The SAVI Capital Model™: Reform Before Rupture

An executive summary of the white paper, for chief executives

The SAVI Group® | October 2026 | A proposal for discussion. Not an offer of securities.

The measurement

In the second quarter of 2026 the wealthiest 1% of American households held 32.5% of household net worth, the highest share in the Federal Reserve's quarterly record and 14 times the share of the poorer half. They held 50.9% of the corporate equities and fund shares that households own outside defined-contribution pensions. Tax-based estimates place the top 1% higher still, at 40.1% (Blanchet, Mouillet, Saez, and Zucman).

Why it concerns the owners of capital

The paper argues that concentration on this scale erodes the growth, credit, and political consent on which the returns to capital rest. On Walter Scheidel's survey, every major compression of inequality came through mass-mobilisation war, revolution, state failure, or lethal pandemic, and no peaceful reform has achieved one of comparable size. For an owner whose portfolio tracks the whole economy, that risk can be hedged in part but not diversified away.

The proposal

The SAVI Capital Model is designed to divide every dollar of a portfolio company's net profit, exit gains included, at the top of the waterfall: half to the people who work there, in equal shares and in addition to salary, and half to the capital that financed them. No one's total pay may exceed 15 to 20 times that of the lowest-paid full-time worker; inside that range the company, its industry, and the market set each role's pay. Above five times investors' contributions, every further financial-side distribution passes to the institution's own non-profit arm. The Fifteen Compact is the public counterpart: one contribution on profit after the workforce's share, from 1% to a ceiling of 15%, offered first as an opt-in pilot with Argentina as the worked case.

The price, stated in advance

In the paper's illustrative fund, a portfolio earning five times its cost returns investors 3.84 times net under conventional terms and 2.38 times under the Model. No study yet tests sharing at half of profit. The pilots exist to measure it.

What we ask

Who	The first step, available this year
Asset managers	Commit one vehicle or sleeve to the Model and join the coalition for the Compact.
Chief executives	Adopt the Four Tenets under your own name and publish a verified annual Tenet Report.
Universities	Co-design a pre-registered evaluation and control its data and publication.
Governments	Legislate an opt-in pilot with a stability clause and published expansion triggers.

Our role

The role we claim is that of an advisor: we bring the design and the research, report what the evidence shows, and implement no change in capital markets or tax codes. We offer the Four Tenets and The Fifteen Compact as an open standard, free of licence, and commit to write the Model's terms into every fund The SAVI Group raises from this point, open to independent evaluation, favourable or not.

Santiago Vitagliano, Founder, Chairman, and Chief Executive Officer, The SAVI Group

Correspondence through the inquiry form at thesavigroup.com/inquiry.

The SAVI Capital Model™: Reform Before Rupture

Concentrated Capital, the Verdict of History, and a Design for Shared Prosperity

Santiago Vitagliano, The SAVI Group®
Version 1.1, October 2026
A proposal for discussion. Not an offer of securities.

Abstract

In the second quarter of 2026 the wealthiest 1% of American households held 32.5% of household net worth, the highest share in the Federal Reserve's quarterly record and 14 times the wealth of the entire poorer half of the country. This paper argues that concentration on that scale erodes the growth, credit, and political consent on which the returns to capital rest, a claim that cross-country associations, national-accounting evidence, and calibrated models support, each with limits the paper states. Walter Scheidel's survey of recorded history finds that every major compression of inequality came through mass-mobilisation war, revolution, state failure, or lethal pandemic, and that no peaceful reform has achieved one of comparable size.

The SAVI Capital Model is designed to divide every dollar of a portfolio company's net profit, exit gains included, at the top of the waterfall, half to the people who work there in equal shares and half to the capital that financed them. Chief executive pay is capped at 15 to 20 times the lowest-paid worker, and once investors have received five times their contributions, every further financial-side distribution passes to the institution's own non-profit arm. The Fifteen Compact is its public counterpart, a single contribution levied on profit after the workforce's share, rising in bands from 1% to a ceiling of 15%, offered first as an opt-in pilot with Argentina as the worked case. The SAVI Group offers its own funds as the first test cases and asks universities to evaluate the pilots, asset managers to commit a vehicle, and governments to legislate an opt-in regime.

Contents

Abstract 1
Executive summary 3
A note on authorship and interest 6
Notice 6
Part I. The diagnosis: how concentrated capital has become 7
Part II. Why concentration strangles itself 13
Part III. History's verdict: correction by design or by rupture 20
Part IV. The regime under strain: why the timing matters 27
Part V. The SAVI Capital Model: the specification 32
Part VI. Evidence that sharing works, and where the evidence stops 41
Part VII. Governance, stewardship and the Compact Charter 46
Part VIII. The investor case, met head-on 50
Part IX. The Fifteen Compact: the fiscal pillar 55
Part X. The transition: two systems in parallel 62
Part XI. Objections answered 66
Part XII. Conclusion: advice, not command 72
Appendix A. Glossary 74
Appendix B. Model terms 78
Appendix C. Worked waterfall 86
Appendix D. The Compact models 89
Appendix E. Pilot design 94
Appendix F. Methodology and sources 96
References 97

Executive summary

In the second quarter of 2026 the wealthiest 1% of American households held 32.5% of the nation's household net worth, the highest share the Federal Reserve has recorded since its quarterly series began in 1989, when it stood at 22.8%. Since the third quarter of 2024 that 1% has held more in every quarter than the 40% of households in the middle of the distribution, who now hold 28.8%. Its $60.3 trillion is 14 times the $4.3 trillion held by the poorer half of all households, whose share has fallen from 3.5% to 2.3%.

Inside that 1%, the top 0.1% alone, one household in a thousand, holds 15.0%, against 8.6% in 1989. Its share rose by three-quarters while the share held by half the country fell by a third. These figures come from the Federal Reserve's Distributional Financial Accounts, whose estimate for the top 0.1% sits below both tax-based wealth series this paper cites in each year compared. They are the conservative reading.

The tax-based estimates put the gap wider still. The real-time series of Thomas Blanchet, Léon Mouillet, Emmanuel Saez, and Gabriel Zucman, updated on September 29, 2026, counts households as they file income taxes. On that series the top 1% holds 40.1% of household wealth and the top 0.1% holds 23.1% (Blanchet et al. 2022; Realtime Inequality 2026). On the same series the 400 wealthiest households hold $8.1 trillion, about 26 times the $0.3 trillion that the poorer half, some 96 million households, holds net of its debts.

The concentration is sharper in the claims on productive enterprise. In the second quarter of 2026 the same top 0.1% held a quarter of the corporate equities and mutual fund shares that American households hold outside defined-contribution pension plans, against 14.6% in 1989. For the asset managers who will read this paper, the figure describes the household owners at the end of the chain of claims they manage. Shares held inside pension plans and by insurers, endowments, and foreign investors sit outside it.

The rise in the top share was not offset mainly by a fall at the bottom, where the poorer half held little to begin with. Between the third quarter of 1989 and the second quarter of 2026 the households between the 50th and 90th percentiles, the broad middle of the distribution, saw their share of household net worth fall from 35.7% to 28.8%. That fall was larger than the entire rise in the share of the top 0.1%. The location of the fall matters for the argument that follows. Part II examines the demand and the political consent this middle supplies as conditions of the returns to capital.

