THE HARVEY C. RUSSELL JR. INSTITUTE
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RUSSELL INSTITUTE WORKING PAPER NO. 4 · THE INCLUSIVE CAPITALISM SERIES

Paid in Status

The five factors of ownership, the currency that divided the working class, and the standard that lifts the American future

Ownership is what money buys when you have built it up and can move it. For most of four centuries the American majority was paid in something else: status, created by law, honored everywhere, and cashable nowhere. This paper sets out what ownership is made of, what was paid in its place, and how a country puts something behind its social currency that no law can devalue and no politician can use to divide us.

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New in Draft 11. Regenerated in the Institute's current working-paper format; the author's disclosure of the company founded to operate the marketplace described in Working Paper No. 5; Working Paper No. 5 named as a companion. The text is otherwise Draft 10 of September 28, 2026.

The Argument

A foreword by the author. What follows this page is the analysis, stated carefully and sourced. This page is what I believe. I own what I own because I was able to buy it. To buy it I needed credit. To get credit I needed an income that qualified. To earn that income I needed a job. The job came from a pile of advantages that built up over decades: schooling, connections, a family name that opened doors in Baltimore, Annapolis, and beyond, along with the habits and attitudes of people who expect to own things. Each of those was a gate. Each one opened because the one before it had. Unless it is inherited, that is how ownership works for everyone who has it. It is the last gate in a row, and it opens only when most, if not all, of the others have.

The country understood this from the start. It never had to keep the majority away from the closing table, where ownership passes from one party to the next. It only had to keep them out of the jobs that paid the income that would have qualified them to be there in the first place. The rest took care of itself. Working Paper No. 3 proposed a tool, Community Revenue Participation, that gives a community a stake where it previously had none. This paper is about why it had none, and it reaches a conclusion I did not expect when I started.

The American working majority, Black and white alike, was paid in a currency that could not be saved, invested, or compounded. And the two halves of that majority were paid in it differently. The white worker was paid in a fiat currency. A fiat currency is money that is not backed by a physical commodity like gold or silver. It gets its value from government decree and public trust, and it is worth something only as long as people believe it is. The fiat currency the white worker was paid in was status. Status was codified in law by 1705. It was good in every state. It was worth a lot at the counter where jobs, houses, and loans were handed out. But unlike the dollar, it was not legal tender: it could not settle a debt or pay a tax. It could not be put in a bank, lent out, pledged, or sold. So the one law by which money grows without work, compound interest, never applied to what he was paid. In fact, that currency was spent at the same moment it was issued. It was not bankable, and it could not accumulate. The Black worker was not paid in any currency at all. For two and a half centuries he was the money. He was the asset on someone else's books, the thing that could be sold, borrowed against, and compounded. He also generated the income. In financial terms, he was the balance sheet and the income statement, combined. King Cotton was to those times what oil is to the twentieth and twenty-first centuries, and he was the asset that generated its enormous profits for his owners. For a century after that he was denied all three: the status, the principal, and the compounding.

I say this plainly because it changes who this argument is for. The white family in a county dying of despair and the Black family trapped in a bad neighborhood, or whose net worth is one-sixth of its white neighbor's, were promised the same thing in the nation's founding documents. It is the promise in the Declaration. Neither has been paid in principal, the money on which wealth can be built. Nothing was taken from the first to give to the second. Great divisions have been created and deepened by those who traffic in the claim that one class was paid out of the proceeds of the other. The civil rights laws of the 1960s did not devalue anyone's currency. They ended the law behind it, and that showed what the currency had been backed by, which was nothing. Ending the legal status premium did not debit an ownership asset from the white worker's balance sheet, because status had never been an asset he could own. That is the proof that what he held was never wealth. It was status: a social construct, based on fiat and not on economics.

Here is the good news. The country can finally put something real behind its social currency, something no law can devalue. That something is judgment: knowing which questions matter, which answers to trust, and what to do next. Artificial intelligence is making know-how cheap and judgment scarce. It is also removing the old barriers to expertise. The expensive credentials, the networks, and the capital you once needed to get in the door are exactly what it makes cheap, and that opens the door to people who never had them. No race, region, or country of origin has a monopoly on judgment. If judgment is what earns status, and status can be turned into something you own, then the currency is backed by gold. The data center is the first place to attempt it. Two measures will tell us whether it works: are more families owning something, and are they keeping it.

I should say plainly that since this paper was first drafted I have founded a company to operate the marketplace that Working Paper No. 5 describes, where that cashing-in would take place. The Institute is independent of that company and is paid by no party to any transaction.

> *Status bought you a place in line at the counter where assets were sold. A place in line is not an asset.*

The Paper in Brief

What ownership is. Money you built up over time, that you could turn from one form into another, buying something that grows on its own. Ownership is the last gate in a row, not one of several boxes to check.

The five factors. Capital is the money itself. Place, market, and institutions are the three channels it moves through. Technology is the multiplier that sets how fast, and at what return, it moves. Ownership is capital sent out through the channels and returns received back through them. You can use each channel, or you can hold a position in it. The majority was never barred from using them. It was kept from holding.

The currency. What the white majority got instead of principal was status: created by law, honored everywhere in the country, worth something only because everyone agreed it was, and impossible to save, lend, or compound. It paid as a bonus on whatever you already had. On nothing, it paid nothing.

The ledger. The currency was issued three times, and each time the two halves of the working class were about to find each other: after Bacon's Rebellion, after emancipation, and just as the white worker was about to buy a house. Enslaved people were the money the currency was drawn against, and the people who did the issuing were the planters, the legislators, and the federal appraisers who profited from the split. The currency had a life of its own: defined by 1705, made tender by 1857, traded until 1954, and dismantled since, first by law and then by the economy.

The promise. The civil rights era did not move anything from one class to the other. It extended the founding promise, in law, to the people it had always left out. Then it left that promise unpaid for them, exactly as it had for the white worker. Two classes, one promise, nobody paid in principal.

Stewardship. Ownership is what you hold today. Stewardship is whether you still hold it in thirty years. Two things keep an estate together: its parts fit, and it outlasts the people who built it. The Ownership Index measures what is held. The Stewardship Index measures whether it stays held.

The standard. The old order called itself a meritocracy. It measured credentials, which were gated, and paid the winners in status. It was a status-ocracy. The standard proposed here is Capitalized Judgment: performance rather than credentials, paid in ownership rather than status. Judgment is scarce, it can be seen in the record, and no race holds a monopoly on it, so a currency backed by it cannot be handed out by color. Community Revenue Participation is the first place to cash it in, and Maryland's order of September 23, 2026 is the first place the window can open.

What Ownership Is

Ownership is money you built up over time, that you could turn from one form into another, buying something that grows on its own. Every part of that sentence matters. Built up over time means you did not get it all at once. Turn from one form into another means the paycheck became a down payment. The down payment became a house. The house became collateral, and the collateral became a loan for a business. Collateral is something you own that a

lender can take if you do not pay. It is why a bank lends to a homeowner at one rate and to a renter at another, or not at all. The channels those conversions ran through were provided by the society, not by luck. And the thing you buy has to grow on its own, or you did not buy an asset. You spent money.

