



PROPOSED AMENDMENT XXVIII TO THE CONSTITUTION OF THE UNITED STATES OF AMERICA

The Objective

Over the past fifty years, America has changed both its character and its master. We have transformed from a democratic-republic accountable to its domestic middle class into a plutocratic-republic accountable to a global billionaire class. This transition has entailed the deterioration of our independent middle and working classes into precarious and dependent underclasses. The growing pessimism, animosity, and distress experienced by ordinary households aggravates political polarization, multiplies the objects of political faction, and intensifies demagoguery, anticipating an authoritarian political trajectory.

This political trajectory generally agrees with ancient Greek historiography on regime change (*e.g.* ἀνακύκλωσις) (see, *e.g.*, Herodotus (III. 80), Thucydides (VIII. 97), Plato (*Rep.* VIII. 544 C) (*Laws*, III. 677 A), Aristotle (*Pol.* VI. 1293b), Polybius (*Hist.* VI), Dionysius (*Rom. Ant.* VII, 54-56)), and shares fundamental uniformities with the evolution of its nearest historical approximation: the Roman Republic (commencing with *Ti. Gracchus* and ending with *Caesar Augustus*, c. 133BC-27BC). Without a significant and historically-informed intervention to appropriately de-concentrate household wealth, thereby de-polarizing political society and recovering a middling, moderate political disposition, the long-term survival of legitimate popular government in the United States is thus both theoretically and historically improbable.

The proposed Amendment XXVIII, attached as Exhibit A, is devised to provide that intervention. Our objective is therefore simply put: the Constitution only ever guaranteed the *legal form* of a democratic republic. It must now be empowered to preserve its *political substance*.

The alternate domination of one faction over another, sharpened by the spirit of revenge natural to party dissension, which in different ages & countries has perpetrated the most horrid enormities, is itself a frightful despotism. But this leads at length to a more formal and permanent despotism. The disorders & miseries, which result, gradually incline the minds of men to seek security & repose in the absolute power of an Individual: and sooner or later the chief of some prevailing faction more able or more fortunate than his competitors, turns this disposition to the purposes of his own elevation, on the ruins of Public Liberty.

George Washington



The Problem

In 1776, the net worth of America's top household was below 1,000x the national median household net worth. By 1950, that figure increased to around 40,000x. Today, it exceeds 2,000,000x. Since World War II, over \$30 trillion has been diverted from labor to capital relative to the 1947 GDP labor share run-rate. The richest 1% is wealthier than the entire middle class.

Such extreme wealth concentration subsists at the expense of ordinary workers: After 50 years of stagnation, wages fast fall behind living expenses. The median bank account balance is \$5,000. Most Americans live paycheck-to-paycheck and have less than \$1,000 in savings.

These trends are responsible for America's most pressing political and economic challenges. These include: Rising household precariousness. Extreme economic inequality. Crony capitalism. Extreme social stratification. Stagnation and diminished upward mobility. Crushing indebtedness. Increasing economic dependence. Increasing political patronage. Persistent racial household net worth disparities. Persistent crime. Extreme political polarization. Increasing social discord and civic unrest. Degrading democracy. Increasing populist and reactionary demagoguery. Decline of trust and erosion of legitimacy of economic and political institutions. Loss of electoral credibility.

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.

John Adams

The Causes

America's economic outcomes flow not from want of productivity or innovation, but mainly from the method by which America measures economic success.

In measuring success, our most powerful economic actors prefer indiscriminate capital accumulation over all other metrics, even middle class prosperity. Their focus on securities-related outcomes (like stock values and earnings per share) demonstrates this preference. Their skill in leveraging the current environment of high capital mobility

The most common and durable source of factions has been the various and unequal distribution of property.

James Madison



and proliferating automation technologies forces competing jurisdictions to offer lavish incentives to win jobs and political victories, translating this preference into capital-friendly policies. Geographic labor arbitrage creates local winners and losers, but nationwide negative-sum results for governments and ordinary households as the endgame is after all reducing labor costs.

The causes which destroyed the ancient republics were numerous; but in Rome, one principal cause was the vast inequality of fortunes.

Noah Webster

In response, losing governments and households increasingly rely on debt, government transfers, and inflationary stimulus to close short-term fiscal gaps. These trends combined impair long-term wealth creation for most households who as minor capital markets participants depend upon wage gains, not capital gains. Ever more wealth is thereby concentrated within ever fewer households acquiring the most lucrative securities, causing middle class stagnation. Stagnation in turn narrows avenues of upward mobility, perpetuating preexisting racial wealth disparities, which even a century and a half after the ratification of Amendment XIII remain most acute for Black households.

