

THE RATIONIST

TWELVE ESSAYS INTRODUCING A PROPOSED AMENDMENT TO THE CONSTITUTION OF THE UNITED STATES OF AMERICA TO PRESERVE THE DEMOCRATIC-REPUBLICAN MODEL OF GOVERNMENT.

ADDRESSED TO THE PEOPLE OF THE UNITED STATES OF AMERICA.

BY GRACCHUS, A LOYAL CITIZEN.

NUMBER TEN:

THAT CORRECTING EXTREME WEALTH CONCENTRATION REQUIRES THE ADOPTION OF A NEW MARKET INCENTIVE.

To the People of the United States of America:

Why do we tempt the seas and encompass the globe? Why do any men affront heaven and earth to accumulate wealth, which will forever be useless to them? Why do we make an ostentatious display of riches? Why should any man be proud of his purse, houses, lands, or gardens? or, in better words, why should the rich man glory in his riches? What connection can there be between wealth and pride?

The answer to all these questions is, because riches attract the attention, consideration, and congratulations of mankind; it is not because the rich have really more of ease or pleasure than the poor. Riches force the opinion on a man that he is the object of the congratulations of others, and he feels that they attract the complaisance of the public. His senses all inform him, that his neighbors have a natural disposition to harmonize with all those pleasing emotions and agreeable sensations, which the elegant accommodations around him are supposed to excite.

His imagination expands, and his heart dilates at these charming illusions. His attachment to his possessions increases as fast as his desire to accumulate more; not for the purposes of beneficence or utility, but from the desire of illustration.

John Adams

Having in our last essay diagnosed the disease most severely afflicting America's democratic-republican experiment not as the grotesque inequality but rather the middling insecurity which arises from extreme wealth concentration, we now investigate the cause thereof that we might identify the cure therefor.

EXTREME WEALTH CONCENTRATION FLOWS FROM THE METHOD BY WHICH WE MEASURE ECONOMIC SUCCESS.

Our second essay showed that mankind's chief preoccupation is to improve its status. This is generally accomplished through the acquisition of wealth because of all methods by

which excellence may be demonstrated, wealth is the easiest to obtain, compare, display, and translate into influence and power. To be sure, riches were never the only standard of distinction. In the past, noble birth conferred renown and authority. And there always remain occasions to demonstrate valor, genius, talent, skill, and other marks of authentic merit. But in advanced commercial societies where obscure virtues are prized less than overt luxury and popularity, wealth accumulation has become the most efficient means to appraise the worth of human beings who, after all, have short life spans and even shorter attention spans.

Our sixth essay further showed that because of its ubiquity and utility, all major institutions not only tolerate but celebrate even the most unconscionable wealth accumulation. There is scarcely a university chancellor or political candidate who will not bow and scrape before a wealthy donor, however his riches were derived. This leads to virtually universal approbation of great fortunes without regard to the ethical circumstances surrounding their acquisition, the social utility of the commercial offerings or activities which created those fortunes, or the collateral damage arising from their pursuit. The magnitude of the wealth, honors, and influence heaped upon a few men for monopolizing some new transportation, communication, or financial network or instrument before any one of a hundred other men inevitably would have – frequently with government assistance – is only slightly more lamentable than it is laughable. Universal avarice in turn produces an ingratiating deference to the habits, opinions, and preferences of the richest men even though they are frequently the most repugnant and reviled.

Some living in great cities may even observe that the more opulent their surroundings, the more any other genuine virtue shrinks into insignificance, if not hindrance. Next to the luxury, popularity, and influence conferred by riches, Prudence, Justice, Fortitude, and Temperance stand no chance, subordinating all philosophy and religion beneath the purchasing power of a million dollars or the fickle adulation of a million strangers. As John Adams wrote shortly after returning from London, then *Caput Mundi*: “*there is more respectability, in the eyes of the greater part of mankind, in the gaudy trappings of wealth, than there is in genius or learning, wisdom or virtue.*” Such is a theme that he repeated throughout his life, lamenting to Thomas Jefferson in their retirement: “*Birth and Wealth together have prevailed over Virtue and Talents in all ages. The Many, will acknowledge no other ἀριστι [aristocracy].*”