This paper argues that concentration on this scale matters to the owners of capital as much as to anyone, because the evidence associates it with weaker conditions for their returns. In an International Monetary Fund staff note covering about 156 economies from 1980 to 2012, Dabla-Norris and coauthors associate a one-point rise in the net income share of the top fifth with growth 0.08 points lower over the following five years, an estimate significant only at the 10% level. The same rise for the bottom fifth goes with growth 0.38 points higher. Using US tax records, Mian, Straub, and Sufi find that the saving of the top 1% of households "financed much of the rise in middle-class borrowing before 2008 and the expansion of federal debt thereafter". Across 20 advanced economies from 1870 to 2014, Funke, Schularick, and Trebesch find that far-right parties gained vote share after systemic financial crises, a pattern absent after normal recessions. For a universal owner, whose portfolio is benchmarked to the economy it holds, each channel

runs back to its own returns, and in this paper's reading a risk of this kind can be hedged in part but not diversified away.

History records how the large compressions of inequality came about. Walter Scheidel's survey of inequality across recorded history finds that every major compression came through one of four violent levellers: mass-mobilisation war, revolution, state failure, or lethal pandemic. He finds no peaceful reform that achieved comparable results. The late Roman Republic and the France of the 1780s are studied here for what their scholarship supports. Neither case shows that concentration alone causes collapse. In both, a distributional or fiscal pressure that the institutions of the day did not absorb was followed by a rupture of the political order.

The timing rests on readings that Part IV sets out. Total public debt in the United States stood at about $40.1 trillion on September 29, 2026. The Congressional Budget Office projects debt held by the public to rise from 101% of gross domestic product this year to 120% by 2036, and the 30-year Treasury yield stood at 5.64% at the end of September. On Part IV's reading, the instruments that absorbed distributional tension for four decades, falling rates, imported disinflation, and public borrowing, now cost more than when the regime was built, or offer less. None of this predicts a crisis on a date. Together these readings narrow the room to postpone, which is the paper's case for choosing the form of the adjustment now.

The SAVI Capital Model is a design for that adjustment inside the firm. Every dollar of a portfolio company's net profit, exit gains included, is divided at the top of the distribution waterfall, once invested capital has been returned to the financial side. Half goes to the people who work there, in equal shares per full-time employee. The other half goes to the capital that financed them, which then runs a conventional preferred return, catch-up, and carry. The chief executive is an employee, holds one share in the pool and is paid no more than 15 to 20 times the lowest-paid worker. Once the limited partners' cumulative net distributions reach five times their contributions, every further distribution from the financial side, the manager's share included, goes to the institution's own non-profit arm.

The cost of the design falls on the investor, and it can be stated in advance. On the same companies, on identical fund terms and below the outperformance threshold, a Model fund pays its investors exactly what a conventional fund would pay at half the profit. In the worked example of Appendix C, a portfolio that earns five times its cost returns 3.84 times net to investors in a conventional fund and 2.38 times in a Model fund. In the same example $200 million reaches the people who work in the companies. The studies reviewed in Part VI find no measured harm to investment or productivity from profit-sharing at moderate scale. No study yet tests a 50% share, and producing that evidence is the purpose of the pilots this paper proposes.

The Fifteen Compact is the public counterpart, on the view that an enterprise that has shared half its profit before tax has already done part of the redistributive work a tax system performs. The Compact rewards it with a single contribution, levied on profit after the workforce's share and rising in bands from 1% to a ceiling of 15% that the design allows no enterprise to exceed; the income taxes of its workers and investors share the same ceiling. In Argentina, the worked case, the World Bank's Doing Business 2020 measure for calendar 2018 (the series was discontinued in 2021 after a data-irregularities investigation) put taxes and

contributions at 106.3% of a standardised medium firm's commercial profit, of which the corporate income tax accounted for 3.57 points. INDEC put labour informality there at 45.0% in the second quarter of 2026. On the Appendix D model, the personal burden of a registered employee at the median wage would fall from 17.0% of gross pay to 0.3%. At full scale the Compact would shift functions from the state to the enterprise, so it begins as a bounded, opt-in pilot that expands only as published evidence allows.

A commitment that management can revise is a policy. One that only a supermajority of investors can amend, and that outsiders verify every year, is designed to bind as a contract, subject to the governing law and to counsel's review. The Model's terms are written to sit in the protected zone of the fund agreement, where the Institutional Limited Partners Association's Principles 3.0 (2019), which are guidance and not law, recommend that amendments require both the manager's consent and a supermajority in interest of the investors. Employees are not parties to that agreement, so the design gives their claim to an Employee Trust, which holds a special class of share in each portfolio company and a direct right of action for the terms that Appendix B sets out in B2 to B7 and B10. The outperformance threshold and the non-profit arm (B8) are enforced by the Designated Non-Profit Arm, named in the fund agreement as an intended third-party beneficiary of that covenant. Each adopting enterprise publishes an annual report against the Four Tenets, checked by accredited independent verifiers who rotate among clients, and Part VII sets out the six obligations of the Compact Charter, the self-policing regime whose final sanction is loss of the regime and repayment of the tax relief received.

The Compact is designed to grow beside the existing system, which winds down as its population ages out. Enterprises adopt the standard voluntarily before any law exists, a host jurisdiction then enacts an opt-in pilot, and the regime widens only as published indicators of formal employment, net public revenue, and service quality are met. The transition is designed so that no one is moved across against their will and rights already earned are honoured. Pension rights accrued before a worker joins a Compact Enterprise would become indexed recognition bonds on the model Chile used from 1981, while current retirees remain financed by the old system's own revenue. That provision is a constraint rather than a courtesy. On the Appendix D model, the pension share of the payroll contributions a covered Argentine firm would stop paying exceeds the whole of its Compact contribution, so the bridge must sit outside the 15% ceiling.

The paper names its strongest critics beside its sources. It anchors on the Federal Reserve series, the lowest of the three wealth estimates it compares for the top 0.1%, and names the economists who argue that the level or the rise is smaller than the headline series suggest. It sets the evidence that buyout funds have beaten public markets beside the evidence that they have merely matched them. It also reports the finding of Barber, Morse, and Yasuda that impact venture funds have earned lower returns than traditional venture funds. The largest gap in its own case is stated without qualification: the evidence on profit-sharing covers transfers of about a tenth of pre-tax profit, and no study tests half. Part XI takes the twelve strongest objections in turn and concedes, for each, the limit that remains.

The SAVI Group cannot make this change alone. The firm offers the design, the research behind it, and its own vehicles as the first test cases. It asks universities to evaluate the pilots independently and to publish what they find. It asks asset managers to commit one vehicle to the Model, and governments to legislate

an opt-in regime with published expansion triggers. The role The SAVI Group claims is that of an advisor, and its first commitment is to publish what the pilots show, whichever way the evidence falls.

A note on authorship and interest

The SAVI Group designed The SAVI Capital Model, operates funds that would apply it, and would benefit if it were adopted. The Fifteen Compact is offered as an open standard that any enterprise may adopt under its own name, without licence. No argument in this paper rests on The SAVI Group's own performance, and no performance data is offered. The figures cited come from official statistics and peer-reviewed or institutional research, each identified in the text so that readers can check them.

Notice

This paper is a proposal for discussion and not an offer to sell, or a solicitation of an offer to buy, any security. Nothing in it represents past or future performance, and statements about the future are forward-looking and uncertain. The terms of The SAVI Capital Model describe a framework The SAVI Group commits to write into its future fund documents; model terms appear in Appendix B.

