

Adams Institute

RATIONISM AKA VITRUVIAN CAPITALISM

- Definition** Rationism, “enforcing a maximum household net worth ration calculated as a multiple of median household net worth,” from Latin *ratio*, *ration*, *rationis* + *-ism*.
- Objective** America has become the very thing the Founding Fathers repudiated. In 1776, America’s top household owned wealth equivalent to 1,000x the national median household net worth. In 2021, America’s top household owns wealth equivalent to 1,500,000x the national median. America now resembles the stratified aristocracies of old Europe more than the hopeful egalitarian republic our Founding Fathers established. The purpose of Rationism is to roll back America’s social aspect ratio from 1,500,000:1 to 10,000:1.
- Rationale** Moderation in fortunes produces moderation in custom, in law, and in government. Stable democratic society, and the democratic-republican model of government, depends upon the wide diffusion of productive and earned wealth in a large and financially independent middle class, continually refreshed by productive and dignified upward mobility. Extreme social stratification at the expense of the middle class, and the general precarity and dependency which follow, is the root cause of most of our current political problems, including polarization and civic unrest. Rationism is a historically-informed and forward-looking solution to these problems that avoids the defects of both unbridled capitalism and indefinite socialism. And while Rationism solves for both precarity and dependency, socialism may solve for precarity, but only at the expense of increasing dependency and patronage.

Property monopolized, or in the Possession of a few is a Curse to Mankind. We should preserve not an Absolute Equality – this is unnecessary, but preserve all from extreme Poverty, and all others from extravagant Riches.

J. Adams, 1765

Rationism is a political theory that advocates benchmarking household outcomes against the median household net worth. Specifically, this doctrine advocates limiting or tethering the wealth of top households to a multiple of median household net worth in order to induce robust middle-class growth. A maximum social aspect ratio will be set (our proposal is 10,000:1) such that, going forward, no household will be permitted to accumulate a republic-saving ration exceeding 10,000x the national median household net worth. Existing household fortunes shall be grandfathered.

Rationists believe that conditioning future economic gains of top households on the proportional increase of median household net worth will incentivize and deploy individuals with the most pecuniary interest and skill to efficiently diffuse earned capital into the middle and working classes without reliance on business regulations, corporate taxes, or special interest subsidies. Rationism applies no absolute wealth cap; unlimited household wealth accumulation is permitted, provided the prescribed 10,000:1 social aspect ratio is preserved.

And if America's most successful economic actors should fail to productively raise the median as aforesaid, what is taken from the median will simply be recovered from the top by operation of the republic-saving tax, as described below.

Aliases

Vitruvian Economics, Vitruvianism (from the theories of architectural proportion advocated by the Roman architect Vitruvius), rationomics (portmanteau of ratio + economics), proportionism, medianism.

I am conscious that an equal division of property is impracticable. But the consequences of this enormous inequality producing so much misery to the bulk of mankind, legislators cannot invent too many devices for subdividing property, only taking care to let their subdivisions go hand in hand with the natural affections of the human mind.

Th. Jefferson, 1785

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Guiding Principles

First, the rights of Americans: That our laws shall promote due process, individual liberty, and loyalty to our country.

Second, the duty of moderation: That an independent middle class shall be the largest group in our country, subject to the first principle.

Third, the privilege of luxury: That anyone may accumulate unlimited wealth in our territory, subject to the first and second principles.

Historical Basis

The diffusion and re-concentration of economic wealth dictates the diffusion and re-concentration of political power. Democracy has only ever emerged where a middle class was established and has only lasted so long as a middle class was sustained. Mankind has experienced two great waves of democracy: (1) over 300 democracies rose and fell in the Mediterranean Basin between the 6th and 3rd centuries BC; and (2) over 100 democracies have emerged worldwide since the American Revolutionary War. In both cases, the entrenchment of democracy coincided with the emergence of a large, financially independent middle economic stratum.

In order for a middle class to have political agency it must not be dependent on economic patronage. Any group requiring subsidies to survive is, by definition, politically and financially dependent and cannot meaningfully challenge the agency which sustains it. To maintain a financially independent and democratically potent middle class, economic incentives must be structured to promote growth of the median household net worth without reliance

Power always follows Property. ... the Ballance of Power in a Society, accompanies the Ballance of Property in Land. The only possible Way then of preserving the Ballance of Power on the side of equal Liberty and public Virtue, is to make the Acquisition of Land easy to every Member of Society.

J. Adams, 1776

upon subsidies, political parties, or charismatic political individuals.

The
Problems

Extreme economic inequality. Extreme social stratification. Overwhelming indebtedness. Labor-saving and job-destroying technology. Outsourcing. Gig employment. Pay disparities. Increasing financial precarity. Increasing economic dependence. Increasing political patronage. Persistent racial household net worth disparities. Extreme political polarization. Increasing social discord. Degrading democracy. Increasing demagoguery.

