

## **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 TWELVE: THE AMERICAN IMPLEMENTATION: TEN THOUSAND TO ONE.**

To the People of the United States of America:

*Government is instituted for the common good; for the protection, safety, prosperity and happiness of the people; and not for the profit, honor, or private interest of any one man, family, or class of men: Therefore the people alone have an incontestable, unalienable, and indefeasible right to institute government; and to reform, alter, or totally change the same, when their protection, safety, prosperity, and happiness require it.*

**John Adams**

Having prescribed the remedy of median-top household wealth tethering at an efficient mathematical ratio to align the interests of the top and middle households, de-concentrate wealth, cure the disease of middling insecurity, restore the middle class and upward mobility, and preserve the democratic-republican model of government, our final task is to initiate that intellectual exchange necessary to give final form to our proposed Amendment. While its need and general contours can be deduced through the earnest deliberations of one or a few patriots, the finer details surrounding its ratification, calculation, and enforcement require the input of many experts. Our challenge is as David Hume put it:

*To balance a large state or society, whether monarchical or republican, on general laws, is a work of so great difficulty, that no human genius, however comprehensive, is able, by the mere dint of reason and reflection, to effect it. The judgments of many must unite in this work; Experience must guide their labour; Time must bring it to perfection; And the feeling of inconveniencies must correct the mistakes, which they inevitably fall into, in their first trials and experiments.*

The proposed Amendment – a draft of which is attached hereto – is therefore submitted for consideration and discussion, after which, if there be enough, additional essays will be published to further articulate and defend a definitive form of Amendment to be put before a convention of the States.

## THE CONTINUATION OF ANCIENT GREEK POLITICAL THEORY.

The proposed Amendment – like the Constitution itself – derives from ancient Greek political theory. But whereas the Constitution reflects a fully-developed Lysurgus-Pindar-Herodotus-Thucydides-Plato-Polybius anthropology focused on questions of **LEGAL FORM**, the Amendment would implement Aristotle's ideas on middling **POLITICAL SUBSTANCE**. Although our median-top ratio resembles Plato's 4:1 bottom-top ratio, it was initially conceived to answer Aristotle's advice to solve for a predominant middle class. Its objective is to arrest Anacyclosis and preserve the Constitution and the democratic-republican model of government. Its means is by restoring the middle class and upward mobility. Its method is via median-top household wealth tethering. And to ensure its ratification, enforcement, and success, the proposed Amendment would create these incentives:

### THE GENERAL MARKET INCENTIVE.

In order to promote generalized wealth de-concentration, the Amendment would employ the technique of median-top household wealth tethering at a prescribed mathematical ratio as discussed in our prior essay. Enforcement of any such ratio would, as we discussed, ensure that the outcomes of the top households rise and fall lockstep in mathematical proportion to the outcomes of the middle households. And with the optimal ratio in place, the minimum number of elite households collectively exerting market power could enjoy no future gains except in proportion to median gains, thereby enlisting them to deploy that power toward the goal of raising the median so as to improve their own outcomes.

To that end, an initial ratio of **10,000:1** is provisionally suggested for the United States. This ratio would prospectively cap America's top households at 10,000xM, at least with respect to domestic holdings. As already noted, America's median-top wealth ratio was at Independence below 1,000:1. It increased to around 40,000:1 shortly after the Second World War. Today, it approaches 2,000,000:1. The Amendment would **ROLL BACK** America's social aspect ratio to 10,000:1 – to a point lower than it was during the good old days of the 1950s – evidencing not only a **GENUINE REPUBLICAN MEASURE** but also a **GENUINE CONSERVATIVE MEASURE**. A ratio set at 10,000:1 would cover between 500 and 1,000 households, having an aggregate wealth of between \$3 trillion and \$4 trillion. This introduces a powerful market incentive to increase the median. America's last-published national median household net worth was approximately \$120,000, implying a household cap of \$1.2 billion. 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. Simply doubling the median would double the cap.

### THE BLACK-WHITE PARITY INCENTIVE.

The ratio would, in addition to promoting generalized wealth de-concentration, advance an additional priority: **PROMOTING MARKET REDUCTION OF HISTORIC BLACK WEALTH DISPARITIES**. As our first essay noted, the Black median household net worth (about \$14,000) is less than one-tenth that of Whites (about \$190,000). Where the fault lies for this is irrelevant for our purposes. It is, like the facts that nine-tenths of Black Americans are descended from slaves, or that Black Americans were helping to build America since before it declared Independence, or that Black Americans have defended America in all wars it has ever

fought, is a fact which is. It is nevertheless a most elegant feature of the ratio that the further a particular group clusters beneath the median, the greater the market incentive to raise that group.

At 10,000:1, the ratio should create a \$400 million to \$500 million per-covered-household incentive to reduce Black wealth disparities. This would alone raise the cap above \$1.6 billion. And the median-benchmarking method does not permit this to be done simply by taking income or wealth from the middle class and reallocating it to the poor. As a simple function of mathematical law, no redistribution of wealth among households subsisting near or beneath the median can significantly raise the median. This means that market actors must increase the wealth of Black Americans without lowering that of ordinary White Americans to close slavery's continuing economic overhang. This, in turn, requires elite households to increase the entire national net worth, or otherwise reduce the degree of wealth concentration at their expense. From either result, not only Black households, but all ordinary households near or below the median must benefit, whatever their racial composition.