Part I. The diagnosis: how concentrated capital has become

In the second quarter of 2026 one household in a thousand held about a seventh of all American household wealth and about a quarter of the corporate equities and mutual fund shares that American households hold outside defined-contribution pension plans (Federal Reserve Board 2026). Every later part of this paper builds on that measurement. Part I therefore establishes it before drawing any conclusion from it. It proceeds in order: first the method, then the level and the trend, then the groups that lost the share the top gained, and finally the forms of capital that matter most to the readers of this paper.

How the measurement is made

Two families of estimates describe the top of the American wealth distribution, and the argument uses both. The Federal Reserve's Distributional Financial Accounts integrate two of the Board's own statistical products, the Financial Accounts of the United States and the Survey of Consumer Finances, and publish quarterly shares by wealth group (Federal Reserve Board 2026). They are official, published with their method and, at the very top, lower than the tax-based estimates set out below. The capitalisation method developed by Emmanuel Saez and Gabriel Zucman works from income tax returns instead, inferring wealth from the capital income it produces (Saez and Zucman 2014, 2020).

The two approaches reach the very top by different routes, one through a survey sample and the other through assumptions about the rates of return that convert income into wealth. Matthew Smith, Owen Zidar, and Eric Zwick show that the richest households earn returns on fixed-income assets roughly 3.5 times the average. Allowing for this lowers the estimated level of top wealth (Smith, Zidar, and Zwick 2023). Gerald Auten and David Splinter, working on income data, argue that after-tax top income shares have risen far less than the pre-tax series suggest (Auten and Splinter 2024). Their work is one side of a live dispute over how far top income shares have risen after taxes and transfers, and this paper treats it as such.

This paper anchors its argument on the Federal Reserve series. In 2016, a year that all three wealth series cited here cover, the Federal Reserve's estimate for the top 0.1% sits below both the Smith-Zidar-Zwick and the Saez-Zucman estimates (Federal Reserve Board 2026; Smith, Zidar, and Zwick 2023). The argument therefore does not rest on the highest available number. Where the other series appear, they appear beside the anchor so that the spread of estimates is visible. At the latest readings the spread is wide. The real-time tax-based series of Blanchet, Mouillet, Saez, and Zucman, updated on September 29, 2026, places the top 1% of tax-filing households at 40.1% of household wealth and the top 0.1% at 23.1%, against the Federal Reserve's 32.5% and 15.0% for the second quarter (Blanchet et al. 2022; Realtime Inequality 2026).

The Distributional Financial Accounts divide American households into five groups by wealth: the top 0.1%, the next 0.9%, the next 9%, the next 40%, and the bottom half. Their balance sheet counts owner-occupied real estate, consumer durables, pension entitlements, private businesses, and financial assets, net of mortgages, consumer credit, and other debts. One boundary in that balance sheet governs every equity figure in this paper. The series for corporate equities and mutual fund shares excludes the equities and fund shares that households hold through defined-contribution pensions, so it measures the stake households hold directly and through funds outside those plans (Federal Reserve Board 2026). The boundary matters most for the middle of the distribution: in the second quarter of 2026 the next 40% of households held 39.7% of defined-contribution pension entitlements but 11.4% of the equities and fund

shares held outside them. Retirement saving is reported in its own line, and this paper never folds it into the equity figures.

The level and the trend

In the third quarter of 1989 the top 1% of American households held 22.8% of household net worth. By the second quarter of 2026 they held 32.5% (Federal Reserve Board 2026). Over the same period the share of the top 0.1% rose from 8.6% to 15.0%, and the share of the bottom half moved the other way, from 3.5% to 2.3%.

The path between those two dates is not a straight line. The bottom half's share fell to 1.7% at the end of 2007, stood at the same level at the end of 2019, and has since recovered to 2.3% (Federal Reserve Board 2026). That recovery is real and this paper reports it. It has not undone the longer movement, and at its present level the bottom half holds about two-thirds of the share it held in 1989.

The century-long series place these movements within a longer trend. Across the full century, Saez and Zucman describe a U-shaped path: concentration "fell from 1929 to 1978, and has continuously increased since then." The rise, they find, is "almost entirely due to the rise of the top 0.1% wealth share, from 7% in 1979 to 22% in 2012", a level almost as high as in 1929. Over the same span the share of the bottom 90% rose until the mid-1980s and then steadily declined (Saez and Zucman 2014). Their later series puts the top 0.1% at 18.4% for 2016, and the top 1% at 38% of household wealth in 2018 (Saez and Zucman 2020).

Smith, Zidar, and Zwick place the top 0.1% lower, at 15.7% in 2016. They state the implication without ambiguity: their correction "does not change the fundamental story for top wealth shares," and "wealth inequality is high and has risen substantially" (Smith, Zidar, and Zwick 2023). The estimates disagree about the level by several percentage points. They agree about the direction, and about the decades in which it has run.

Why the trend persists is a separate question, and the answer Thomas Piketty gives carries its author's own caution. Piketty argues that when the rate of return on capital exceeds the growth of output and income, wealth accumulated in the past grows faster than output and wages, and the distribution of wealth diverges (Piketty 2014). He also warns that this relation is not "the only or even the primary tool" for explaining the changes of the twentieth century (Piketty 2015). This paper uses the relationship in that limited sense: where the return on capital exceeds growth, wealth accumulated in the past tends to outgrow income, so concentration persists unless something interrupts it.

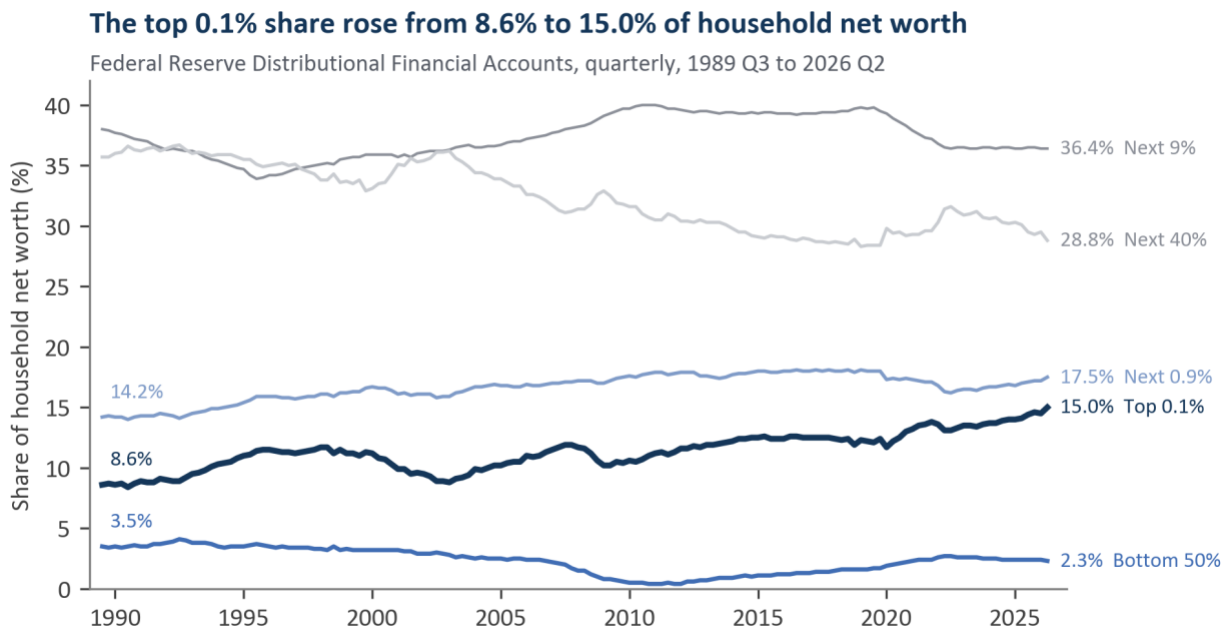

Exhibit 1. Shares of household net worth by wealth group, United States, quarterly, third quarter of 1989 to second quarter of 2026. Source: Federal Reserve Board (2026), Distributional Financial Accounts, data downloaded October 1, 2026.