The Solution

Because America's political problems arise from extreme wealth concentration, their solution lies in effective wealth de-concentration. To accomplish this, we should change America's definition of economic success from indiscriminate capital accumulation to an appropriate middle-class oriented metric.

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.

That metric is the national median household net worth. America should benchmark success against the national median household net worth, as it is the best indicator of middle class welfare. America's most powerful economic actors should accordingly be incentivized to measure success by gains in the median. But to mitigate adverse market effects like capital flight, any incentive should be applied to America's top households rather than enterprises.

Thomas Jefferson



Therefore, the outcomes of America's top *households* should be tethered to the median such that they rise and fall lockstep in mathematical proportion to the median.

America's top households thus chained to the median, proper enforcement of the optimal ratio (optimal ratio TBD) would encourage a prescribed number of households, which collectively wield a sufficient market power, to raise the median so as to raise their own outcomes. The ratio in place, experience gained, and such computations refined, discovery of the optimal ratio would eventually enable legislators to back solve for a middle class of any desired size.

Market actors, not governments, would determine how to raise the median. Market success would raise the cap, with no absolute limit. Market failure would generate substantial revenues for the States.

The Ratio

America's top households currently exceed 2,000,000x the median. The proposed Amendment XXVIII would initially roll America's social aspect ratio back from 2,000,000:1 to 10,000:1.

The legislator should determine what is to be the limit of poverty or wealth. He who exceeds the limit must give up the excess to the state.

At 10,000:1, the present \$120,000 median sets the cap at \$1.2 billion. This affords a sufficiently high threshold to incentivize and reward entrepreneurial activity. The market incentive is also powerful: at 10,000:1, every \$1 increase to the median lifts the cap by \$10,000; every \$10,000 by \$100 million; every \$100,000 by \$1 billion. This approach also encourages reduction of racial disparities. For instance, eliminating Black-White wealth disparities would alone raise the cap by around \$440 million. It also nullifies any benefits derived by the top households from offshoring and automation, as every dollar diverted from American labor reduces the median, correspondingly reducing the cap.

Plato



10,000:1 is the initial proposed ratio because: (i) it affects a manageable number of households (roughly 1,000); (ii) sets the cap sufficiently high not to stifle innovation and entrepreneurship (\$1.2 billion); and (iii) generates sufficient tax revenues to justify enforcement efforts (likely trillions of dollars over time).

The Benchmark

The best metric for measuring middle class health – and therefore against which to benchmark America’s social aspect ratio – is median household net worth.

This metric reports the cumulative effects of all economic factors. These include: (i) income; (ii) assets; (iii) taxes; (iv) debt; (v) expenses; (vi) inflation; and (vii) government transfer/safety net participation and dependency rates. It also aggregates outcomes across all households, making it sensitive to macroeconomic, middle class-wide trends. These include: (i) unemployment; (ii) underemployment/gig employment; (iii) offshoring; (iv) layoffs; (v) job-destroying/labor-saving technology; and (vi) pay disparities. Moreover, price signals and the general purchasing power are dictated by the median. A median-top household wealth ratio enforced, in order to raise the median, these adverse forces must by operation of mathematical law be nullified or mitigated in order to raise the cap.

By contrast, income measurements do not account for any factor other than income. Purchasing power meanwhile conceals the extent of household dependency on government transfers and subsidies, and overstates the health of ordinary households. Overreliance on income data also conceals the extent of middle class decline, because it does not factor the downward pressures noted above.

“A genuine republican measure” (writing to Abigail Adams on the Lex Sempronia Agraria of Tiberius Gracchus, which capped household claims to public land and reallocated parcels to landless Romans).

John Adams

The Fulcrum

The best target against which to apply such structural household wealth de-concentration incentives is households, rather than enterprises.



Any approach imposing heavy burdens on enterprises carries several drawbacks. The current environment of high capital mobility enables enterprises to engage in various forms of geographic and financial arbitrage, creating a substantial risk of capital flight. Even without resorting to capital flight, businesses can simply pass the effects of taxes forward to consumers (via price increases or quality reductions) and backward to workers (via reduced labor expenditures or increased time commitments), in all cases depressing the median. Heavy corporate taxation and regulatory hurdles may reduce or delay socially beneficial outlays of growth or risk capital. Some enterprises and industries have the lobbying connections and capabilities to obtain offsets or otherwise evade such regulatory intent, exacerbating corruption and crony capitalism. Finally, even without these impediments, corporate taxation creates no tethering or anchoring effect, failing to create any market incentive for wealth diffusion that median-benchmarking creates.