A power over a man's subsistence amounts to a power over his will.

A. Hamilton, 1788

America, in short, has lost the social aspect ratio of a democratic republic and is now impaired by the social aspect ratio of a corrupt plutocracy.

The
Solution

Incentivize the most powerful and successful economic actors (the top households and their agents) to nullify those economic factors causing household precarity and dependency, by anchoring the economic outcomes of the top households lock-step to the rise and fall of the national median household net worth.

In order to increase the republic-saving ration, all median-downward impacts of sex and race-based pay disparities, immigration, labor expatriation, and labor-saving technology must be mitigated, for they all drag down the median to which it is tethered.

The ensuing rejuvenation of America's independent middle class and productive upward mobility will: (1) reestablish social stability; (2) reduce popular demands for political patronage; and (3) resolve political polarization and democratic deterioration.

The Metric The only viable metric for measuring middle class health is household net worth. This is because household net worth reports the cumulative effects of all economic factors, including: (1) income; (2) assets; (3) taxes; (4) debt; and (5) expenses. Household net worth also factors the outcomes of all households, making this metric sensitive to macroeconomic class-wide trends, including: (1) unemployment; (2) underemployment/gig employment; (3) outsourcing; (4) layoffs; (5) job-destroying/labor-saving technology; and (6) pay disparities. Moreover, prices and the general purchasing power are benchmarked against the median. To raise the median net worth, these adverse forces must be nullified or mitigated.

America ... will be the most favorable Country of any in the world for persons ... possessed of a moderate capital ... it will not be less advantageous to the happiness of the lowest class of people because of the equal distribution of property, the great plenty of unoccupied lands, and the facility of procuring the means of subsistence..

G. Washington, 1796

By contrast, income measurements do not account for any factor other than income. For this reason, wage policies and subsidies, such as minimum wage proposals or universal basic income, neither negate any macroeconomic factors noted above, nor promote growth of a democratically potent, financially independent middle class.

The Method Calculate a reasonable, permissible maximum household net worth ration, computed as a multiple of national median household net worth. We propose 10,000x. Going forward, let each household accumulate unlimited net worth, but no greater than 10,000x the median. Thenceforth, the top households will enjoy financial gains only in mathematical proportion to the increase of the median household net worth. Every \$10,000 by which the national median is increased will raise the republic-saving ration by \$100 million. Enforcement of this 10,000:1 social aspect ratio will enlist individuals with the

greatest pecuniary interest and skill into the service of the middle class, thus deploying free market efficiencies to productively raise the median, balancing the profitmaking objectives of capitalism against a socially beneficial imperative.

Why
10,000:1?

Arguments can be made for a higher multiple or a lower multiple. 10,000x is our initial proposal for the following reasons: (1) It initially affects a manageable number of households (less than 1,000); (2) It initially permits a sufficiently high republic-saving ration not to stifle innovation and entrepreneurship (\$1.2 billion); and (3) It generates sufficiently high tax revenues to justify all challenges (estimated to raise over \$5.3 trillion over 20 years).

Legal
Form

This 10,000:1 social aspect ratio will be enforced by means of a special republic-saving tax, an *ad-valorem* income tax assessed on and equal to 100% of all income, revenue, and capital appreciation in excess of the 10,000x republic-saving ration.

The original meaning of the word republic could be no other than a government in which the property of the people predominated and governed; and it had more relation to property than liberty.

J. Adams, 1787

The republic-saving tax must be implemented via constitutional amendment. The Adams Institute has drafted Proposed Amendment XXVIII, and published *The Rationist, Forty Essays Defending a Proposed Amendment to the Constitution of the United States to Preserve the Republican Model of Government* to defend it. This series of essays is addressed to the People of the United States under the pen name *Gracchus* (a reformer of the Roman Republic). *The Rationist* is styled after *The Federalist*, the series of 85 essays written under the pen name *Publius* (a founder of the Roman Republic) to advocate for ratification of the original Constitution.

The
Creative
Power of
Taxation

The primary objective the republic-saving tax is to enforce the 10,000:1 social aspect ratio. The primary objective of this tax is not to raise revenues or fund benefits programs. It is to align the financial interests of the top households with the middle class and deploy market efficiencies to diffuse productive wealth into the middle class.

Even if all \$5.3 trillion raised by the republic-saving tax were burned or cast into the sea, Rationism will still have achieved its objective by anchoring the top households to the median net worth. Nevertheless, the republic-saving tax will generate significant revenues for the State governments, and possibly the federal government.

The most common and durable source of factions has been the various and unequal distribution of property. Those who hold and those who are without property have ever formed distinct interests in society. The regulation of these various and interfering interests forms the principal task of modern legislation.