Where the gain came from

A rising share at the top must be matched by falling shares elsewhere, whatever happens to wealth in dollars. Where the fall occurred shapes the rest of this paper's argument. Between the third quarter of 1989 and the second quarter of 2026, the households between the 50th and 90th percentiles saw their share of household net worth fall from 35.7% to 28.8%. The next 9% of households slipped from 38.0% to 36.4%, and the remainder of the top 1% rose from 14.2% to 17.5% (Federal Reserve Board 2026). The share lost by the broad middle exceeded the share gained by the top 0.1%. Read in that light, the concentration of the past four decades is less a story of a falling bottom share than of a falling middle share matched by a rising top share.

The income record, a different measure, shows a similar division over a longer span. In testimony to the Joint Economic Committee, Melissa Kearney reported that family income for the poorest fifth of families grew 90% between 1947 and 1975, against 86% for the top 5%. Between 1975 and 2010 the same two groups recorded growth of 3.7% and 57% (Kearney 2014). At the two ends of the distribution that Kearney compares, the postwar decades delivered almost equal growth, and the decades since have not. Kearney's figures come from congressional testimony and stop in 2010; they enter here as a summary of a long record and carry no new estimate.

The composition of the bottom half's balance sheet explains why its share stays so low and moves so sharply. In the second quarter of 2026 the poorer half of American households held 5.0% of all household assets and 29.5% of all household liabilities. Homes made up 46.9% of that half's assets and consumer durables a further 21.1%, while equities and fund shares held outside pension plans made up 3.6%. Its debts, mostly home mortgages and consumer credit, equalled 58.4% of its assets (Federal Reserve Board 2026). A household whose balance sheet is mainly a house, a car, and the loans against them has little

direct exposure to rising equity values and is vulnerable when credit tightens. That asymmetry is one candidate channel from concentration to debt, and Part II examines it.

Measured in dollars, the distance between the groups becomes concrete. The top 0.1% held $27.9 trillion of net worth in the second quarter of 2026, against $4.3 trillion for the entire bottom half of American households. In 1989 the top 0.1% held about 13 times as much in corporate equities and mutual fund shares as the bottom half. By 2026 the multiple had reached 43 times (Federal Reserve Board 2026, computed from the published levels).

Productive capital is more concentrated still

Wealth in the aggregate includes houses, pension savings, and bank deposits, which are spread relatively widely. The claims on companies that households hold directly and through funds outside pension plans are not. In the second quarter of 2026 the top 1% of households held 50.9% of the corporate equities and mutual fund shares that American households held outside defined-contribution pensions. The bottom half held 0.6% (Federal Reserve Board 2026).

The top 0.1% alone held 14.6% of those claims in the third quarter of 1989, 24.6% in the third quarter of 2025, and 25.0% by the second quarter of 2026. A group that holds a seventh of household wealth holds a quarter of the corporate equities and fund shares that households hold outside defined-contribution plans. Equity in private, unincorporated businesses, which the accounts measure separately, shows the same movement: the top 0.1% held 19.7% of it in 1989 and 28.5% in 2026.

This figure connects the diagnosis to the asset managers reading this paper, within one boundary. The accounts measure households only, so equities held inside pension plans and by insurers, endowments, and foreign investors sit outside the figure. Among the households the accounts do measure, the claims on enterprise, and the returns those claims produce, accrue mainly to a small number of owners.

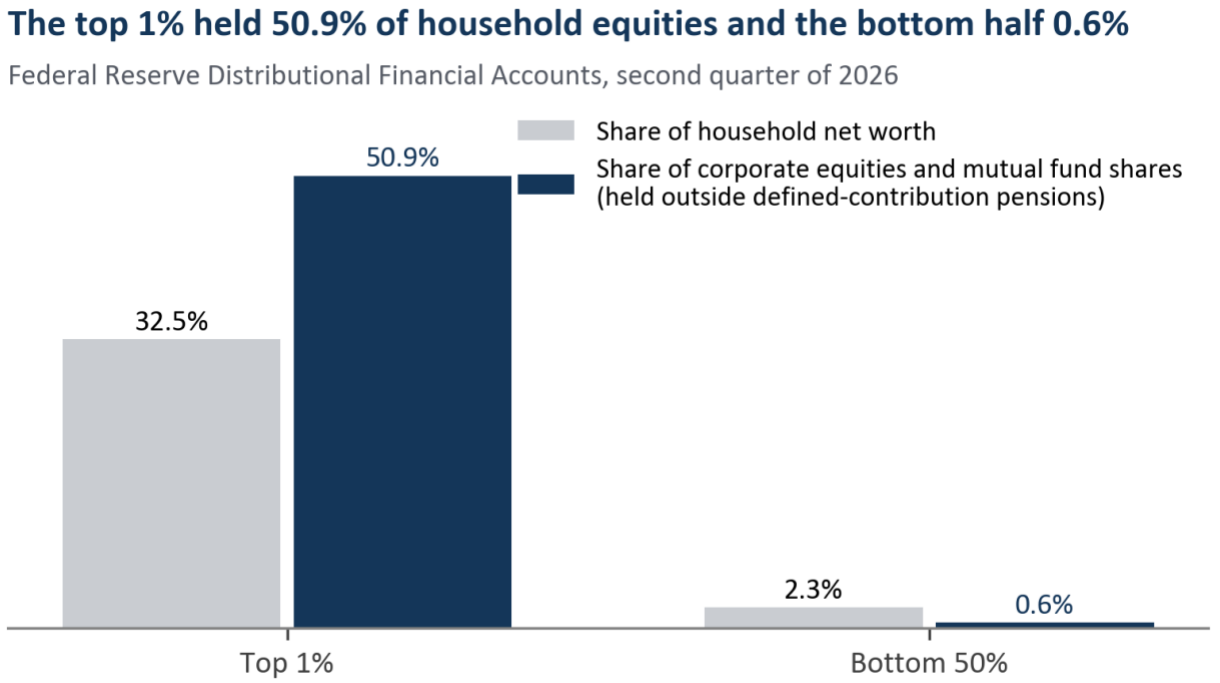

Exhibit 2. Shares of household net worth and of corporate equities and mutual fund shares, top 1% and bottom 50%, second quarter of 2026. Equities and fund shares held through defined-contribution pension plans are excluded. Source: Federal Reserve Board (2026).

Pay at the top of the firm

Executive pay shows a parallel rise. Among the 350 largest American firms by sales, realised chief-executive compensation rose 1,085% between 1978 and 2023, against 24% for a typical worker. On the same measure, the ratio of chief-executive to typical-worker pay moved from 21 to 1 in 1965 to 290 to 1 in 2023 (Bivens, Gould, and Kandra 2024). The AFL-CIO, measuring the S&P 500 on a different basis, put the average ratio at 312 to 1 in 2025, excluding the outlier of Tesla (AFL-CIO 2026).

