of that, the Fed's regulatory role in banking could encourage financial institutions to offer inclusive investment products, or it could support community development financial institutions that help spread capital ownership. While these are peripheral to core monetary policy, they show integration is possible.

Role of Treasury and Other Agencies: The Treasury Department would likely be the executive branch lead in implementing many ICIR-related programs. For instance, setting up a national fund or managing public investments falls under Treasury's purview. Treasury also oversees the IRS, so tax reforms for inclusion are in its domain. We might see the Treasury Secretary co-chair, along with the Fed Chair, a working group on **"Future of Income Distribution"** that aligns fiscal and monetary actions. The Department of Labor (ironic in a post-labor framing, but still relevant) could shift focus toward supporting worker cooperatives and retraining workers to be entrepreneurs or capital managers rather than traditional jobs. Agencies like the SEC (Securities and Exchange Commission) would play a role by regulating markets to be more accessible (for example, making it easier for people to invest in index funds or for new firms to go public in ways retail investors can participate). The Small Business Administration (SBA) might pivot to help not just small business owners but any group trying to collectively invest or start a cooperative enterprise. Even the Federal Reserve's community development arms could emphasize **"asset-building"** initiatives in low-income communities, as part of their mandate under the Community Reinvestment Act.

Federal vs. State and Local Governance: While national policy sets the tone, state and local governments can also adopt ICIR goals. A state government could establish, say, a target that by 2030, X% of its residents will receive Y dollars of capital income per year through various programs. States like Alaska already effectively do this via the Permanent Fund Dividend. Other states with natural resource revenues (Texas with oil, for example) or large public pension funds could create analogous dividends or citizen investment schemes. Municipal governments might launch "baby bond" programs or partner with community foundations to give every child an investment account, etc. Coordination could be facilitated by a **national framework** – e.g., federal matching funds for states that set up inclusive wealth accounts. Much like federal highway funds or Medicaid encourage states to adopt certain policies, a federal ICIR initiative could provide incentives (perhaps a federal match for state-funded baby bonds or tax credits for cities that establish community investment trusts). Such multi-layered governance ensures buy-in at all levels and experimentation with what works best.

Cadence of Reporting and Accountability: Ideally, ICIR progress would be as routinely discussed as jobs reports or inflation data. We can imagine a future where each quarter when BEA releases the GDP numbers, it also releases ICIR and maybe an "Inclusive Growth Index." If ICIR slips or stalls, that would prompt questions at White House press briefings or in Congressional hearings: "why is inclusive capital income not rising despite growth?" Perhaps the Fed Chair, in semiannual testimony, would be asked not just about inflation and unemployment, but also, "What do you see happening with economic inclusion or the Economic Agency Index?" In fact, recall that bitswithbrains piece recommended integrating EAI into official monitoring, *"replacing or supplementing traditional metrics like unemployment rates and GDP growth"*. This suggests that in governance terms, ICIR/EAI would become part of the dashboard of top-line indicators guiding policy adjustments.

There's also a role for **non-governmental oversight**: think tanks and academic institutions would likely create their own versions or critiques of ICIR, keeping the methodology honest and debating targets

(similar to how NGOs produce alternative inflation indices or green GDP measures). Civil society, including labor unions (reinventing themselves as advocates for worker-capitalists) and new associations of citizen-shareholders, would be stakeholders in maintaining pressure to hit ICIR goals.

In crafting these governance arrangements, a key is **credibility and public support**. Early on, there might be skepticism of ICIR ("is this just a fancy term for redistribution?" or "how do we know what the target should be?"). Thus, transparency in how the metric is calculated and reported is crucial. Possibly an independent statistical commission could vet ICIR calculations (on analogy to how the Bureau of Labor Statistics has committees reviewing CPI methodology). Moreover, public education will be needed so that voters understand ICIR the way many now understand terms like GDP or inflation. Over time, success stories – say, a state that vigorously pursued capital inclusion and saw rising median incomes and community wealth – will build trust that focusing on ICIR yields tangible benefits.

Finally, integration with existing agencies doesn't mean those agencies do more than they should. For example, we wouldn't want the Federal Reserve to start directly managing wealth funds (blurring monetary and fiscal roles too much could be risky). Instead, a pragmatic delineation could be: Congress and Treasury handle the structural programs (with guidance from a dedicated ICIR council), the Fed continues to manage the macro environment (but in a way supportive of inclusive growth), and statistical agencies measure and inform. A parallel can be drawn to climate policy: central banks now acknowledge climate risks but don't set carbon taxes – they coordinate with governments that do. Similarly, the Fed acknowledging inequality or ICIR trends can complement Treasury's heavy lifting on the fiscal side.