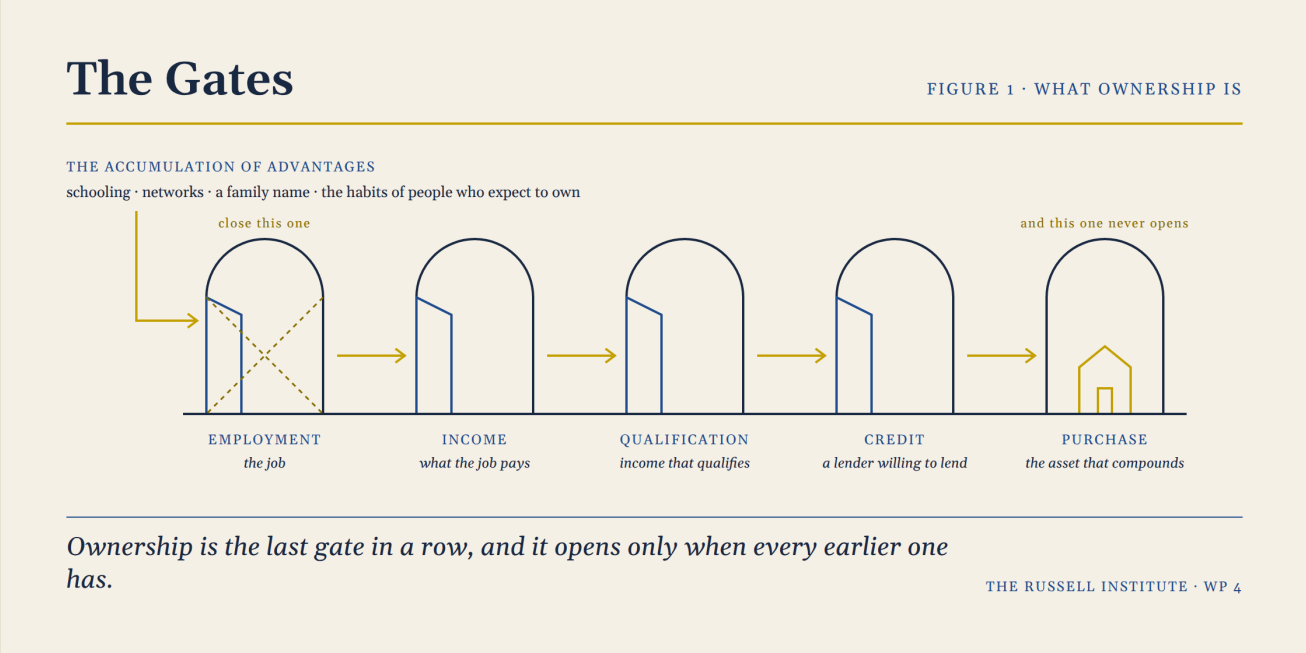


Figure 1. *Ownership is the last gate in a row, and it opens only when every earlier one has.*

The five factors of ownership come from the Institute's earlier work and the book this paper goes with, and they are not five of the same kind of thing. Capital is the substance. It is the money itself, in one of two forms. Credit is money you borrow and pay back with interest. Equity is money you put in and own a share of. Place, market, and institutions are the channels capital moves through. Place is where you are: the lot, the block, the county. It turns buying power into a position that gains value, because land in the right place goes up. Market is who you can buy from or sell to. It turns a position into sales, and it turns a customer into a seller. Institutions are the banks, insurers, courts, and associations of an economy. They turn relationships and records into credit and protection: a credit history into a mortgage or a bond offering, a deed into something a court will defend, a track record into access to sophisticated private investors. Technology is the multiplier. It is the tool of the era, the cotton gin, the railroad, the factory, the computer, now the data center, and it sets how fast and at what return capital moves through the other three. It can drive how much the other channels are worth, or how much flows through them. Every era's technology re-prices the channels. So the picture is capital at the center, three channels around it, and technology as the rate the whole thing turns at.

The flow runs both ways, and that is what makes it ownership rather than spending. Capital goes out through the channels: into a lot, into a business, into a bank. Returns come back through the same channels. Through place, the house gains value and you can borrow against the gain. Through market, you get customers, and past a certain size you get private equity, the credit markets, and a public offering. Through institutions, you get the tax shield on the mortgage interest, limited liability, and the rest of the favorable treatment the law reserves for owners. Ownership is

capital sent out through the channels and benefits received back through them. Capital that never goes out is not ownership. It is dollars in a mattress, and it earns what they earn, which is nothing. You need capital to reach the channels. But capital by itself does not make an owner. It has to move.

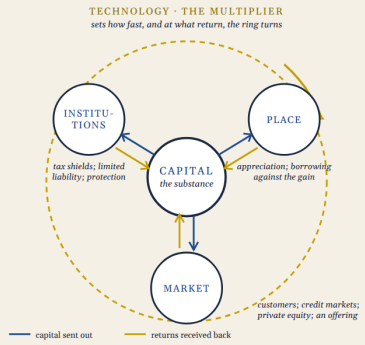
You can use each channel, or you can hold a position in it. Using looks like this: you borrow at retail, you shop, you rent, the bank serves you, you use the tool. Holding looks like this: you own equity, you sell, you own the land, you own or run the bank, you own the tool or collect its rent. Ownership is a position held in every channel, with capital moving through all of them. The country was always glad to take the Black dollar, even through the back door, and always glad to have the white worker as a customer too. What it kept from both of them was the wealth: the holding. That worked, because a person can use every channel all his life and never hold a position in one. A man can rent for fifty years, shop at the same store, keep his savings at the same bank, and ride the same railroad to work. He can die with nothing to leave his children.

FACTOR	WHAT IT TURNS INTO WHAT	USING IT	HOLDING IT	HOW THE HOLDING WAS REFUSED
Capital (credit or equity)	Income into buying power	Borrow at retail; get paid in wages	Own equity; lend; get paid in ownership	Credit denied by neighborhood and by race; wages paid in status rather than shares or cash
Place (where you are)	Buying power into a position that gains value	Rent; occupy	Own the land and the building; keep the gain or borrow against it	Restrictive covenants, the FHA manual, urban renewal, and highways; the same house appraised lower on a Black block
Market (who you can buy from or sell to)	A position into sales	Buy; be a customer	Sell; hold a share of the trade	Markets open to the Black buyer and closed to the Black seller outside his own neighborhood
Institutions (banks, courts, insurers, associations)	Relationships and records into credit and protection	Be served; be regulated	Own or run the bank, the insurer, the association, the company	Black banks whose depositors lived in redlined neighborhoods, so their savings could not become their own neighborhood's mortgages; courts that took a white man's word over a Black man's deed
Technology (the tool of the era)	All four, at a multiple	Use the tool; pay the rate	Own the tool or collect its rent	Every era's tool took investment money to get into, and the majority had none

The five factors as channels. Using is what a person does with a factor; holding is what a person keeps. The last column gives examples, not the whole record; the record is in the sections that follow.

The Two Forms

FIGURE 2 · THE FIVE FACTORS: SUBSTANCE, CHANNELS, MULTIPLIER



CHANNEL	CONSUMPTION FORM · USE	INVESTMENT FORM · HOLD
Capital	borrow at retail; be paid in wages	hold equity; lend; be paid in ownership
Place	rent; occupy	own the land; hold the appreciation
Market	buy; be a customer	sell; hold a share of the exchange
Institutions	be served; be regulated	own or govern the bank, the insurer, the association
Technology	use the tool; pay the rate	own the tool or its rent

A person can use every channel all his life and never hold a position in one.

Ownership is capital sent out through the channels and returns received back. Exclusion was using the channels without ever holding a position in them.

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Figure 2. *Capital at the center, three channels around it, technology as the rate it turns. Ownership is capital sent out and returns received back; exclusion was being allowed to use the channels and never to hold a position in them.*

What makes the five a system, and not a list, is that money has to move between them. That is what the excluded did not have. Picture a Black farmer in Georgia in 1950 who owns his land outright, paid off, no mortgage. He goes to the bank for a loan to buy a tractor. The bank says no. His land is worth something, but not to the bank, because the bank does not lend on land in his part of the county. He holds one factor, place, and cannot turn it into another, capital. Black banks had the same problem from the other side. They could not lend into the neighborhoods their own depositors lived in, because the federal appraisal rules marked those neighborhoods as bad risks. Black businesses could sell only to Black customers, so a market that stopped at the neighborhood line stopped the business too. In each case one factor was held and could not be turned into another. So the wrong the five factors describe is more exact than poverty. It is money that would not move. And the row of gates that opens ownership, job to income to qualification to credit to purchase, is the buyer's side of the same table. It is what a person has to bring, built from a lifetime of advantages, meeting what the society has to offer.