The two measures cover different firms and define pay differently, and this paper names the measure each time it uses one. On the Economic Policy Institute's granted-pay measure, the ratio in 1965 stood at 15 to 1. The ceiling of 15 to 20 times the lowest-paid worker proposed in Part V is therefore comparable in scale to the practice of America's largest companies in the mid-1960s. Its base is stricter, since the Economic Policy Institute compares chief executives with a typical worker and the Model compares them with the lowest paid. The same research finds that chief executives were paid nearly 10 times as much as the top 0.1% of all wage earners in 2022 (Bivens, Gould, and Kandra 2024).

The global picture

Global estimates show a similar concentration. The World Inequality Report 2026 finds that in 2025 the global top 10% owned 75% of personal wealth and captured 53% of income, measured at purchasing-power parity. The poorest half owned 2% of wealth (Chancel et al. 2026). The same report finds that the share of the top 0.001% rose from about 3.8% of global wealth in 1995 to nearly 6.1% in 2025.

Private equity's own concentration

The private-equity industry, to which The SAVI Group belongs, shows a related concentration in the fees its managers collect. Ludovic Phalippou finds that private-equity funds "have returned about the same as public equity indices since at least 2006," with net multiples implying a return of about 11% a year. The performance fees collected on funds raised between 2006 and 2015 are estimated at $230 billion, or $370 billion if every vintage to 2015 is included. The number of private-equity multibillionaires, he reports, rose from 3 in 2005 to 22 in 2020 (Phalippou 2020).

Phalippou's reading of returns is contested, and Part VIII sets it against evidence that buyout funds have outperformed public markets (Harris, Jenkinson, and Kaplan 2012). On either reading of returns, the performance fees that Phalippou estimates accrued to the industry's managers, the group from which his multibillionaires come. This paper states that record because its proposal is addressed to that industry, The SAVI Group included.

What the diagnosis establishes

The measurements in this part support a structural finding, not a moral one: in the United States, the claims on what capital produces are held in a rising proportion by a small and fixed share of households, and the World Inequality Lab's estimates show the same movement at the very top of the global distribution. The top 0.1%'s share of the claims on productive enterprise is larger still. Between 1989 and 2026 it rose by more percentage points than its share of net worth (from 14.6% to 25.0%, against 8.6% to 15.0%), though by a similar proportion. The net-worth share that the top 0.1% gained was offset mainly by the fall in the middle of the distribution, whose balance sheet holds homes, durable goods, and retirement accounts, with few direct claims on enterprise. Concentration of this kind describes who will receive what the system produces, and therefore who holds the largest financial claim on whether the system endures. Part II examines whether, and through which channels, the arrangement undermines the returns it concentrates.

Part II. Why concentration strangles itself

Part I ended on a structural finding: concentration on this scale describes who will receive the returns the system produces, and therefore who holds the largest financial claim on its continuation. A reader who accepts the measurement may still treat it as a matter for tax policy or moral philosophy, outside portfolio construction. The same measurement also identifies where the claims that would lose value if the system weakens are concentrated. The top 0.1% of American households hold 25.0% of the corporate equities and mutual fund shares that households hold outside defined-contribution pension plans (Federal Reserve Board 2026, second quarter of 2026). If concentration damages the economy beneath those claims, much of the loss on them falls on the few who hold them, although workers, taxpayers, and pensioners bear losses of their own. This part asks whether such damage occurs, through which channels, and how strong the evidence for each is, in the terms an allocator already uses: growth, leverage, volatility, and political risk.

A hypothesis in four loops

The hypothesis of this part holds that concentration, at levels the literature has not located, may set off feedback loops that lower the returns on which concentrated capital holds its claims. A growth loop links more concentrated income to slower and shorter expansions. A labour-share loop links a falling share of output paid to work, and the related but distinct gap between productivity and typical pay, to the household income on which demand depends. A debt loop links the saving of the top to the borrowing of households and the state, and through that borrowing to financial fragility. A legitimacy loop links financial strain and unequal political influence to instability, which depresses investment. No study locates the level at which these economy-wide loops begin to bind, and this part claims none; the only measured threshold in the literature it reviews lies inside the firm, and the part closes on it.

Each loop maps onto a line that already exists in a risk report. The growth loop bears on the durability of the expansions on which a diversified book's earnings depend. The labour-share loop bears on the revenue of every portfolio company that sells to households. The debt loop bears on the leverage in the system and on the frequency of the crises in which leverage plays a part. The legitimacy loop bears on the political risk premium, which the industry already prices for foreign jurisdictions; this part asks whether it belongs in the price of the home market too.

The growth loop

The International Monetary Fund's staff notes are the starting point on growth. In a cross-country analysis, Dabla-Norris et al. (2015) find that a rise of one percentage point in the net income share of the top 20% is associated with growth 0.08 points lower over the following five years, an estimate significant only at the 10% level. The same rise for the bottom 20% goes with growth 0.38 points higher. Berg and Ostry (2011) examine how long expansions last, and in their estimates a 10-percentile fall in inequality lengthens the expected growth spell by 50%. The first note covers about 156 economies from 1980 to 2012; the second measures inequality by the Gini coefficient.

Ostry, Berg, and Tsangarides (2014) test the objection that correcting inequality costs more growth than it restores, and find little evidence that redistribution harms growth "except in extreme cases". The note does

not show that redistribution raises growth. It removes one standard reason for believing that a less concentrated distribution must be bought with slower expansion.

The principal counter-evidence on growth comes from within countries. In a panel of 45 countries observed in five-year periods from 1966 to 1995, Forbes (2000, 869) finds that inequality has "a significant positive relationship with subsequent economic growth", and she presents the result as a complement to a negative pattern across countries over longer spans. Barro (2000) finds that inequality "tends to retard growth in poor countries and encourage growth in richer places". The sign therefore depends on the estimator, the sample, and the income level of the economies studied. The horizon alone does not explain the difference, since the IMF quintile estimates also look five years ahead. The narrower claim this paper makes is the one the IMF notes support: in their broad cross-country samples, more concentrated income goes with slower growth and shorter expansions, while within-country estimates and richer economies can show the opposite sign.

The IMF findings carry three further limits, stated once here. They are associations across countries. They concern broad measures of inequality, never the top 0.1% that Part I measured, and they leave reverse causation open, since crises and slow growth also change the distribution. A last qualification concerns the step from growth to returns. Across 16 countries from 1900 to 2002, Ritter (2005) finds that the correlation between compounded real equity returns and real per capita GDP growth is negative, at −0.37. Growth and shareholder return differ, so this paper reads the growth loop's reach into a portfolio mainly through the length and frequency of expansions, which bear on drawdowns and on the premium investors demand.

The labour-share loop

Across 59 countries from 1975 to 2012, Karabarbounis and Neiman (2014) attribute roughly half of the decline in the corporate labour share to the falling relative price of investment goods, which led firms to substitute equipment for workers. Autor et al. (2020) locate much of the American decline in a reallocation of activity toward large, high-markup firms with low labour shares, the superstar firms of their title, and report support for all seven predictions of that hypothesis. In the United States, Acemoglu and Restrepo (2021) find that task automation accounts for 50% to 70% of the change in the wage structure over four decades, a measure of inequality among workers. The Economic Policy Institute's series records the outcome for a typical worker: between late 1979 and mid-2026, net productivity rose 93.7% and the pay of a typical worker rose 32.7% (Economic Policy Institute 2026). Both rose. The gap between them is related to the fall in the labour share but is a distinct measure: it compares a typical worker's pay with net productivity, while the labour share compares all labour compensation with output.