## **THE STATE RATIFICATION INCENTIVE.**

To ensure that the proposed Amendment becomes a reality, it also incentivizes the States to undertake the steps necessary for ratification. For while the middle class generally and Black households specifically would indirectly benefit from the ratio's market effects, States would be the Amendment's direct beneficiaries. This is fitting and proper, as the States are also the agency wielding the ultimate power to ratify the Amendment.

**RATIO ENFORCEMENT BY MEANS OF A HOUSEHOLD TAX WOULD RAISE SUBSTANTIAL REVENUES.** As noted above, between 500 and 1,000 American households exceed 10,000xM, having an aggregate wealth of between \$3 trillion and \$4 trillion. As noted below, existing fortunes should generally be grandfathered, but if the next generation of top households stepped into the same wealth as the current generation, direct revenues arising from ratio enforcement could approach \$4 trillion over time. **THE AMENDMENT WOULD ALLOCATE ONE HUNDRED PERCENT OF THESE REVENUES IN EQUAL SHARES TO EACH STATE** which timely ratifies it. If all States ratified – and ratification must be timely done to prevent some States from free-riding on the efforts of others – this plan could deliver up to \$4 billion in value per State annually. With around 19 million state and local employees, 33 million retirement system participants, and around \$6 trillion held in pension and university endowments, allocated mostly to the type of property encompassed by tax, the fiscal **RATIFICATION INCENTIVE** for the States is clear and powerful.

While the financial reward to the States is great, the political risk to the roughly 7,400 elected state legislators in whose hands this Amendment would ultimately sit is low. Even if existing fortunes were not grandfathered, almost all of the thirty-eight requisite States are home to fewer than ten residents exceeding 10,000xM. This means that almost every State legislature – and the legions of state and local employees they serve – has practically nothing to lose and everything to gain by ratification. And all this is to say nothing of the revenues' knock-on benefit of reducing the States' dependency upon the Federal Treasury, thus promoting the foundational American value of federalism.

## TEN THOUSAND TO ONE: GO FIGURE IT OUT.

As the legislative and constitutional remit of our proposed intervention is limited to creating market incentives to raise the median and reduce historic Black household wealth disparities, the specific methods and manner by which these are to be accomplished must be left to the market to decide. We must not presume to dictate to market actors how they should raise the median. To do so would transform the nature of our intervention from an incentive to a mandate. As the Amendment imposes no direct impact upon enterprises, it gives the government no voice in dictating to them how they should conduct their business. And as the top households bear the direct consequences of failure, they should have principal discretion as to method. The great question, as already alluded, is in setting the ratio at the proper number to cover the appropriate number of elite households.

Covered households may in any event raise their cap simply by using their market power to raise the median. The ratio therefore both adopts capitalism's own device of the executive incentive plan and scales it from the level of enterprise to nation. The only limit thereby imposed upon elites is the limit of their genius, talents, and efficiency, which the most vocal adherents of free enterprise have told us for generations are reposed in the greatest amount in the very households to be affected by this measure. If plutocracy's apologists should now renounce these claims as false, pleading impotence or incompetence, how long have we all labored under a lie! And if they should utter capital flight, threatening to siphon the wealth generated using the benefit of our markets, our infrastructure, our labor, our laws, and our peace from our land, then how clear will our vision and conscience be.

Provided, however, that covered household net worth is calculated with reasonable accuracy and their predictable efforts of evasion and expatriation are appropriately countered – tasks requiring more diligence and resolve than ingenuity – even self-imposed exile will not defeat the ratio, encouraging elite economic actors to deploy their market power for the project of raising the median in accordance with the Amendment's intent and purposes.

## MATTERS REQUIRING EXPERIENCE, TIME, AND THE JUDGMENTS OF MANY.

Implementation, administration, and enforcement of the ratio naturally raises various legal and accounting questions, the answers to which will vary from nation to nation. Most of the specific details are beyond the purview of this series which has been to introduce **THE WHAT** and **THE WHY**. That said, the following key open philosophical questions are acknowledged, for which debate is invited:

**FIRST, IS 10,000:1 THE OPTIMAL RATIO?** The short answer is: nobody knows. Just as the Framers did not know whether and for how long the Constitution would succeed at its objects, we cannot know whether a ratio of 10,000:1 would in fact generate adequate distributive market force until the market has time to react. So, while an initial ratio of 10,000:1 is herein proposed, changing circumstances and the benefit of experience may in the future recommend that it be raised or lowered. The Amendment contemplates the latter contingency but, just as when putting on a seatbelt, one must buckle up before tightening down.