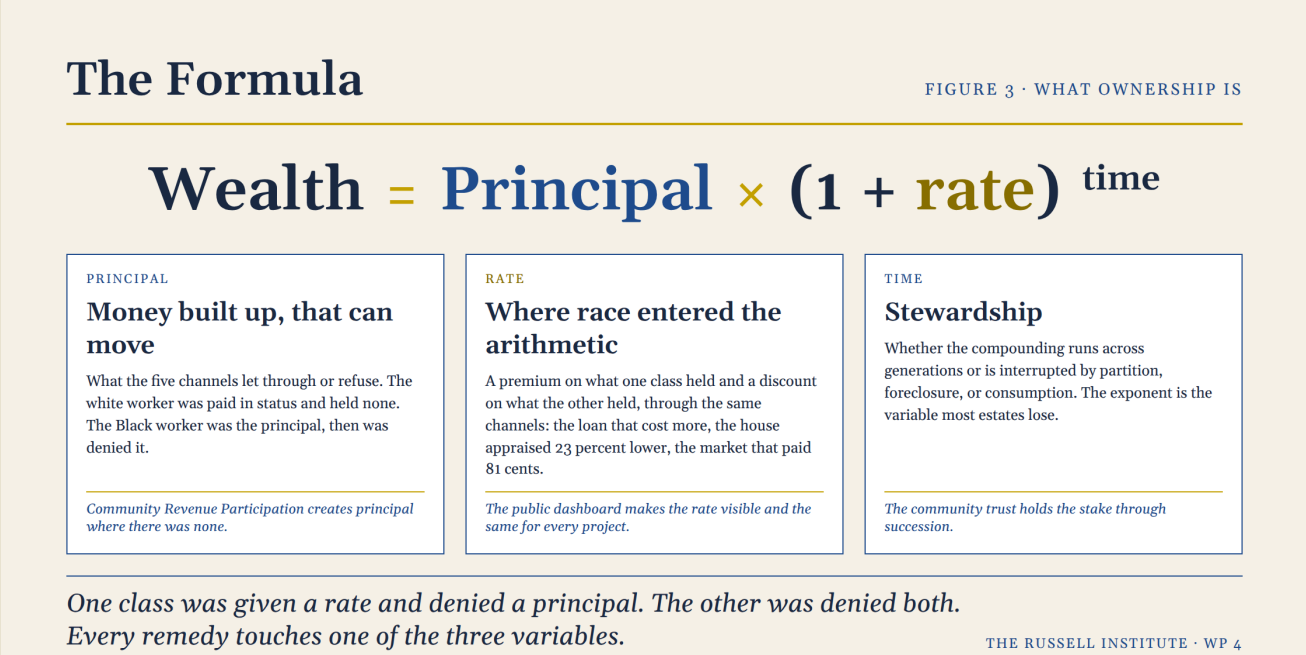


Figure 3. *One class was given a rate and denied a principal. The other was denied both. Every remedy touches one of the three variables.*

Wealth follows one formula, and the five factors fit inside it. Wealth is principal, compounded at a rate, over time. Principal is the money you start with, the money you built up and could move. Compound interest is interest earned on interest. A hundred dollars at seven percent is a hundred and seven next year. The year after that, the seven percent is earned on a hundred and seven, not a hundred. So the money doubles roughly every ten years without anyone working for it. That is the only law by which wealth grows on its own, and it needs all three parts: something to start with, a rate, and time. The channels either let the principal through or refuse it. The rate is where the country's history came in: a bonus on what one class held and a discount on what the other held, through the same channels. The loan that cost more. The house appraised lower. The market that paid less. And time is stewardship: whether the compounding runs for generations or gets cut off. Every remedy in the Institute's work touches one of the three variables, and the paper says which.

The Currency

If the majority was not paid in principal, what was it paid in? For the white half of the majority, W. E. B. Du Bois answered that in 1935, in Black Reconstruction. The white laborer, he wrote, got a low wage, but he was paid in part with a sort of public and psychological wage. He got public deference and titles of courtesy because he was white. He got into public functions, public parks, and the best schools with every other class of white people. The police were drawn from his ranks, and the courts, which needed his vote, went easy on him. Du Bois called it a wage. This paper takes him at his word and asks what kind of money it was paid in.

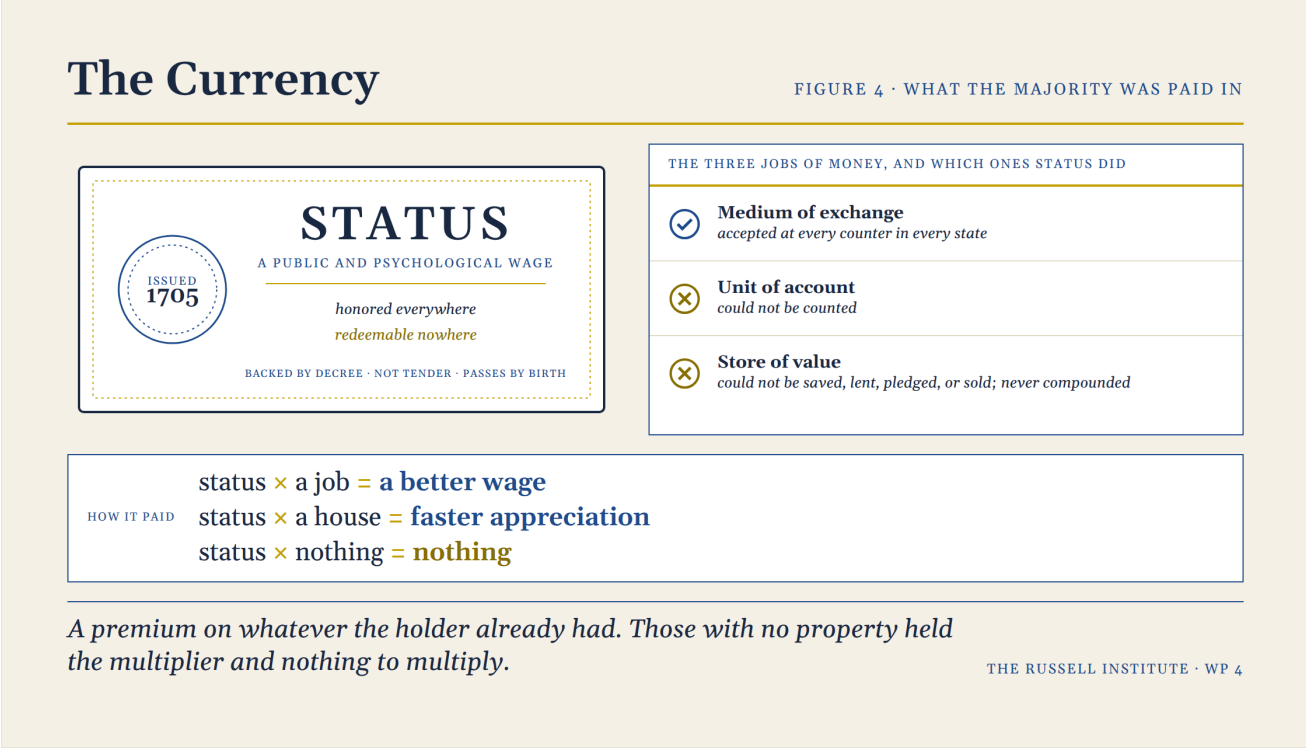


Figure 4. *Status did one of money's three jobs everywhere and the other two nowhere. It paid only as a bonus on what the holder already had.*

Money does three jobs. You can spend it, you can count with it, and you can save it. Economists call these a medium of exchange, a unit of account, and a store of value, and a thing has to do all three to be money. Status did the first job everywhere and the other two nowhere. You could not count it. You could not save it. It could not go in a bank, be lent at interest, be pledged for a loan, or be sold, so it never compounded. And compounding was the thing being withheld. It passed to your children, but only by birth, never by sale, which is how a title of nobility works, not money. It was accepted everywhere and worth nothing at rest.