The strongest challenge to this account comes from Stansbury and Summers. Their 2019 study finds substantial linkage between productivity and pay. Over 1973 to 2016, a one-point rise in productivity growth goes with a rise of 0.7 to 1.0 points in the growth of median and average compensation. In their words, "productivity growth still matters substantially for middle-income Americans" (Stansbury and Summers 2019, 238). The gap in levels therefore needs another explanation. Their 2020 paper proposes the decline in worker power, which on their estimates is "large enough to be able to explain the entire decline in the aggregate labor share" (Stansbury and Summers 2020, 2).

These accounts partly compete and partly interact. On this paper's reading, the estimates for cheaper capital goods, dominant firms, and falling worker power, applied to the same decline, cannot all hold at full strength. Dominant firms may also be one channel through which worker power fell. This paper does not need to settle the contest. A contract between capital and labour cannot set the price of equipment or the reach of a dominant firm, but it can change how the profit those forces produce is divided. On this loop's evidence, the case for writing that division into a contract requires at least one condition, that some part of the gap reflects bargaining power, and the strongest counter-source here argues that a large part does.

A chief investment officer will raise the obvious objection first: the decades in which the labour share fell were decades of strong returns on American equity. A falling labour share is, in the first instance, a transfer to shareholders. Greenwald, Lettau, and Ludvigson (2025) find that real per capita US equity value grew 7.2% a year from 1989 to 2017. In their estimate, "40% of this increase was attributable to a reallocation of rewards to shareholders", largely at labour's expense, against 25% from economic growth (Greenwald, Lettau, and Ludvigson 2025, 1083). Returns of that kind cannot compound indefinitely: the labour share cannot fall without limit, and the contribution ends when the shift ends. Whether the households on the lower side of the gap sustain their spending from income or from credit is the question the third loop addresses.

The debt loop

The third loop connects concentration to leverage. Using US tax records for 1963 to 2019, Mian, Straub, and Sufi (2020) trace what they call the saving glut of the top 1% of American households since the early 1980s. On their accounting, this glut "financed much of the rise in middle-class borrowing before 2008 and the expansion of federal debt thereafter". The surge in saving, they write, "does not boost investment or capital formation but instead funds dissaving elsewhere" (Mian, Straub, and Sufi 2020, 2). A companion paper turns the finding into a mechanism. In a two-agent overlapping-generations model, heavy household and government debt lowers aggregate demand and the natural rate of interest, and an economy can settle into what the authors call a debt trap (Mian, Straub, and Sufi 2021), a model result that this paper presents as one.

Kumhof, Rancière, and Winant (2015) supply the historical pattern. The periods 1920 to 1929 and 1983 to 2008 both exhibited a large rise in the income share of high-income households, a large rise in the leverage of low- and middle-income households, and an eventual financial and real crisis. In their model, calibrated to the three decades before the Great Recession, higher leverage and crises arise as the endogenous result of a growing top income share. The record documents the co-movement, and the model imposes a direction calibrated to that record. Summers (2014) counts distribution among the forces behind secular stagnation: "An increase in inequality and the capital income share operate to increase the level of savings" (Summers 2014, 69).

Among the loop's empirical critics, Bordo and Meissner (2012) find across 14 advanced countries from 1920 to 2000 "no evidence that a rise in top income shares leads to credit booms"; low interest rates and economic expansions are the reliable predictors. Using US household data for 2000 to 2012, Coibion et al. (2020) find that low-income households in high-inequality regions "accumulated less debt relative to their income than low-income households in lower inequality regions", which they read as credit supply tilting

toward the affluent. Both weaken the claim that inequality drives low-income households to borrow. Neither study examines Mian, Straub, and Sufi's separate accounting of where the saving of the top was absorbed, which after 2008 was increasingly the federal government. That shift moves much of the question of fragility from household balance sheets to the public one.

Blanchard (2019) supplies the strongest objection to counting the debt side of this loop as a cost. If safe interest rates stay below growth, as in the past, public debt "may have no fiscal cost"; on his own account debt still reduces capital accumulation, may carry welfare costs, and remains exposed to shifts in risk premia, and the lecture disclaims any argument for more public debt. Two answers apply. His argument concerns the fiscal cost of public debt and leaves untouched the household-leverage channel through which Kumhof, Rancière, and Winant find crises arising. The premise that rates stay below growth over long horizons is also an empirical question, on which the long-term yields of 2026 bear. Cheap public debt lowers the cost of postponing an adjustment; it does not by itself show that none is needed.

For an owner, the debt loop turns a distributional gap into a balance-sheet question. An institution that holds both the credit extended to borrowers and the equity of the companies that sell to them meets a crisis in the loop on both sides of its book at once.

The legitimacy loop

The fourth loop runs through politics: on the evidence below, concentration bears on political stability, and political uncertainty on the discount rate. Funke, Schularick, and Trebesch (2016) study 20 advanced economies and more than 800 general elections between 1870 and 2014. After a systemic financial crisis, far-right parties increase their vote share by about 30% relative to the pre-crisis share, within five years on the working paper's measure. Normal recessions show no such pattern. If the debt loop raises the odds of such crises, it raises the odds of a political cost that an ordinary downturn does not carry. In the working-paper version of their study, which covers 70 countries from 1960 to 1985, Alesina and Perotti (1996) trace the next step: income inequality, by fuelling social discontent, raises socio-political instability, and that instability, by creating uncertainty, reduces investment.

In the United States, Gilens and Page (2014) find that economic elites, proxied by the 90th income percentile, and organised business groups "have substantial independent impacts on U.S. government policy", while average citizens and mass-based interest groups have little or no independent influence (Gilens and Page 2014, 564). Two qualifications travel with the finding. The elites in the study are the affluent, a group far broader than the very rich. Ordinary citizens "often win the policies they want" when their preferences coincide with those of the affluent, as "more or less coincidental beneficiaries" (Gilens and Page 2014, 573). The inference this paper draws is its own, and it is a hypothesis. A policy process that responds weakly to the median citizen offers discontent fewer routine outlets, which may concentrate the pressure, when it comes, on the rules that govern property, tax, and contract.

In a general-equilibrium model with supporting empirical tests, Pástor and Veronesi (2013) find that "political uncertainty commands a risk premium whose magnitude is larger in weaker economic conditions". Such uncertainty, they find, also makes stocks more volatile and more correlated. Their study

concerns political uncertainty in general, and its link to concentration is this paper's inference. For a capital owner the legitimacy loop would therefore act on prices before any rule changes.

Structural-demographic theory works on the longest time scale of the sources in this part. In 2010 Peter Turchin wrote that "the next decade is likely to be a period of growing instability in the United States and western Europe" (Turchin 2010, 608). Two years later he extended a sequence of instability peaks around 1870, 1920, and 1970 to a further peak around 2020. He presented that peak as a simple projection and not a scientific prediction (Turchin 2012). In his account, labour oversupply depresses living standards and also produces elite overproduction, more aspirants than there are elite positions to fill, one of three principles in his structural-demographic theory of instability (Turchin 2012). This paper treats a disorderly political correction as a possible outcome of high cost, and nothing in this part assigns it a probability or a year.