In sum, **governance for ICIR would likely be multi-agency and multi-level**. It could involve a bold national commitment (the way Kennedy committed to the moonshot – one might envision a President declaring "within a generation, America will transform into an Inclusive Ownership economy"). Achieving that would require marshalling resources and cooperation akin to wartime mobilization, albeit directed at economic inclusion. The payoff would be a more resilient economy: broad capital ownership can act as an automatic stabilizer, as more people have investment income to cushion shocks. But to get there, the institutions of economic policy must evolve from a focus on managing cyclical fluctuations to managing structural distribution – truly a new frontier in governance.

Potential Weaknesses and Risks of an ICIR-Centric Framework (and Mitigations)

While ICIR is a promising metric for guiding a post-labor economy, relying on it heavily comes with several **risks and potential distortions**. It's important to identify these pitfalls and devise strategies to mitigate them, to ensure that ICIR-driven policy achieves its intended outcomes without unintended harm. Here are some key concerns:

1. Metric Overemphasis and Goodhart's Law: A classic warning in economics is *Goodhart's Law*: "When a measure becomes a target, it ceases to be a good measure." If policymakers rigidly target ICIR, actors might game the system in ways that boost ICIR on paper but undermine the spirit. For example, a government could raise ICIR by *fiat* – say, by decreeing that a large portion of income be labeled as "capital income" (perhaps by converting certain transfers into dividends from a public fund). This might improve the ratio without truly increasing people's economic agency or well-being. Firms might respond to inclusive ownership mandates in superficial ways, e.g., giving employees shares but of a non-voting class or shares

that can't be sold (thus not really empowering them economically). In extreme cases, focusing on ICIR could incentivize reducing other forms of income: for instance, if wage income falls (because jobs vanish) while some capital income is introduced, ICIR might mathematically rise – but obviously that scenario could be worse for people. We must avoid a Pyrrhic victory where the metric looks better even as actual welfare suffers.

Mitigation: To counter gaming, ICIR should be complemented by a **dashboard of metrics**. Authorities should track median income, poverty rates, Gini coefficients, and Economic Agency Index alongside ICIR. This provides checks: if ICIR goes up but median income goes down, that's a red flag. Also, the definition of ICIR should be robust – focusing on genuine, fungible capital income streams to individuals. Setting **minimum standards for what counts as "inclusive capital income"** is key (for example, requiring that it be widely accessible and provides real economic value to recipients). Finally, periodic independent audits of ICIR progress (by academic panels or GAO, etc.) can evaluate whether the gains reflect substantive changes or accounting tricks. In short, keep ICIR as a primary goal but *do not make it the sole measure of success*. This multi-metric approach is analogous to how central banks watch core and headline inflation, unemployment, wage growth, etc., not just a single number.

2. Potential Impact on Efficiency and Growth: Critics might argue that aggressive policies to raise ICIR – like high taxes on capital or mandated ownership sharing – could dampen investment or innovation. For example, if corporations must give up equity or profits, will they invest less? If heavy taxes are imposed on returns to capital, will that scare off entrepreneurs? There's a risk of **short-term trade-off between equity and efficiency**. In the worst case, policies could inadvertently reduce GDP growth or productivity, leading to a smaller economic pie (even if it's more equally shared). A related concern is capital flight: in a globalized world, if the U.S. pushes hard on inclusive wealth (through taxation or regulation), could wealthy individuals or corporations relocate to friendlier jurisdictions, undermining the policy and potentially hurting growth?

Mitigation: There are several counters. First, many ICIR policies are designed to **align incentives rather than punish**. For instance, profit-sharing often increases productivity by motivating workers; employee ownership has been linked to higher company performance and lower turnover. So inclusive policies can create a win-win (the **efficiency-equity synergy**). Empirical evidence shows that moderate levels of redistribution do not harm growth, and can even enhance it by fostering social stability and human capital development. But to be safe, policy design can incorporate *market-based mechanisms*: e.g., instead of expropriating wealth to fund public dividends, use incentives for voluntary broad ownership (like tax breaks for inclusive firms) – this softer approach reduces the shock to the system. To address capital flight, international coordination helps. If major economies all move toward taxing capital more (there have been OECD efforts, for example, on a global minimum corporate tax), it reduces the arbitrage. Additionally, deploying ICIR policies gradually and predictably allows markets to adjust. For example, phasing in an employee ownership requirement over a decade gives firms time to adapt business models. Another mitigation is **exemptions or thresholds**: small businesses or startups could be exempt from some rules to not stifle innovation, focusing policies on mature, large firms that can afford it. Ultimately, demonstrating that a broadly owned economy is a *more resilient* economy will win over skeptics – broad consumer spending power (if ICIR is high) means a more robust demand base, which is good for business. So the mitigation is partly narrative: frame inclusion as pro-growth in the long run (because political stability and a empowered middle class create a better environment for innovation and consumption).