It was not scrip, either. Scrip was the company money of the coal town and the plantation store. The company paid its workers in it, the company store took it, and nobody else did, so it was worthless across the county line. Status was good in every state, every courtroom, every hiring hall, and every lunch counter, and it traveled with you without anyone checking a ledger. In circulation it looked like fiat money, and the likeness goes deeper than that. What makes fiat money fiat is not that it holds value. It is that its value comes from a decree. It is worth something because the state says so and enforces it, and because everyone inside the borders agrees to honor it. By that test, status qualifies. It was created by statute. It was backed by the state's police power. It was accepted at face value everywhere the law reached. And its value rested on nothing but the agreement to honor it. Cheryl Harris, a law professor, made the legal version of this case in 1993. American law, she argued, had treated whiteness as a kind of property. It came with rights to use it and to exclude others from it, and a settled expectation that it would keep its value. That is close to saying the law treated it as money.

The comparison has limits, and the paper states them so the idea is not lost in a fight over the word. Status could not be divided, could not be sold, and passed only by descent. Those limits are why status was not money. They do not defeat the comparison; they explain its consequence. Status worked as a multiplier on principal, and because it

could never become principal, it could not compound on its own. And the objection that it could not hold value is weaker than it sounds, because fiat money does not grow at rest either. Dollars in a mattress earn nothing. They become wealth only when you trade them for something that grows. A currency that everyone holds and no one converts leaves its holders exactly where the white working class ended up. Their problem was not that status could not hold value. It was that they were never in a position to convert it. The arrangement was built so that they would spend it on being white rather than trade it for something they could own.

Status did turn into money, and the way it did is the key to the whole thing. It paid a bonus for the same work. In 2024, Black full-time workers' median weekly pay was 81.5 percent of white workers'. The Economic Policy Institute's adjusted gap, after accounting for education, age, gender, and region, was 16.2 percent in 2018, and it had widened since 2000. It paid a bonus on the same house. Andre Perry and his Brookings colleagues found in 2018 that homes of similar quality, in neighborhoods with similar schools, commutes, and amenities, were worth 23 percent less in majority-Black neighborhoods than in neighborhoods with few or no Black residents. That is about $48,000 a house and $156 billion in all. It is money white homeowners have and Black homeowners do not, for the same house. That estimate has been challenged by researchers at the American Enterprise Institute, who found that the gap shrinks to a few points once a neighborhood credit-score average and the share of single-borrower households are added to the comparison. Its authors answer that the credit measure is proprietary and opaque and that the added controls may themselves stand in for race. This paper adds that a credit score is a record of how the channels treated you, so controlling for it hides part of the thing being measured. Both sides are in the notes. But status never paid on its own. It paid as a bonus on something you already had: a job, a house, a loan application, a business. Status times a job was a better wage. Status times a house was faster appreciation. Status times nothing was nothing. That is why it could be honored everywhere and still leave the white worker with no property and an empty balance sheet. He held the multiplier and had nothing to multiply. He was let into the system with enough principal to participate, but not enough, as a class, to become the principal, so the channels worked for him at a scale that kept him dependent on the wage. And that is why the white man who did hold property pulled away from him, because the same multiplier on a base compounds. The class divide inside whiteness is the same bonus meeting different principals.

The holders of that currency defended it, and the way they defended it is the most telling thing about it. When Black communities were shut out of the channels, some built their own. Wilmington, North Carolina had a Black-owned newspaper, Black merchants, and a biracial elected government in 1898. Tulsa's Greenwood district had hotels, theaters, and two newspapers, and was known by 1921 as the Negro Wall Street, today's Black Wall Street. Rosewood, Florida was a self-sufficient Black town in 1923. All three were destroyed. The men with the torches were, for the most part, working white men. In Wilmington the plan was drawn by the city's leading white businessmen and politicians, who armed the mob and led it; the holders carried out what the issuers organized. There a white mob overthrew the elected government, burned the newspaper, and killed dozens. In Tulsa a mob burned thirty-five blocks; Oklahoma's later commission concluded that deaths probably numbered between 100 and 300. In Rosewood the town was burned and never rebuilt. A Black district thriving on its own did not threaten the white worker's wages. It threatened the one thing he had been paid in. Status was worth something only as relative position, and a Black business district across the tracks was proof that the position could be lost. That does not explain everything about three complicated episodes, and the paper does not claim it does. But it explains the

target. The target was never the wages. It was the hotel, the newspaper, the block of owned houses: the holding. That is what the holders of a fiat currency defend when its value is threatened, and the fact that they defended it with torches rather than through a central bank does not change what they were defending.

> *Honored everywhere. Redeemable nowhere.*

The Ledger

A currency has a mint, and this one was minted three times. Each minting came at a moment when the economic relationship between the two halves of the working class was being reordered, and each time the law renewed the distinction between them. The first time, on Edmund Morgan's reading, the reason was that the two halves had found each other. The other two times the paper claims less: only that the reordering was the occasion, and the distinction was the answer.

The first minting followed Bacon's Rebellion. In 1676 the men who marched on Jamestown under Nathaniel Bacon included English servants and enslaved Africans in the same ranks; eighty of the enslaved and twenty of the servants were the last to lay down their arms. They burned the capital. Edmund Morgan, a Yale historian, argued in American Slavery, American Freedom that the planters' response, whether or not they saw it as a lesson, was to split a working class that could join together. The cheapest way to split it was to pay one half in status. Historians argue about that. Some say planters switched from servants to slaves because the supply of English servants dried up after 1680. Others find racial slavery taking shape earlier and more gradually than 1676. What nobody disputes is the statute book, and the men who wrote it were the planters themselves, sitting in the House of Burgesses. In October 1705 the Virginia assembly passed an act concerning servants and slaves. It made non-Christians brought into the colony slaves. It barred Black people, Indians, and non-Christians from buying Christian servants. It set thirty lashes for any Black person, enslaved or free, who raised a hand against a white Christian. It let a master off for killing a slave during correction. And in the same act it restated and widened white servants' protections: no whipping of a Christian white servant naked without a justice's order, and a right to complain to a justice about food, clothing, lodging, and wages. A separate act of the same session declared enslaved people to be real estate, passing to heirs and widows like a farm or a house. One class was made the money. The other was paid in status. The mint was the legislature, and the legislature was the planters.

The new nation adopted the currency at its founding. The Naturalization Act of 1790 limited citizenship by naturalization to any alien being a free white person. Dred Scott v. Sandford, in 1857, held that people of African descent, enslaved or free, were not included under the word citizens in the Constitution, and were never meant to be. Status was now good nationwide.

On the other side of the ledger sat the principal. By 1860 there were close to four million enslaved people in the United States. Roger Ransom, an economic historian, estimated from that year's census that their market value was close to three billion dollars. That was about equal to all the farmland and farm buildings in the South. Their value grew through what the ledgers called natural increase, meaning children. They were bought on credit, mortgaged,

insured, and pledged as collateral for the bonds that built the region's banks. A planter could borrow against a man the way a farmer borrows against a field. Everything status could not do, the enslaved could, on someone else's books. One class was kept from compounding. The other class was what compounded.

The second minting followed emancipation, the moment the principal walked free. The Southern legislatures, elected under the old order, moved within months. Mississippi passed the first Black Code in November 1865 and South Carolina followed in December. Mississippi's vagrancy law made any freedman without lawful employment on the second Monday of January 1866 a vagrant, and a companion act required him to carry written proof of a job or contract. He could be fined. If the fine went unpaid within five days, the sheriff could hire him out to whoever would pay it for the shortest term of service, with preference to his current employer, who was very often his former master. A laborer who quit before his term was up lost his wages. Black children were apprenticed out, with former masters given first claim. The same currency was minted again with the reserve gone. It was backed now by vagrancy law and the hiring-out rules that led toward convict leasing, the system under which states rented prisoners to mines and plantations for the next half century.