Two surveys add attitudes to the record, and no more. In the 2026 Edelman Trust Barometer, the gap in trust between high- and low-income respondents in the United States is the largest of the 28 countries surveyed, at 29 points (Edelman 2026). In a survey of 5,522 Americans conducted in December 2005, about 92% preferred an unlabelled pie chart to the actual distribution of American wealth. The authors built the preferred chart from Sweden's income distribution (Norton and Ariely 2011). Both record attitudes and preferences; neither records behaviour, and the paper weighs them accordingly.

Shocks that widen the gap

The shocks examined here landed unevenly and widened the gaps the loops feed on. In the COVID-19 recession, the lowest-paying establishments and the lowest-wage workers had the steepest fall in employment and the most persistent losses (Dalton et al. 2021). Import competition from China explains about one-quarter of the decline in US manufacturing employment between 1990 and 2007, in the authors' main specification (Autor, Dorn, and Hanson 2013). In three model scenarios, an IMF staff note finds that the higher returns to capital the scenarios attribute to artificial intelligence raise wealth inequality, because high earners hold most assets (Cazzaniga et al. 2024). The triggers of the first two shocks lay outside the distribution of wealth, yet in both the losses fell hardest on wage earners. The AI result holds only under the note's scenario assumptions.

One circuit, and what it means for an owner

Each loop has its own evidence, and this part proposes, as a hypothesis, that they connect into one circuit. In that reading, a widening gap between productivity and pay thins the wage-financed demand on which growth depends. The saving of the top returns as household and public debt, which supports that demand for a time and, on the debt-loop evidence, raises the fragility of the system that carries it. A crisis of the kind in which leverage plays a part is associated with a shift of votes toward the extremes, and on Alesina and Perotti's evidence the instability that follows lowers investment and so growth. The connections are this paper's synthesis; no single study estimates the circuit whole. Exhibit 3 draws the circuit, names the sources behind each loop, and labels every arrow with the kind of evidence those sources supply.

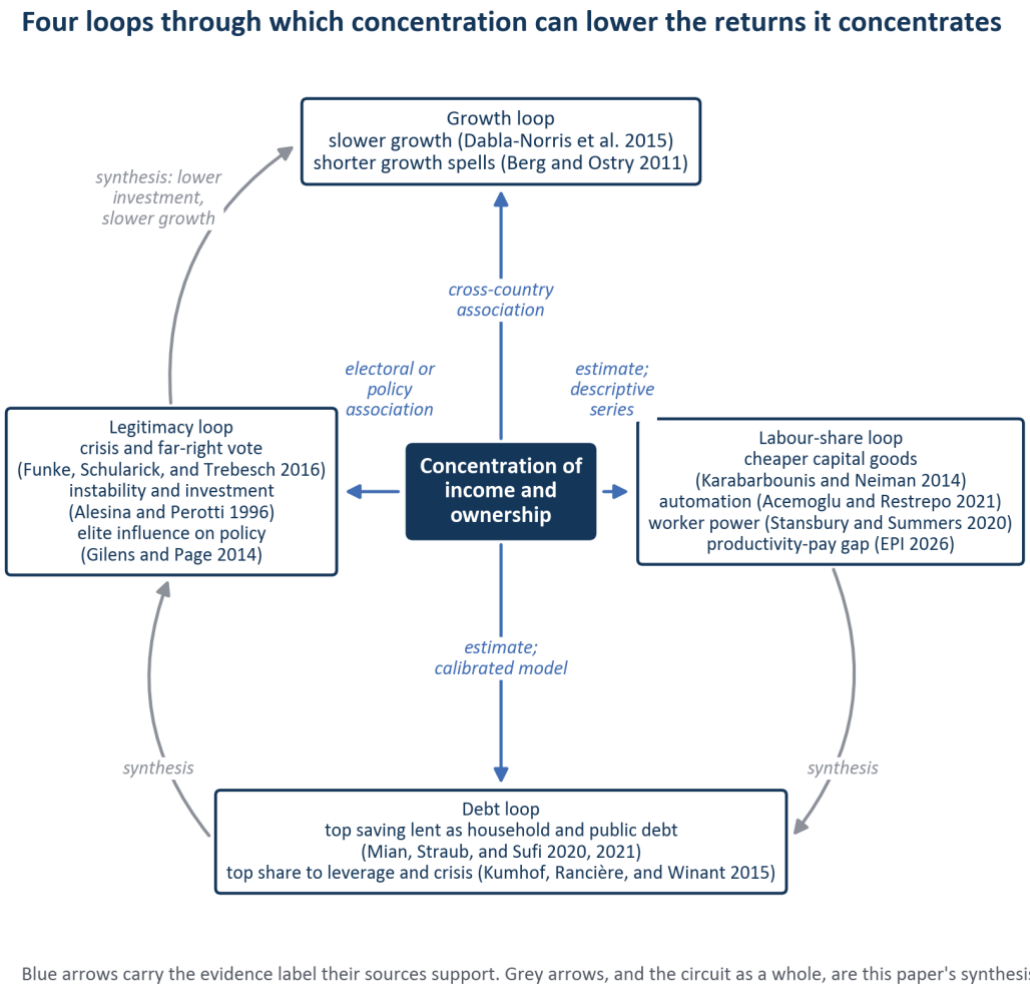

Exhibit 3. Four loops through which concentration can lower the returns it concentrates. Each blue arrow carries the evidence label its sources support; the grey arrows, and the circuit as a whole, are this paper's synthesis. Sources: as named in the diagram; see Part II.

If it operates as described, the circuit acts on the common base of earnings, credit, and consent from which claims on the economy are paid. Security selection, cross-border allocation, duration and inflation hedges can change the size of an exposure of that kind, but an owner whose portfolio is benchmarked to the economy it holds keeps the domestic channel. Hawley and Williams (2000, xv) define the universal owner as an institution that "holds in its portfolio a broad cross section of the economy". Its long-term return depends on the whole economy, so the costs one firm imposes on others land in its own portfolio. An owner of that kind therefore has a reason to act on the system that produces the exposure. Whether stewardship reduces it at lower cost than hedging is a question this paper does not test.

What the evidence supports

The evidence for the hypothesis is consistent in direction, with the exceptions the growth loop records, and weaker in identification: associations across countries and elections, a causal direction in the debt loop that comes from calibrated models, a projection its author declines to call a prediction, and two surveys. None of the studies measures the top 0.1% directly, and none tests what happens when concentration falls by

design inside a single economy. Several of the studies share authors, the regression studies face the problem of reverse causation, and the models depend on their calibration, so their agreement counts as convergence and falls short of independent confirmation. If a referee allowed only one loop to stand, the paper would keep the saving-glut evidence, which traces where the saving of the top was lent. That evidence carries measurement assumptions of its own but does not depend on a regression of growth on inequality.

The claim that concentration is self-limiting has a specific meaning in this paper. If the loops lower growth, raise leverage, and erode consent as described, further concentration would raise the probability of lower returns on the concentrated claims, and this paper distinguishes three paths by which a correction can arrive. It can arrive through a crisis, as defaults and losses that fall on the holders of the claims or shift to the public balance sheet. It can arrive through politics, as rules written under pressure on terms the owners of capital do not fully set. Or it can arrive by contract, as a division of profit the parties change in advance, on terms they write and can price. The first two carry costs whose size and timing no owner controls; the third carries a first-order cost that can be stated before it is paid, together with second-order effects that remain unmeasured at this scale.