**SECOND, SHOULD PREEXISTING FORTUNES BE GRANDFATHERED?** The proposed Amendment would disregard from the calculation of net worth preexisting fortunes to the extent any component thereof which can be located within our borders is timely repatriated, and provided that no affected individuals have been convicted of any felony or financial crime. Because it permanently nullifies the availability of any grandfathering for all property that could be but is not timely repatriated to our territory, along with for all bad actors, this feature therefore supplements the market and ratification incentives already described with a **REPATRIATION INCENTIVE** and **GOOD BEHAVIOR INCENTIVE** for elite households.

**THIRD, SHOULD A SEPARATE CAP APPLY TO FOREIGN HOLDINGS?** In order to enable covered Americans to compete in foreign investment activities, the proposed Amendment sets a tentative secondary limit equal to twenty percent of the domestic wealth cap. In addition to the \$1.2 billion cap described above, covered households could thus disregard an additional \$240 million in property that legitimately cannot be located in the United States from the calculation of net worth, with any excess counting against the domestic cap and to be satisfied out of domestic holdings.

**FOURTH, SHOULD REAL ESTATE BE EXEMPT?** The proposed Amendment exempts domestic real estate from inclusion in net worth, but not monies or rent received thereon, on the grounds that domestic real estate is already subject to taxation and cannot be justly or efficiently allocated or used by any other State under the Amendment.

**FIFTH, SHOULD THE RATIO BE SUSPENDED IF THE PRESCRIBED MIDDLE-CLASS TARGETS ARE ACHIEVED?** The proposed Amendment permits Congress to suspend enforcement during any time that the aggregate wealth of the middle three quintiles exceeds fifty percent of the entire national net worth as reported by the most recent census.

Beyond what has been said above, the technical minutia as to **THE HOW** – especially concerning enforcement and compliance – are reserved for the lawyers and accountants. After all, most people just want to eat the meal. Few wish to discuss it with the butcher.

## **THE REDEMPTION OF THE AMERICAN IDEAL.**

Our last topic brings us full circle to our first: the proposed Amendment. For inspiration, we need look no further than an idea for a constitutional amendment by the man who wrote America's first words that *All Men Are Created Equal*. In his second inaugural address, Thomas Jefferson suggested adopting an "*amendment of the constitution*" to distribute the surplus proceeds of import taxes "*paid chiefly by those who can afford to add foreign luxuries to domestic comforts*" to the States. In other words, Jefferson proposed to divert the revenues raised by federal luxury taxes to the States. We may enforce the ratio and structure the Amendment by identical means, changed only for the method of computing the tax, the character of property to which it would apply, and the details of enforcement.

The ratio must in any case be implemented as a federal measure to preclude interstate arbitrage and enlist the powerful machinery of the United States Government. It must be a

constitutional measure rather than a mere statute to bypass Congressional ineptitude and defend it from the vicissitudes of electoral politics and enervating barrages of litigation. Its adoption is a simple matter, as Article V surrenders the final pen over the Constitution to the States. Thirty-eight States need but use their latent but supreme power, and the billions of dollars in revenues that would be raised through ratio enforcement would be split equally among them to the benefit of their universities, their pension funds, their workers, their retirees, their police, their teachers, their students, and for whatever other objects each State deems fit to pursue according to the conscience of their respective majorities, whether of a conservative or progressive nature. And thirty-eight states could do this without raising taxes on more than ten or fifteen of their respective residents by one cent.

But neither the rejuvenation of federalism nor the revenues themselves, though likely to be vast and of greatest practical interest to those having the power to adopt the ratio, are really the point. Our ultimate concern is to introduce this market corrective in order to restore the middle class and upward mobility, rehabilitate the middling virtues, and reduce Black wealth disparities, so that we may finally repair what was worst about America's founding, and forever redeem what was best.

***GRACCHUS.***

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

**ARTICLE [ ].**

***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.** Congress shall annually lay and collect taxes on every Household described in the preceding section whose net worth would otherwise exceed a prescribed multiple of the amount last published pursuant thereto, which for all property located within any territory subject to the jurisdiction of the United States shall, in the aggregate, initially be and never increased above [ten Thousand] times, or reduced below [one Thousand] times thereof; and for all property located in all other territories shall, in the aggregate, be an amount equal to [one-fifth] of the limit established by such preceding multiple as is then in effect and as may change from time to time as described in the following sentence. 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 is hereby granted all power as necessary to effect the foregoing Intent and Purposes and punish and deter the evasion thereof, without regard to apportionment among the States, uniformity, any other census or enumeration or any inconsistent provision of this Constitution.*

*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: the appraised value of all Real Property as reflected on the records of any State or subdivision thereof (but not any monies or other Property at any time and in any manner 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.*

**SECTION 5.** *In resolving any ambiguity arising from the text of this article, the Supreme Court shall adopt the interpretation asserted in any amicus curiae brief, which is at any time filed, that is not inconsistent with the plain meaning of this article, which is joined by a number of States, as indicated by the assent of the legislatures thereof, which is then sufficient to ratify an Amendment to this Constitution.*

**SECTION 6.** *Congress may suspend the tax required by this article during any period that the aggregate net worth owned by the [middle three quintiles] of all Households described in the first section of this article exceeds [fifty percent] of the entire net worth owned by all Households described in the first section of this article, as determined by the most recent census.*