Household wealth tethering is encumbered by none of these defects, yet boasts several benefits. Individuals are the ultimate beneficiaries of all capital gains and the ultimate sufferers of any losses or penalties, maximizing the incentive power of this approach. Household accounts and accounting techniques are less complex than those of large enterprises, facilitating revenue authority enforcement. Household mobility does not sever tax nexus or evade tax liability. Indeed, this approach ultimately adopts capitalism's own device – the long-term incentive plan – and scales it up from the level of enterprise to nation.

The man of great wealth owes a peculiar obligation to the state because he derives special advantages from the mere existence of government.

Theodore Roosevelt

The Revenues

Although the primary objective of this tax is to create market incentives to raise the median, it will also generate substantial revenues.

Assuming the wealth of the next generation of top households is comparable to the current generation, the tax could generate



over \$4 trillion in direct gross proceeds, and over \$2 trillion in downstream and indirect proceeds over time. 100% of the direct proceeds would be distributed in equal shares to the States timely voting for ratification, whose public university endowments and pension funds could make efficient use of in-kind taxation of securities.

The Winners

Ordinary working households are the primary intended beneficiaries of the proposed Amendment XXVIII.

A rising median will in turn generally benefit markets by enhancing consumer spending, and governments by reducing household dependency (and corresponding budgetary outlays) while simultaneously increasing associated local, state, and federal revenue receipts.

Proper ratio enforcement would especially benefit Black households in the long run. The Black median household net worth (about \$14,000) is currently less than one-tenth the White median (roughly \$190,000). Black wealth disparities alone depress the national median by around \$44,000. At 10,000:1, Black-White wealth disparities translate into a \$440 million overhang on each top household. Reducing these disparities alone would accordingly raise the cap from \$1.2 billion to over \$1.6 billion.

States would also derive substantial direct revenues from ratio enforcement. Timely ratification by all 50 States could deliver up to \$4 billion in value per State per year. Given that the majority of top household net worth is typically comprised of illiquid securities, most of this revenue would be payable in-kind in the form of securities, rather than cash. With around 19 million state and local employees, 33 million retirement system participants, and \$6 trillion held in pension and university endowments – mostly allocated to precisely the type of securities covered by the tax – the incentive to the States is clear and powerful. The benefits to the millions of

The revenue thereby liberated may, by a just repartition among the states, and a corresponding amendment of the constitution, be applied, in time of peace, to rivers, canals, roads, arts, manufactures, education, and other great objects within each state.

Thomas Jefferson



students, teachers, state and local employees, firefighters, first responders, and police are likewise obvious. These revenues will also enable States to apply various budgetary offsets, opening possibilities that can only be imagined.

The Losers The proposed Amendment XXVIII would create one category of losers: a tiny number of the top households that include those convicted of felonies and other financial crimes, or that try to move wealth outside of the United States. The method of appraising net worth and computing the tax encourages repatriation of wealth, discourages expatriation of wealth, and would tax into oblivion the assets of those households attempting to evade coverage.

The Form The Founders structured the Constitution to guarantee the *legal form* of a democratic republic: Articles I, II, and III divide the legislative, executive, and judicial powers. The right to vote is secured by Article I, Section 2, Article II, Section 1, and Amendments XIII, XIV, XVII, XIX, XXIV, and XXVI. Due process resides in Article I, Section 3, Clause 7 (Impeachments); Article I, Section 9, Clause 2 (*Habeas Corpus*); Article I, Section 9, Clause 3 (No Bills of Attainder or *Ex Post Facto* laws); Article I, Section 9, Clause 7 (No Titles of Nobility; Foreign Emoluments); Article III, Section 2, Clause 3 (Trial by Jury); Article III, Section 3 (Treason), and Amendments IV – VIII, and XIV. Article IV, Section 4 guarantees the Republican Form of Government.

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.

John Adams

But nothing in the Constitution guarantees the *political substance* of a democratic republic: an independent middle class, continually refreshed by productive, upward mobility. The ultimate purpose of proposed Amendment XXVIII is to accomplish just that.

This plan cannot be implemented through a federal statute or myriad State-level ratios. The ratio must be incorporated into the Constitution to establish a uniform national ratio. Federal



agencies such as the IRS and SEC are best-positioned to appraise, collect, marshal, and distribute illiquid securities subject to the tax. And the tax must be adopted through a constitutional amendment to immunize it from constitutional assault, including under the Article I, Section 9, Clause 4 (apportionment) and Amendment V (takings).

The Rationale

The diffusion and re-concentration of wealth dictates the diffusion and re-concentration of political power. Democracy in any meaningful form 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 (not direct democracies, but states exhibiting various essential democratic features) have emerged worldwide since the American Revolutionary War. In both cases, democracy's entrenchment coincided with the emergence of a large, financially independent middle economic stratum.