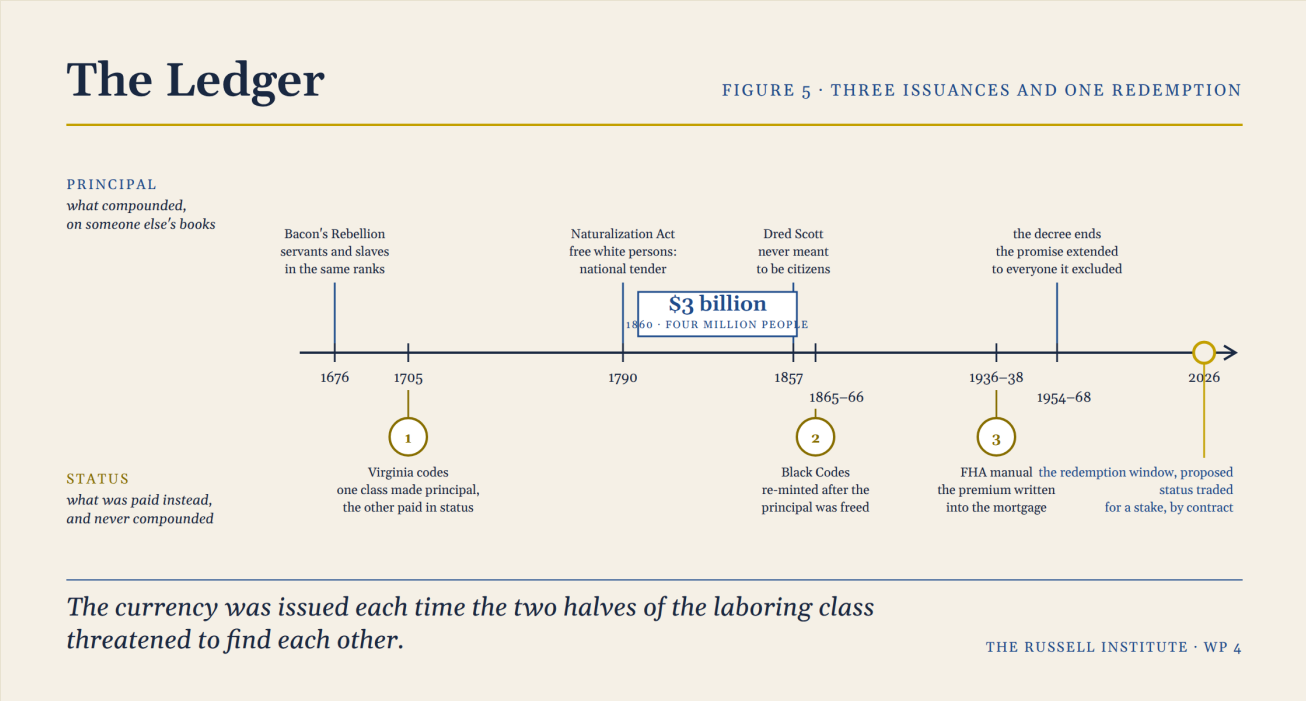


Figure 5. *The currency was minted at three moments when the relationship between the two halves of the working class was being reordered, and each time the law renewed the distinction.*

The third minting came just as the white worker was about to buy a house, and this time the mint was federal. The Federal Housing Administration, created in 1934 to insure home mortgages, issued an Underwriting Manual whose 1936 edition and 1938 revision told its appraisers what counted as protection from adverse influences. It meant keeping out business and industrial uses, lower class occupancy, and inharmonious racial groups. It told them to check whether incompatible racial and social groups are present and to predict the probability of the location being invaded by such groups. It recommended deed restrictions prohibiting the occupancy of properties except by the race for which they are intended. A loan on a house the FHA's appraisers rated well under the manual was federally

insured. A loan on one they rated badly was not, so lenders lent where the manual pointed. The mortgage market that built the postwar middle class was underwritten on that manual. Status was written into the appraisal, and the bonus and the discount on place became federal policy.

DATE	EVENT	WHAT IT DID TO THE CURRENCY
1676	Bacon's Rebellion: English servants and enslaved Africans in the same ranks	The working class shows it can join together
1705	Virginia acts concerning servants and slaves, and declaring slaves real estate	First minting: one class made the money, the other paid in status
1790	Naturalization Act limits citizenship to free white persons	Status becomes good nationwide
1857	Dred Scott v. Sandford	The Court holds that Black people were never meant to be citizens
1865–66	Black Codes of Mississippi and South Carolina	Second minting: the currency re-issued after the money walked free
1936–38	FHA Underwriting Manual	Third minting: the bonus and the discount written into the mortgage
1954–68	Brown, the Civil Rights Act, the Voting Rights Act, the Fair Housing Act	The law behind the currency ends; the promise is extended to everyone it left out
2026	Maryland Executive Order 01.01.2026.16	The first place a stake could be written into the model terms; the Institute's proposal, not yet the order's act

Three mintings and one redemption. The dates and holdings are documented in the notes; the reading of them is the Institute's.

Between mintings the currency was inflated. Inflation is what happens to money when more of it is printed: each dollar buys a little less. Each time a new group was admitted to whiteness, the Irish, then the Italians, and, more grudgingly and never completely, the Jews, who were let through the legal door while college quotas, covenants, and clubs kept the social one shut, there was more status in circulation. Each holder's share was worth a little less. Historians disagree about how far outside those groups ever were. But the pattern they describe is a currency whose supply was managed, which is one more thing fiat money does.

Laid out this way, the mintings sit inside something larger: the life of the currency itself. A currency is defined, it is made tender, it is traded, and it is demonetized. Status went through all four. It was defined between 1676 and 1705, from the rebellion that showed the danger to the acts that fixed the first rate. It was made tender between 1790 and 1857, from the Naturalization Act to Dred Scott, when it became the condition of citizenship and then of having rights at all. It was never legal tender. It was what might be called social tender: a currency the law would honor without ever calling it money.

It was traded between 1865 and 1954. That was the exchange era, and what was exchanged was status against dollars: status for a wage premium, status for a mortgage, status for a job, status for a verdict. The Black Codes reopened the exchange the moment the reserve walked free. The FHA manual of 1938 was the exchange at its peak, the year the federal government set the rate itself. The mintings of 1866 and 1938 were re-issues inside this era, not eras of their own.

Then it was dismantled, in two stages with two different causes. The legal stage ran from 1954 to 1968 and ended the decree. The economic stage came from somewhere else entirely. In the paper's reading, it opened with the first oil shock in 1973 and closed on the working class with China's entry into the World Trade Organization in 2001, when the factories that had paid the base wage left, and the pandemic and the reshoring that followed finished it. The white worker who held nothing but status learned that status times nothing was still nothing. The premium on held assets never went away; the house on the white block is still appraised higher and the same work still pays more. What went to zero was what status bought a worker who held nothing else. And what he lost in 2001 was the wage, not the status, because the status had never been redeemable. The paper's claim is that he was owed the wage in principal all along.