3. Political and Implementation Risks: Policies to raise ICIR involve redistribution of economic power, which will face political resistance. Wealthy interests might lobby heavily against taxes on capital or against

laws mandating sharing ownership. There's risk of **policy capture or watering down** – legislation could be diluted with loopholes (for example, defining "inclusive ownership" in a weak way) due to lobbying. Also, new institutions (like a national fund) might suffer from mismanagement or corruption if not properly governed. If, say, a sovereign wealth fund is seen as a political slush fund or if a citizen dividend program is mis-administered, it could discredit the entire ICIR initiative. In short, execution matters, and so does sustaining political will across administrations. A related risk is that if the economy hits a downturn, opponents might scapegoat ICIR policies ("look, we did all this sharing and now growth slowed – repeal it!"), even if the downturn was unrelated.

Mitigation: Broad coalition-building is crucial. Framing the post-labor transition as inevitable and ICIR as necessary for avoiding social collapse can unite unlikely allies. For instance, tech visionaries who see AI coming might join with labor advocates in support of these reforms (indeed, we see some tech leaders calling for UBI or dividends). Emphasize that ICIR-boosting policies are about *creating owners*, not taking from the rich to give to the poor – this framing (sometimes called "predistribution" rather than redistribution) can attract more political support, as it appeals to values of ownership and self-reliance. To guard against mismanagement: set up new institutions with strong **insulation and transparency**. For example, if a Public Investment Fund is created, structure it like the Federal Reserve or a public trust: independent board, professional managers, clear rules (Norway's fund is a good model in its transparency and ban on politically driven investments). Regular audits and publishing results (Norway publishes every holding of its fund) build trust. As for entrenching policies beyond one administration, making them *popular and tangible* helps – e.g., once people start receiving a dividend, it gains a constituency (Alaska's dividend is popular across political lines, to the point it's often called the "third rail" of Alaskan politics – untouchable). So an early win like a modest citizen dividend or baby bonds program could create beneficiaries who will fight to keep and expand it. International peer learning also helps: if one country implements and shows positive results, others follow, making rollback harder. In essence, **institutionalize success quickly** – get some inclusive capital flowing, show it doesn't crash the economy, rather it uplifts communities, and that narrative will help politically.

4. Measurement Challenges and Perverse Exclusions: Determining what counts as "inclusive capital income" can be tricky. For instance, are pensions (deferred wages, but invested in markets) counted? What about owner-occupied housing (imputed rent could be seen as capital income to oneself)? If measurement is off, policy targeting could be off. We must also be careful that focusing on ICIR doesn't ignore other forms of inclusion. For example, human capital (education/skills) isn't directly captured in ICIR, yet it remains crucial for individuals' adaptability and innovation in society. Over-focusing on financial capital distribution might shortchange investment in education or healthcare. There's also a risk of **distributional nuance**: ICIR might go up if the upper-middle class gains more asset income, even if the bottom 20% remains in hardship. A solely ICIR view might miss pockets of exclusion (say, people with disabilities or others who can't easily engage with the asset-based model).

Mitigation: Keep the concept **"Inclusive"** front and center. Ensure that ICIR measurement disaggregates by population segments. One could track ICIR by quintile – effectively the share of total income that is capital for each quintile – to see if all parts of society are getting more capital income or just the upper half. If, for instance, the top 20% are getting a lot more capital income and that alone raises ICIR while the bottom 20% still rely entirely on transfers, policy needs to adjust (perhaps more robust social dividends targeted to the bottom). In terms of counting, make the metric as comprehensive as possible but transparent: likely include all household asset income (interest, dividends, rents, royalties) and maybe distributed trust or fund payments; exclude pure transfers like means-tested benefits, but possibly include universal transfers if

funded by capital returns (to incentivize that approach). Maintain a **Supplemental metrics**: e.g., an *Economic Participation Index* that might include not just capital income but also metrics of participation like small business ownership rates or cooperative membership numbers. This broader view can catch improvements in empowerment that may not show up as immediate income. Essentially, always interpret ICIR in context – it's part of a story, not the whole story.