J. Madison, 1787

Affected
Taxpayers

The republic-saving tax is estimated to annually impact fewer than 1,000 households in the United States. The median household net worth is \$121,000. This would set the republic-saving ration at \$1.2 billion, currently exceeded by fewer than 650 households. The aggregate net worth of these households is currently \$4 trillion.

Use of
Proceeds

Assuming that a similar number of future top households (650) maintain a similar net worth limit as current top households (\$4 trillion), and assuming that such households accumulate such wealth over a period of 20 years, then this tax would generate \$3.3 trillion in direct gross proceeds, and over \$2 trillion in downstream and indirect proceeds over 20 years, for anticipated proceeds in excess of \$5 trillion.

Of the direct proceeds, 50% would be allocated in equal shares to each of the 50 States, and the

remaining 50% of the proceeds would be allocated to the Social Security Administration provided that Congress promptly cooperates in ratification of Proposed Amendment XXVIII. Otherwise, 100% of the direct proceeds would be distributed in equal shares to the States, whose public university endowments and employee retirement funds could make efficient use thereof.

Covered Activities

The republic-saving tax will be assessed on all household revenues, from whatever source, activity, asset, transaction, or location derived, whether characterized as income, appreciation, capital gains, or otherwise. Household net worth will be assessed in respect of all household assets, whether liquid or illiquid, in whatever form, whether tangible or intangible, wherever located. The republic-saving tax cannot be evaded by expatriation of wealth or corporate shell games.

Liquidity Incentive

To incentivize covered households to endorse Proposed Amendment XXVIII, and to encourage the voluntary fragmentation of grandfathered fortunes, households approaching the republic-saving ration will have an advantageous opportunity to liquidate 100% of their securities on preferential terms, without causing market panic.

Rationale

Rationism promotes socioeconomic and demographic proportion and political stability by anchoring the top households to the middle class. Aside from the preliminary guarantees of due process and individual liberty, there is no higher political value than promoting an independent middle class, for there is no higher political value than a stable and moderate

Every person of full age neither owning nor having owned [50] acres of land, shall be entitled to an appropriation of [50] acres.

Th. Jefferson, 1776

democracy. Rationism does not pursue utopia, but merely seeks to restore by law the modesty and moderation that once prevailed by custom.

America's
Model of
Political
Economy

Rationism is a new approach to political economy. It is devised to preserve the democratic-republican model of government, and to heed the warnings of history as channeled through America's Founding Fathers. Rationism is America's alternative to socialism and answer to unbridled neoliberalism. Socialism is benchmarked against the minimum, and seeks to ensure that all households receive the minimum basic goods and services. Neoliberalism is benchmarked against the maximum, and measures success by top-level metrics, such as gross domestic product and stock market indices.

[The Gracchi set upon] reviving the old Project of an equal Division of the conquered Lands, (a genuine republican Measure, tho it had been too long neglected to be then practicable),...

J. Adams, 1776

Rationism, by contrast, is benchmarked against the median. For Rationists, success resides in raising the national median household net worth productively, and without subsidies. And by operating only on households, Rationism lets the markets decide how to raise the median. Rationism thus shifts the risk of failure to the top households, for if the markets fail to raise the median, whatever is taken from the median can simply be recovered from the top households by operation of the republic-saving tax.

Rationism differs from socialism in that it maintains all incentives for hard work, requires no central planning, no business regulations, no subsidies, no confiscation of wealth, no corporate taxation, does not use the government as intermediary, tolerates no abuse, tolerates no dependency or patronage, and permits accumulation of vast wealth.

Rationism differs from neoliberalism by imposing guardrails on economic activity as enforced by operation of incorruptible and impartial mathematical law, preventing a republican society from losing its middle class, and thereby sliding into despotism and authoritarianism.

Rationism was originally conceived as a method to backsolve for a target middle class size, based on the theory of Aristotle and the legislation of Gracchus.

With a
Classical
Pedigree

We are inspired by the experience of Classical Antiquity and resolve that America's leaders, like America's founders, learn and apply the lessons of history to American circumstance. In the realm of democracy, the supreme lesson is that power follows wealth, that democracy follows the middle class, and that revolution follows plunder. Above all, we, like our namesake John Adams, are inspired to action by the lessons of Anacyclosis. Rationism is the product of long, hard, and careful deliberation about Anacyclosis, the Ancient Greek theory that John Adams called the "Creed of my Whole life".

The alternate domination of one faction over another, sharpened by the spirit of revenge ... is itself a frightful despotism. ... Sooner or later the chief of some prevailing faction ... turns this disposition to the purposes of his own elevation, on the ruins of public liberty.

G. Washington, 1796

The American Republic is ailing because its middle class is failing. America has no greater political priority than to restore an independent middle class, continually refreshed by productive, dignified, and unsubsidized upward mobility.

For behind us, and before us, lies the example of Rome.