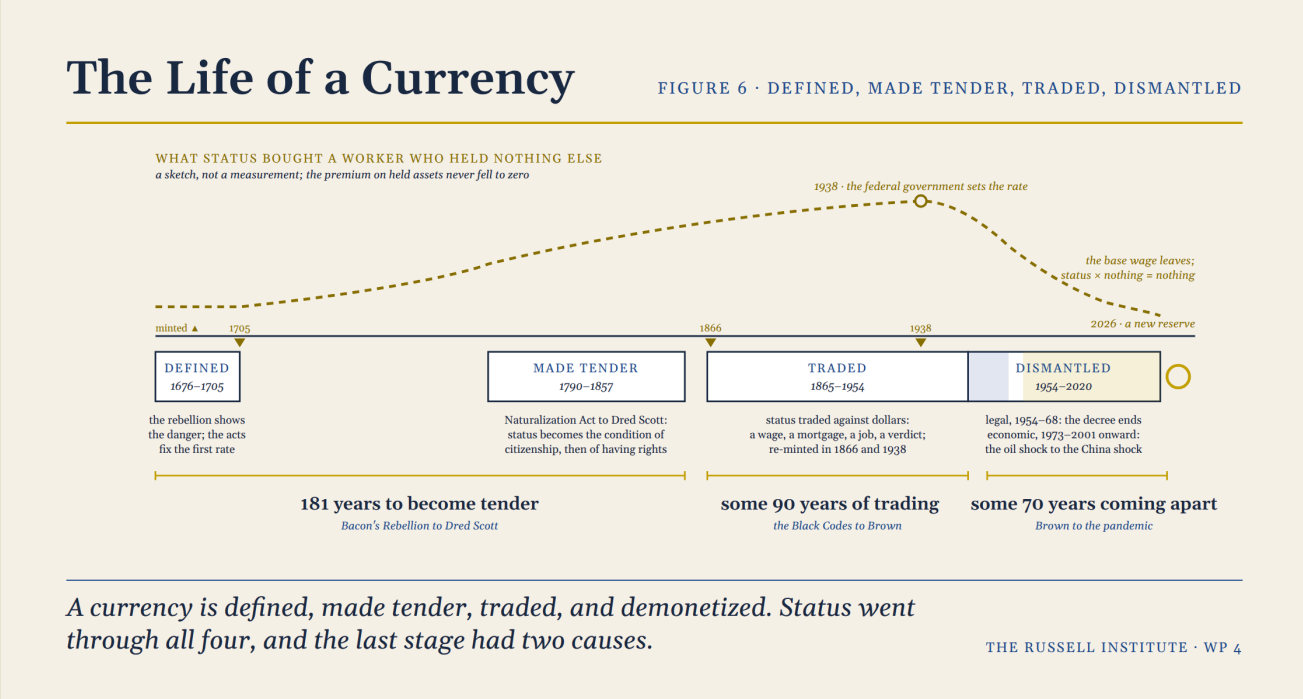


Figure 6. *The life of a currency: defined, made tender, traded, dismantled. The dates are documented in the notes; the periods, and the dotted line showing what status bought a worker who held nothing else, are the Institute's reading, a sketch and not a measurement.*

From Bacon's Rebellion to Dred Scott, the currency took 181 years to become tender. It traded for some ninety years. It has been coming apart for some seventy. And 2026 is the first year a different reserve has been on offer.

The Promise

The Declaration promised life, liberty, and the pursuit of happiness to everyone the country would count as a person. The Constitution that followed built the machinery of ownership around that promise: contract, property, credit, and the corporation. The book this paper goes with calls the arrangement the founding bargain. It grew out of the pre-colonial ambitions of the merchant and artisan classes seeking greater wealth in the new world. The promise was stated for all. The machinery was reserved for some. The bargain was not broken in the twentieth century. It was extended by the civil rights movement to include those who had been historically excluded.

This is where the paper has been deliberately clear and unwavering, because a sloppy version of the argument communicates the opposite of what is intended. The arrangement said that Black citizenship would be paid for out of white status. It said the civil rights era took from one class and gave to the other. Politicians have run on that claim for sixty years. It is an old lie and a profitable one, because it keeps the two halves of the working class voting against each other. It is also false. The laws of the 1950s and 1960s ended the decree, and ending it showed what the currency had been backed by all along. Ending the decree took no asset off the white worker's balance sheet, because status had never been on it as an asset. The law changed and his ledger did not move. That is the proof that what he held was never wealth. What happened in those years was not a transfer. The founding promise was extended, in law, to the people it had always left out. And then it went unpaid for them, exactly as it had for him.

You can see the unpaid promise on both sides of the line. Net worth is what you own minus what you owe. The Federal Reserve's 2022 Survey of Consumer Finances puts the median net worth of white families at $285,000 and of Black families at $44,900, more than six to one. Median means the family in the middle, so half of Black families have less than $44,900 to their name. The Institute for Policy Studies projected in 2017, by extending the trend since 1983 and using a wealth measure that leaves out cars and other durable goods, that median Black household wealth would hit zero by 2053. That is a trend line, not a forecast, and Black wealth did rise from a low base between 2019 and 2022. But the direction it points is the direction the arrangement was built to produce. On the other side, Anne Case and Angus Deaton, two Princeton economists, showed in 2015 that death rates in middle age were rising among white Americans. The causes were drug and alcohol poisoning, suicide, and liver disease, and the rise was steepest among those with the least schooling. They named it deaths of despair in 2017, and in their 2020 book they placed it among adults without a bachelor's degree. Picture a county where the median white family owns a house and little else, where the plant closed, and where the children have nothing to inherit. That is what a currency of status leaves behind once it stops buying anything.

The white number needs its trend, or it misleads. The white median rose, from $164,000 in 1989 to $285,000 in 2022, in 2022 dollars. That sounds like the promise being paid. It was the distribution splitting in two, and the split runs by education. The Congressional Budget Office tracked all American families' wealth by education from 1989 to 2019. Families headed by someone with a graduate degree gained 61 percent. Families with a bachelor's degree gained 51 percent. Families with only a high school diploma lost 2 percent. Families without one lost 60 percent. In 1989 the graduate-degree family held five times what the high-school family held; by 2019 it held eight times. The wage did the same thing first: since 1979, the real median wage of workers with a high school diploma and no college has fallen 11 percent while the college graduate's has risen 15 percent. The less wealthy half of American households now holds 2.3 percent of household net worth, down from 3.5 percent in 1989 and up from almost nothing after the 2008 crash. This is the multiplier meeting different principals, and the white working family without a degree sits on the losing side of that split. The half with property compounded. The half with status and nothing else went nowhere in forty years, and a median that averages the two says $285,000 and hides both. Case and Deaton found the same line running through the death rates: from 1998 to 2015, mortality rose for those without a college degree and fell for those with one, and they proposed, as a first account, that the rise stemmed from worsening job prospects for whites with little education from the early 1970s onward, the peak of working-class wages. The people dying are the people whose wealth never moved.

Two classes. One promise. Nobody paid in principal. And one of them taught for three centuries to blame the other. The book calls their two responses the exit party and the protest party: those who leave the arrangement and those who stay and fight it. The protest party's grievance is real, and its target is wrong. No principal was taken from them in 1965, because the status they had been given was never principal, and the people they were taught to blame were standing in the same unpaid line. This paper is written for both parties. And it is delivered the way a bank would deliver it to a depositor who was defrauded, not as a verdict on him for accepting the paper. You were paid in a currency that could never be cashed. Here is where you can cash it.

> *Two classes, one promise, and nobody paid in principal.*

Stewardship

Ownership is what you hold today. Stewardship is what happens to it over time: whether it survives you, your heirs, a bad year, and the temptation to spend it. The five factors explain how ownership is formed and who was kept from forming it. They say nothing about whether it lasts. The Institute's two indices split the question the way calculus splits motion, into where you are and how far you have come. The Ownership Index measures the position: what a community holds right now. The Stewardship Index measures what holding it adds up to over time, after what was spent. The comparison is not perfect, but it points at the right variable, which is time.