And therein lay the root cause of inexorable wealth concentration: **NO AFFLUENT SOCIETY HAS EVER MAINTAINED, DURING TIME OF PEACE, ANY MEASURE OF EXCELLENCE OR SUCCESS CAPABLE OF RIVALING THE STANDARD OF WEALTH ACCUMULATION.** Our present economic outcomes are accordingly the product of a basic and primitive measurement problem: **MAXIMAL WEALTH ACCUMULATION IS THE MEASURE OF ALMOST ALL THINGS.**

Wanton pursuit of private gain with reckless disregard for the public consequences arising from that pursuit is simply the natural result of measuring success by maximal wealth accumulation without any rival benchmark. The more affluent the society, the deeper it thus falls into the habit of measuring its own worth by indiscriminate capital accumulation without regard to any other value or metric. Even above the virtue and happiness of its members. Even above the virtue and happiness of its rulers and elites.

These outcomes are often imputed to elite malevolence. They are, however, better conceived as the inevitable product of mankind’s innate and relentless ambition for higher status operating in a guideless economic environment, undisciplined by any significant countervailing

consideration. Such is in keeping with Goethe's observation that "*misunderstandings and neglect occasion more mischief in the world than even malice and wickedness.*"

While the specific vectors through which elites accordingly invade the middling share of national prosperity may be more or less barbaric according to evolving sensibilities, they are in all events the product of human nature traveling through the times. Yesterday, elites exploited slave labor and extorted provincials. Today, they subvert labor, control politicians, manipulate currency and interest rates, engage in geographic arbitrage and trading artifice, prolong market exclusivity, and threaten capital flight. Tomorrow, they may invent a new method, or resort to an old one. Insofar as Anacyclosis is concerned, the real question is not whether elites ride on the backs of slaves, workers, or robots, but whether they lead political society in the direction of Caesar or Gracchus.

HISTORICALLY-INFORMED EGALITARIAN INTERVENTION IS NECESSARY.

None have proven themselves more subservient to human nature than economic elites. And to protect the middling share of national prosperity from their natural but negligent propensity to grasp for everything on the table, some form of intervention is needed. Our seventh essay furnishes a rough outline of what happens when superpower republics fail to restore their middle classes. Yet the crimes committed under the banner of economic equality in the last century alone claimed more human life than the Columbian Exchange, the Transatlantic Slave Trade, and the Holocaust combined, suggesting to the common sense of mankind that more life, liberty, and property have hitherto been destroyed by bad ideas than have ever been saved by good ones. The day that humanity's political ingenuity achieves breakeven with its political stupidity must be far into the future.

The atrocities of socialist experiments do not however preclude the adoption of some form of political intervention to promote generalized wealth de-concentration. Despite all the banshee calls of free market apologists and elite sycophants, not every form of egalitarian government intervention is "socialism". If it were, we would have to include John Adams and Thomas Jefferson within the ranks of socialists, which even the most ardent disciples of Ronald Reagan could not do. As our eighth essay showed, the Founding Fathers advocated government intervention as necessary to promote the wide diffusion of wealth. We must heed their warnings if we wish to continue our own democratic-republican experiment which they commenced. But the failures of command economies do admonish us to find another way to go about it.

The limitations and repercussions of conventional palliatives meanwhile caution that the solution to extreme wealth concentration is not as simple as adopting orthodox safety nets or schemes of wealth redistribution. Though some form of social safety net is essential to absorb economic shocks and protect the needy, economic palliatives are, generally speaking, not the final cure for extreme wealth concentration. Not only do charitable allocations from the public treasury fail to reverse extreme wealth concentration, but in the same degree to which they alleviate household insecurity, they also aggravate household dependency, thus amplifying political patronage. Some newer plans like unconditional cash payments would also foster both an idleness and a sense of entitlement corrosive to the middling virtues. The imperative to earn one's livelihood, and the stigma attaching to the lack of exertion, are not crises to be solved, but virtues which must be nurtured one way or another, whatever the future of work.

So, while it is true that the democratic-republican model of government cannot subsist without a large middle class, it also cannot subsist if the body politic is addicted to economic and

polemical morphine and is thereby reduced to the status of electoral and rhetorical plaything of demagogues, patrons, and unscrupulous journalists for the reasons considered in our fourth and sixth essays. In whatever manner they may be structured, palliatives may solve for insecurity but not for dependency. The social safety net may sustain a dependent underclass, but never an independent middle class. Public largesse can soften a people's fall from an independent and middling status, but cannot raise them back to that station.