5. Macroeconomic and Market Risks: If policies successfully increase inclusive capital flows, one side effect might be changes in savings and investment patterns. For example, if many households receive dividends, they might consume more (which is good for welfare, but if supply is constrained, could it stoke inflation?). Conversely, if corporate profits are being shared out more, will there be enough retained earnings for investment? Could that contribute to slower capital accumulation or innovation? Another risk is asset price distortion: if the government is heavily involved in markets (through a sovereign fund or encouraging everyone to invest in stocks), could that inflate asset bubbles? We saw with housing: efforts to broaden home ownership contributed to a bubble in the 2000s. A similar risk exists if, say, every citizen's fund pours money into the stock market regardless of fundamentals.

Mitigation: Macroeconomic policy should account for these shifts. If inclusive capital income policies are expansionary (boosting consumer demand), the Fed might need to adjust monetary policy to maintain price stability – but that's manageable and is a *problem of success* (more broad income means stronger demand, which policy can fine-tune). To ensure investment isn't starved: policies can incentivize long-term investments explicitly (for instance, a public fund could invest in infrastructure or R&D directly, not just give out cash). Also, companies might find broad ownership increases public support and talent retention, which can spur innovation – so the pessimistic view may not play out. Regarding asset bubbles, the governance of investment matters: public or employee funds should be professionally managed with diversified portfolios to avoid herding into fads. The Alaska Fund, again, is a good example – it's globally diversified to reduce risk of local bubbles. Financial regulators might also need to monitor if new money flows (like universal accounts) are chasing certain assets; macroprudential tools could temper any exuberance. Over time, as the economy adjusts, one would hope production capacity and innovation increase precisely because more people are stakeholders (leading to more political will for pro-growth investments like education, since everyone has skin in the game).

6. Social and Ethical Considerations: Finally, a soft risk: focusing on capital income as the solution might inadvertently send a message that human labor or certain vocations are undervalued. There's a cultural risk that we frame everything in terms of capital returns and people as shareholders, potentially undermining the dignity of labor or volunteerism. Additionally, could an asset-based society become **too individualistic or financialized** in outlook, where civic virtues are secondary to stock portfolios? There is also the ethical question of **intergenerational equity** – if current generations consume the returns and deplete the capital (natural or financial), future ones could suffer.

Mitigation: We should embed ICIR within a **broader vision of human flourishing**. The goal isn't to turn everyone into a rentier, it's to free people from precarity and enable them to pursue meaningful activities (which might be creative, caregiving, civic, etc.). So alongside ICIR targets, society might adopt goals for education, public service, or environmental sustainability. Ensuring that inclusive capital is sustainable – e.g., that a sovereign wealth fund doesn't pay out too much and erode its principal – addresses the intergenerational issue. For example, Norway's fund limits withdrawals to preserve real value. Policies should similarly balance current dividends with saving for the future (especially if AI boosts productivity hugely, we want that bounty to last generations). Culturally, an ICIR-focused policy should be framed as

enhancing freedom and choice – giving people the agency to work less or in different ways without losing livelihood. It should be paired with encouragement (not coercion) for people to engage in their communities, art, science, family – things a post-labor society can prioritize when survival isn't at stake. So long as the narrative stays *people-centric* (not just numbers-centric), ICIR can be championed as a means to a more humane economy, not an end in itself.

In conclusion, while there are valid concerns in making ICIR the star metric, each can be mitigated with careful policy design, complementary measures, and a continuous feedback loop adjusting policy as we learn what works. The experience with other central metrics is instructive: GDP focus led to neglect of inequality and environment – now being corrected by new measures; inflation targeting, while largely positive in taming price instability, sometimes led to neglect of financial stability – now central banks include macroprudential oversight. Similarly, ICIR targeting will need mid-course corrections and supplements. **Vigilance against unintended consequences** is key.

Ultimately, the biggest risk would be *not* adapting our metrics and policies to the new reality – clinging to outdated indicators like unemployment alone in a world where they no longer reflect people's economic fate. The push for ICIR acknowledges that risk and aims to preempt it by redesigning our compass for policy. With prudent navigation, we can avoid the shoals of metric myopia and steer toward an economy that is both highly productive and truly inclusive, fulfilling the promise that technological progress should benefit all.

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