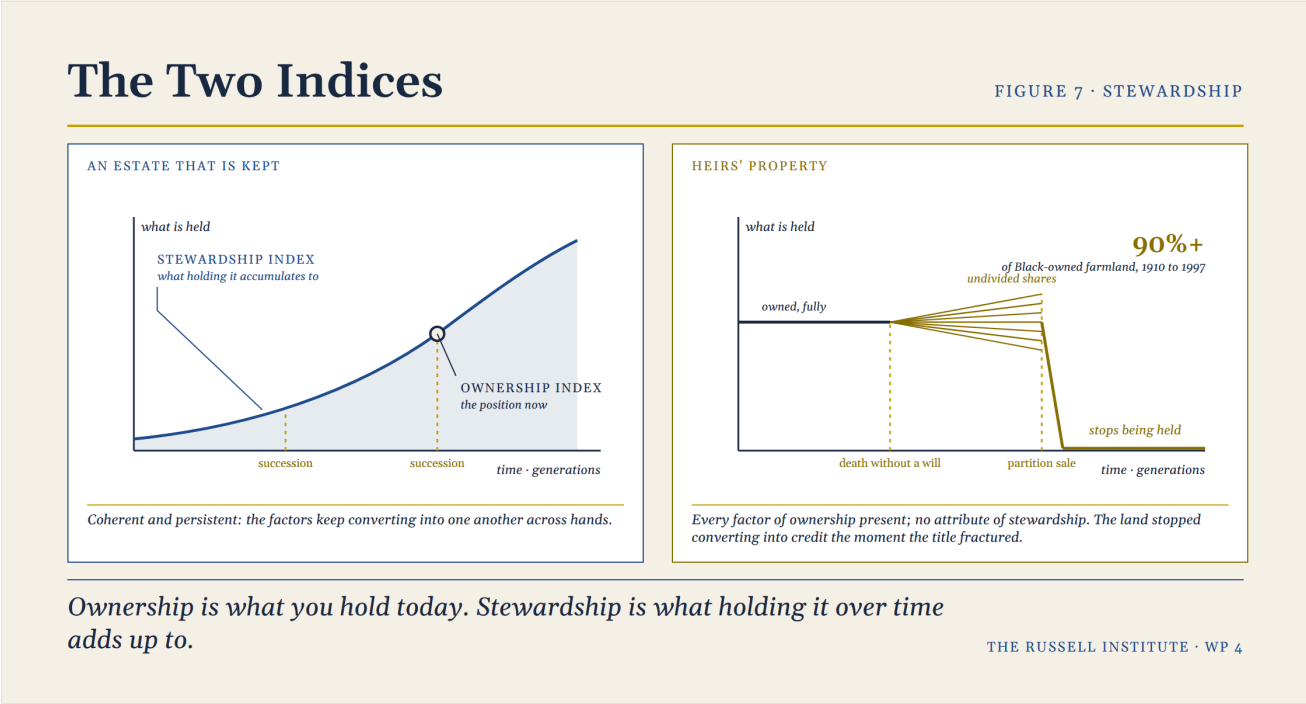


Figure 7. *Ownership is the position. Stewardship is what holding it over time adds up to. Heirs' property had every factor of ownership and no stewardship at all.*

Heirs' property is the clean case, because it shows that a family can have every factor of ownership and still lose everything. Heirs' property is land that passed down without a will. The children, and then the grandchildren, each own a share of the whole rather than a piece of it. Black farmers owned roughly fifteen million acres at their peak early in the twentieth century. About ninety percent of that land was gone by the end of it. Much of it was never sold. It was lost because the owner died without a will. The land passed to a growing number of heirs, each holding an undivided share. Then a partition law let any one of them, or a speculator who bought one share from a cousin in Chicago, force a sale of the whole at auction. The buyer was usually the speculator, and the price was usually less than the land was worth. Thomas Mitchell, a law professor, cited land-retention advocates' finding that partition sales are the most widely used legal method facilitating the loss of heir property. He later wrote the model law that more than twenty states have adopted to stop it. The Department of Agriculture describes heirs' property as the leading cause of involuntary Black land loss. The land was owned, fully. It stopped turning into credit the moment the title split, because no bank lends against a share of a farm owned by forty people. Then it stopped being held at all.

Two things keep an estate together, and that case shows both. The first is that the parts fit: the purpose, the rules, who gets paid what, and the people, so the estate does not work against itself. The second is that it outlasts the moment: the founder, the first board, the first downturn, the first death without a will. The parts fitting over time is the same thing as money still moving between the factors. An estate lasts when its factors keep turning into one another across generations. Before the Institute adds any other test to those two, it asks four questions. Can you see it in the record, not just in someone's intentions, so an index can score it? Is it separate from the others, so nothing gets counted twice? Does it tell a well-kept estate from a badly-kept one? And can a trust or a county change its score by doing something? Renewal, accountability, and the ability to hand the stake to someone else are the candidates still being tested. The next paper in this series will say which of them pass.

This connects to the Institute's earlier work directly. The architecture in The Power Doctrine called F.I.R.S.T. stands for foundation, intelligence, rules, systems, and technology. It rests on one observation. Institutions do not fail because they are weak in one place. They fail because their strengths do not fit together. That is a theory of the parts fitting. The five factors say what a community has to hold. Stewardship says whether it will still hold it in thirty years. The architecture is what a holder builds to make the answer yes.

The Standard

A currency of status was a fiat currency, and a fiat currency can be re-backed. A gold standard means the money can be cashed in for something real, something scarce that anyone can check. For much of its history the dollar could be traded for a fixed weight of gold. That is what the phrase means here: not a return to gold, but a currency with something behind it. The Institute proposes that the country back its social currency with judgment. By judgment it means what the book means: knowing which questions matter, which answers to trust, and what to do next. Judgment is human. You show it; you cannot be certified for it. No race, region, class, or national origin holds a monopoly on it. And because experience differs, the judgments formed across them are imperfectly correlated, which is the property the rest of this section depends on.

Hold that definition up against the three things a reserve has to be, and it fits. Judgment is scarce, and getting scarcer in relative terms. Artificial intelligence is making know-how and tools nearly free, and judgment becomes more valuable as machine-supplied know-how becomes cheaper. Judgment can be checked, because showing it leaves a record, and keeping that record is what the Institute's dashboard and its two indices are for. And judgment is real money only if the system pays out on it. Status earned by judgment has to be convertible into something you own. That last condition is the whole reform. A currency backed by judgment and payable in ownership is a gold standard. A currency backed by judgment and payable in applause is just a better-designed fiat.

The old reserve could be handed out by color because a law can be written for a race. A reserve of judgment cannot be, because judgment is not distributed by race, and a law that says it is cannot be believed once the results are counted. That is not a fairer standard. It is a standard that cannot be counterfeited the old way, by inheritance, and that is why the proposal is stronger than an appeal to fairness. Harry Markowitz, who won the Nobel Prize for it, showed in 1952 that an investment portfolio holding things that do not move together earns the same return at lower risk. Investors call it the only free lunch in finance. Judgment formed in different traditions does not move together. A country that holds all of it in one market holds the most diversified portfolio of judgment on earth. This is the American social portfolio, and it is capable of yielding market- leading returns. An economy that stops gating that endowment and starts investing in it earns a return no rival can match. That is the argument for the standard that a competitor of the United States would find hardest to compete with.

The old order had a name for how it sorted people, and the name was meritocracy. It measured credentials: the school you could get into, the firm that would hire you, the neighborhood that produced the résumé. A credential is a claim about judgment, not judgment. And the credentials were gated by the same channels this paper describes, so the organizing rewarded access and called it merit, and it paid the winners in status. Call it what it was: a status-ocracy. The standard proposed here has a name of its own, Capitalized Judgment. Judgment demonstrated, not certified. Measured as performance: what the decision produced, what the work did, whether the promise was kept. And paid in ownership, not status, which is the condition that makes it a true standard rather than a better-organized version of the old one. Three words carry the design. Portals are what the Institute's five initiatives open: the channels of ownership made reachable by people who could never get to them. A stake is what a person holds once through: a share of what is built beside them. And the standard is how anyone is judged once inside. It gives the left the fair access it asks for and the right the competition it asks for, and it takes nothing from either, because it changes who gets to compete, not who wins.