Another more general form of median-targeted intervention which is immune from the vicissitudes of electoral politics is therefore required. One that does not exist in competition with the safety net which must be reserved only for the bottom households, but which rather serves to induce generalized wealth de-concentration so as to augment the fortunes, independence, and density of the middle households. For this, we must strike at the root cause of the disease which we have already isolated: the unbridled preferences and habits of the top households.

TO CHANGE OUR OUTCOMES, WE MUST CHANGE OUR DEFINITION OF SUCCESS.

Our present economic outcomes are dictated by the way elites measure economic success. As concluded above, they currently measure economic success by the standard of indiscriminate maximalist capital accumulation. They – and the body politic in an obsequious awe of their perceived excellence – celebrate wealth accumulation without regard to any other outcome, independently of any other variable, and without distinction as to whether capital is accumulated by enterprises or concentrated within households.

To change our outcomes, we must change the method by which we define economic success. For, to change our definition of economic success is to toggle the master switch from which all subsequent social and political consequences flow, thus diverting the river at its headwater. To take any lesser action whether by a thousand palliatives, a thousand taxes, or a thousand regulations, is as futile as emptying the river downstream by bucket onto its own banks. Important as they may be, economic palliatives cannot toggle the economic master switch, they cannot redirect the economic current.

To toggle a free society's economic master switch, we can adopt one of two theoretical approaches. The first is conditioning elites to adhere to a new or different standard of success altogether by somehow discouraging avarice and promoting socially altruistic outcomes. The second is continuing to stoke the ego-serving pursuit of wealth, but while simultaneously making elite success dependent upon middling success. This could be achieved by introducing a middle-oriented variable or benchmark which is integral to the quantum of wealth that can be lawfully accumulated by the top households, making their outcomes contingent upon the performance of that metric. In other words, we could tether or link the outcomes of the top households to those in the middle. This would incentivize those elite households having market power to factor not only their own outcomes but those of the middle class in their economic decision-making. This is the philosophy behind pay-for-performance executive compensation plans, which are designed to reward corporate fiduciaries for improving shareholder outcomes.

Put another way, we can adopt capitalism's own invention of the **INCENTIVE PLAN**, which are used to positively influence the behavior of corporate management, to moderate our national plutocracy. And this is what we should do. We should not try to wean men from their natural pursuit of fame and fortune for three reasons:

FIRST, all history counsels it is impossible to alter human desires through any system of ethics or education conceived or any religion revealed, once their organs are infected by unscrupulous ambition.

SECOND, the optimistic and busy pursuit of gain in an environment of shared prosperity engrosses the body politic in their occupations and distracts them from revolutionary and radical ideas, suppressing the most virulent strains of political faction and dissipating the energies of socialist utopianism.

THIRD, mankind's striving for gain – even (if not especially) when it manifests through war – can be credited for the advancements in science and technology that have advanced its material progress, as without that endeavor our most recent inventions would be fire and the wheel.

The introduction of a rival benchmark of economic success to temper men's default inclination to pursue unbridled maximalist wealth accumulation is therefore necessary. One that would not only counterbalance but harness for the public good mankind's underlying preoccupation for higher status. As we must not seek to alter human **NATURE** but only alter human **BEHAVIOR** – and that without coercion or destruction – our intervention must take the form of a **MARKET INCENTIVE**.

As our next two essays will elaborate, this market incentive would consist of a household tax calculated in prescribed ratio to the national median household net worth that ensures that the outcomes of a specified number of top households rise and fall in mathematical proportion to the outcomes of the middle class. Like a true incentive plan, this approach would impose no mandates requiring any individuals or enterprises to actually raise the median, but would permit no further gains for covered households if they do not. And therein lay the philosophy of this plan: it is structured around the historically-informed ideas that wealth de-concentration must be **VOLUNTARY, POSITIVE-SUM, AND CONVEYED THROUGH MARKET ACTORS** if is to be productive and permanent.

The first society that would achieve peaceful and voluntary wealth de-concentration, rescuing its people from mankind's otherwise inexorable march toward extreme wealth concentration, is the first society raising a worthy rival to the benchmark of maximalist wealth accumulation so as to make elite outcomes middle class-dependent. That rival benchmark should be the national median household net worth, making it a figure equal in stature to every stock market index and gross domestic product put together. Whereas socialists would put a blade to the plutocracy's neck we would instead put a yoke, and chain it to the middle class. The question is how long that chain should be.

GRACCHUS.