Both waves of democracy were also preceded by a middling challenge against the elite status quo: military labor strikes in antiquity and a tax revolt in the modern era. The evolution of the English Parliament – antecedent of America's legislative assemblies – likewise reflects a gradual and reluctant exaction of power from the Crown by Lords and Commoners as the condition of their revenue and consent. All this reflects the reality that democracy does not reside in the fantasy that consent is given, but in the possibility that it be withheld.

And consistent with these observations, the terminal decline of mankind's first wave of democracy coincided with the ruination of Rome's middling farmer class following the Third Punic War, the Republic ending with the contest of demagogues that finally returned the Mediterranean Basin to monarchy, whence it came.

If one man be sole landlord of a territory, or overbalance the people ... his empire is absolute monarchy. If a few or a nobility, or a nobility with the clergy, be landlords, or overbalance the people ... the empire is mixed monarchy. And if the whole people be landlords, or hold the lands so divided among them that no one man, or number of men, within the compass of the few or aristocracy, overbalance them, the empire ... is a commonwealth.

James Harrington



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. Authentic democracy therefore cannot exist where the body politic is made wards and subjects of the state through reliance on safety nets, government transfers, and the like.

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

Alexander Hamilton

Thus, while the standard suite of progressive countermeasures like safety nets, stimulus programs, and government transfers can mitigate rising household precarity, they do so while aggravating the symptoms of household dependency, and without curing the underlying wealth concentration creating that precarity in the first instance. Without a tethering feature, such approaches do not incentivize elites to change their underlying preference for indiscriminate capital accumulation over all other metrics. To the contrary, as demonstrated by the Roman experience with *panem et circenses*, such palliatives rather ensure their perpetuation by pacifying and appeasing the swelling mob.

To maintain a financially independent and democratically potent middle class, economic incentives must be structured to promote middle class growth without reliance upon subsidies, political parties, or charismatic political individuals. It is for these reasons that America's submission to an impartial and incorruptible mathematical ratio imperative.

It is clear that the political community administered by the middle class is the best, and that it is possible for states to be well governed where the middle class is stronger than both the other two classes.

Aristotle

This is not to achieve utopia, but merely to restore by law the modesty and moderation that once prevailed by custom. For, moderation in fortunes produces moderation in custom, law, and government. And it is our purpose to ensure that the next time America changes masters, it reverts back to the middle class, not forward to Caesar.



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FOR THE PRESERVATION OF THE
DEMOCRATIC-REPUBLICAN MODEL OF
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CHAPEL HILL, NORTH CAROLINA



Exhibit A

Proposed Amendment XXVIII
To the Constitution of the United States of America.

- Section 1. Every census prescribed by the Second Section of the first Article of this Constitution shall calculate and publish the national median Household net worth, accounting for every Household subject to the jurisdiction of the United States, and all factors relevant to the determination thereof
- Section 2. No Household described in the preceding section may accumulate net worth exceeding a multiple of the amount last published pursuant thereto, initially and never increased above ten Thousand times, or reduced below one Thousand times thereof. Congress shall prescribe such multiple within sixty days after the publication of each census, which multiple will remain in effect until extended or adjusted after each subsequent census. Congress shall annually lay and collect taxes on every Household whose net worth would otherwise exceed such multiple as necessary to effect the foregoing Intent and Purposes, without apportionment among the States, uniformity, and any other regard to any census or enumeration.
- For all Households liable for such taxes Congress shall broadly account for all Property directly and indirectly beneficially owned by or for all natural Persons within such Household without regard to title, but disregard from the calculation of net worth: all Real Property (but not any monies received in respect thereof); and, unless any such Person shall have been anywhere duly convicted of any felony or financial crime, the value of any corpus of Property existing prior to the date this article (or any reduced multiple) takes effect which: is as of such effective date located within and not thereafter removed from the United States; or cannot actually be located within the United States without regard to any Treaty or foreign law conceived in subversion hereof.
- Congress may exempt from any provisions of this article foreign Households not circumventing its Intents and Purposes for the benefit of, or otherwise including, any current or former United States citizens or resident aliens, or any of their respective beneficiaries, heirs, descendants, successors, or assigns.
- Section 3. The Treasury shall distribute all Revenues collected in accordance with this article equally to each State ratifying this article within sixty days after its ratification by three-fourths thereof. Absent manifest error, controversies between States concerning such distributions shall be resolved favoring the more populous claimants.
- Section 4. This article shall take effect and the next census made within three years after the date of ratification, and every subsequent census every fifth year thereafter. Congress shall enforce this article by appropriate legislation. The States may bring suits in any Court of the United States to compel such enforcement. No Treaty shall be made, confirmed, or enforced to the extent conflicting with this article.