Cashing in begins wherever a stake can be written into a contract. Community Revenue Participation, from Working Paper No. 3, gives a host community one percent of a data center campus's gross rent for the life of the project. A single-purpose company owned by a community trust holds it, and most of it is paid as a dividend to nearby households. On the campus in that paper, that is about $900 a year to each of 10,000 households, for as long as the campus runs. In this paper's terms it does three things. It creates principal where there was none. It attaches that principal to the technology of the era, the factor that is about to re-price the other four. And it turns a community's judgment about what it will host, exercised through what Maryland's order, in its third principle, calls a decisive voice for communities, into an annuity that grows. An annuity is a payment that arrives every year for a set term or for life. Maryland's Executive Order 01.01.2026.16, signed September 23, 2026, directs its task force, working through the Department of Planning, to publish a guide for local governments that includes model terms for community benefits agreements and a model community investment fund. The Institute has asked that revenue

participation be one of those terms. That is the first place to cash in. Gallup found in the spring of 2026 that 71 percent of Americans oppose a data center near them, including 63 percent of Republicans. Data Center Watch counted $64 billion of projects blocked or delayed between May 2024 and March 2025. Of the politicians who opposed them, 55 percent were Republicans. That opposition is the sound of a majority that has learned to refuse the check and has not yet been offered the stake.

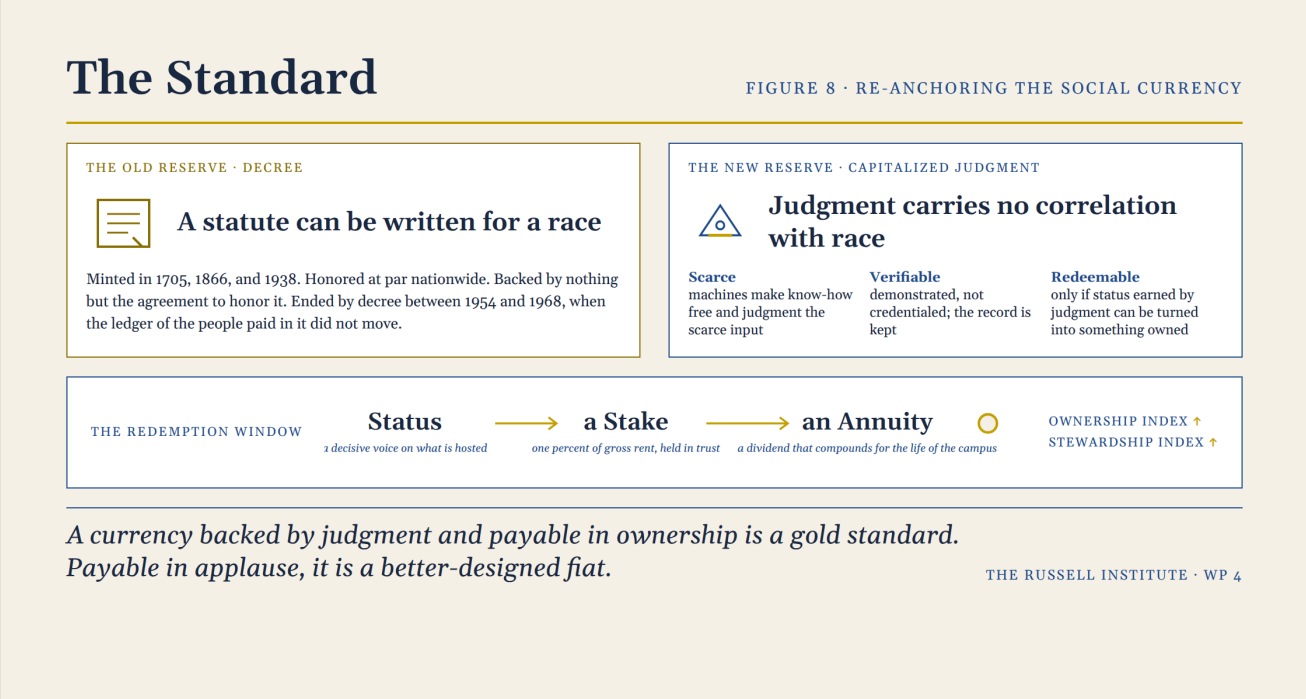


Figure 8. *A currency backed by judgment and payable in ownership is a gold standard. Payable in applause, it is a better-designed fiat.*

The two indices are how the country will know whether the new backing is real. If status is being traded for principal, the Ownership Index rises: more households hold more of the five factors. If the principal is being kept, the Stewardship Index rises with it: the estates hold together and last. If the first rises and the second does not, the country has learned to create stakes and not to keep them, the lesson heirs' property already taught. If neither rises, the old currency has been re- issued under a new name.

> *A currency backed by judgment and payable in ownership is a gold standard.*

What This Paper Does Not Claim

It does not claim that status and money are the same thing. Status could not be divided, sold, or passed on except by birth, and the paper says so. The comparison is used because it makes the arrangement readable in the terms wealth actually follows, not because the terms fit perfectly.

It does not take a side on monetary policy. The words fiat, inflation, and gold standard are used for the social currency only. A reader who hears in them an argument about the dollar has heard something the paper does not say.

It does not propose a floor under outcomes, and it is not socialism by another door. A stake is a price, not a payment. A data center needs land, power, water, a permit, and a community's consent, and today the community supplies those inputs for nothing or for a one-time check. That is not a free market; it is a missing one. Nobody's thumb is on the scale when a landowner collects a royalty for the pipeline crossing his field, and nobody calls Alaska a socialist state for paying every resident a dividend from its oil-wealth fund every year since 1982, out of a fund whose principal the legislature cannot spend. Community Revenue Participation is a royalty for hosting, paid from the asset's own cash flow, in exchange for a real input the market was taking for free. It completes a market that had a supplier in it who was never paid. What a household does with its share is its own affair. The business it starts can fail. Judgment can fail. The stake guarantees a seat, not a result.

It does not claim the history is settled. Edmund Morgan's reading of Bacon's Rebellion is disputed. Some historians find the turn to slavery in the labor supply rather than in a plan to divide. Others find racial slavery earlier than 1676. The paper reports the reading rather than asserting it, and rests on the statutes, which are not in dispute. The accounts of European immigrants becoming white are disputed too, and the paper uses them for the pattern they describe.

This paper follows the two halves the law of the land itself divided. The same currency was withheld from Native, Mexican, and Chinese Americans by other statutes, and the same argument applies to them. It also accounts, in the nation's ledger, for the corrosive and still lingering antisemitic attitudes and practices against Jewish Americans. It does not claim that the civil rights era cost anyone anything. It claims the opposite, and it treats any version of the argument that concedes a zero sum as either false or a misrepresentation of the facts.

It is not an argument about white privilege in the usual sense. That phrase says the white worker was given an asset; this paper says he was given a multiplier and nothing to multiply, so that the status he held was real, honored everywhere, and worth nothing he could keep.

It does not claim that a revenue share alone re-backs a social currency. It claims that a stake written into a contract is where cashing in begins, and that the indices will show whether it continues.

The Path

Three pieces of work follow from this paper. The first is measurement. The Ownership Index needs a scoring rule for each factor, used and held. The Stewardship Index needs its tests settled and run against the four questions, starting with the parts fitting and the estate lasting. Renewal, accountability, and transferability get decided on the evidence. The second is the pilot: one willing county and one willing developer signing a Community Revenue Participation term. Then the first cash-in has a date, a dollar figure, and a line on a dashboard. The third is the next paper in this series, on stewardship. It will set out the tests in full and the architecture a holder builds to pass them.

The Institute offers this paper for criticism before it offers it for agreement. Where the history is disputed, it has said so. Where the comparison strains, it has said where. Where the numbers are projections, it has called them that. The thesis that survives that discipline is the one the Institute is prepared to defend. The American majority was paid in status rather than principal. The two halves of it were paid differently and taught to blame each other. The promise was extended to both and paid to neither. And the country can now back its social currency with something no law can devalue, and fulfill the original promise written in America's founding documents.

> *You were paid in a currency that could never be cashed. Here is where you can cash it.*

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24. Loren R. Douglass, The Power Doctrine, on the F.I.R.S.T. architecture; and Life, Liberty, and the Pursuit of Happiness: Who Owns America When Intelligence Is Free (in preparation), for the definition of judgment, the five factors, the founding bargain, and the exit party and the protest party.