A tipping point inside the firm

One finding links the argument to the firm, where the Model operates. Studying 1,403 S&P 1500 companies over fiscal years 2018 to 2022, Afzali, Oxelheim, Randøy, and Vieito (2023) relate employee productivity to the ratio of chief executive pay to median employee pay, and their baseline estimate is negative. A non-parametric estimate shows the relationship "nearly flat" below a ratio of about 40 and strongly negative above it, and the quintile estimates rank the fifth of firms with the lowest ratios as the most productive (Afzali et al. 2023, 16-17); the sample mean ratio is 193. The result comes from a single working paper, not yet peer-reviewed, on large companies over a window that includes the pandemic, and it observes existing firms without testing an imposed ceiling or the transition to one. In this working paper's non-parametric estimate, concentration inside the firm has a measurable threshold, the average sampled firm sits nearly five times above it, and the study detects no productivity cost at or below that threshold on either estimate. The study measures pay against the median employee, a more lenient base than the one Part V adopts, so it is consistent with a ceiling and leaves the level to be justified on other grounds.

From mechanism to history

Part II has described a mechanism and assigned it no date. Each loop is documented in its own literature, and each carries the qualification its authors attach to it. Read together, they describe a hypothesis about the risk of a system that narrows its own base of demand, credit, and consent as ownership concentrates. The studies above span decades at most, so what happens when such pressures accumulate over longer spans is a question for the historical record. Part III takes it up: the compressions of inequality that have actually occurred, the means by which each came, and whether any correction on that scale has yet arrived by design.

Part III. History's verdict: correction by design or by rupture

Part II closed on three questions it handed to the historical record: which compressions of inequality have actually occurred, by what means each came, and whether any correction on that scale has yet arrived by design. The record answers the third with less comfort than either side of the modern debate expects. It does not show that concentration causes collapse. It shows something harder for a capital owner to dismiss: on Scheidel's survey, every major measured compression of inequality was driven by mass-mobilisation war, revolution, state failure, or plague, and no peaceful reform has achieved one at comparable scale.

This part reads that record as scholarship, within the limits each case's own historians place on it. A disorderly correction appears here as a tail risk, never as a forecast, because the reader this paper addresses prices tail risks and discounts warnings. The argument moves from the general finding to three cases and one counter-case, then to the two frameworks that claim to explain the pattern. It ends on the question the record leaves open: whether a compression can be designed before the kind of shock that, on Scheidel's record, preceded every major one.

What the record shows, and what it does not

Walter Scheidel's survey of inequality from the Stone Age to the present is the central source for this part, and its finding is both narrower and stronger than it is usually taken to be. Across recorded history, he finds, every major compression of material inequality was driven by one or more of four violent ruptures (Scheidel 2017). His own enumeration is exact: "Four different kinds of violent ruptures have flattened inequality: mass mobilization warfare, transformative revolution, state failure, and lethal pandemics" (Scheidel 2017, 6). The finding concerns the compressions and says nothing about what caused the catastrophes. Scheidel does not argue that concentration brought on the wars or the plagues, and this paper does not say so either.

The asymmetry he documents is the point. In his words, "There is no repertoire of benign means of compression that has ever achieved results that are even remotely comparable to those produced by the Four Horsemen" (Scheidel 2017, 9). He records modest exceptions, among them the fall in Latin American inequality during the 2000s, and finds none comparable in scale to the violent levellers. His second finding bears on this paper as directly as the first. On his reading the compressions were not durable: as the shocks abated their aftereffects faded over time, and inequality rose again. A reader who wants the debate the book provoked should begin with his own review of the scholarship published since it appeared (Scheidel 2024).

For a paper titled *Reform Before Rupture*, those two findings fix the burden of proof. The paper proposes that a compression of the kind history has produced only through rupture can be produced by contract, in advance, and sustained after the pressure that prompted it has passed. Nothing in Scheidel's record shows that this has been done, and the paper says so here so that no reader discovers it later. That burden is the reason the Model is specified as an enforceable term in Part V and offered for independent evaluation in Part XII. The same burden explains why the cases below are read for the manner of their corrections, which is what an owner of capital can act on, and never for a verdict on the present.

For an investor the distinction between cause and manner is practical. History cannot supply the probability that the present concentration ends in disorder, and this paper does not pretend that it can. What Scheidel's record supplies is an asymmetry in the manner. On his record every measured compression at scale came through mass-mobilisation war, revolution, state failure, or plague, events that can impose losses across asset classes and jurisdictions at once. Part II reported evidence that markets already price political uncertainty, in a risk premium that is larger when the economy is weak. A tail risk whose likelihood cannot be estimated and whose cost can reach the whole portfolio is one a universal owner has reason to reduce at its source, which is the argument Part II made from the other direction.

The late Roman Republic: a land question that reform did not settle

The best quantitative anchor for Roman inequality describes the imperial economy, which came after the Republic whose crisis concerns this part, and it has to be read with two cautions. Scheidel and Friesen estimate that in the Roman Empire the top 1.5% of households "controlled around one-fifth of total income" (Scheidel and Friesen 2009, 62). The income Gini coefficient under their two scenarios was 0.42 and 0.44, figures that "fell right in the middle of a broad historical range" (Scheidel and Friesen 2009, 86). The first caution is that these figures measure income and say nothing about wealth. The second concerns the ceiling. An economy close to subsistence cannot sustain the inequality a rich one can, and the same authors estimate that actual Roman inequality "may have reached approximately 80 per cent of the theoretical maximum" (Scheidel and Friesen 2009, 87 n. 88).

A coefficient that would place a modern economy in the middle of the international range placed Rome near the ceiling its surplus allowed. A comparison with the United States of Part I that ignored that ceiling would mislead.

The Republic's crisis had many strands, and the one that concerns this paper is land, where its historians agree on the distress while disagreeing about its cause. On the traditional account, set out by Brunt, the long wars of the second century BC kept smallholders away from their farms. The yeomanry "fell into debt as a result of prolonged absence in the legions", holdings passed to larger owners, and the displaced "fell into the proletarian class" (Brunt 1971, 398, 75). Brunt is explicit about the political consequence. "This was the problem Tiberius Gracchus sought to solve" (Brunt 1971, 75).

Nathan Rosenstein's revision keeps the distress and rejects the mechanism. From the demography of military service he argues that conscription did not empty the Italian countryside. The crisis Tiberius Gracchus addressed was, on his account, one of rural overpopulation and falling fortunes rather than a vanishing peasantry (Rosenstein 2004, 19, 25).

The two accounts disagree about why Italian smallholders were in distress by 133 BC. They agree that the smallholders were. The attempt to address the distress through a redistribution of public land did not settle the question on either account. That attempt was the law of 133 BC, recorded by Appian (Civil Wars 1.7 to 1.11) and Plutarch (Tiberius Gracchus 8 and 9) and studied by Roselaar (2010, chapter 5). The attempts that followed did not settle it either, and the Republic ended after a century of recurrent civil conflict.

The limit on this case is the one its historians insist on. The claim concerns the political crisis of the Republic and says nothing about the fall of the Empire centuries later. Kyle Harper attributes that later decline to

climate and disease, holding that "Biological change was even more forceful than the physical climate in deciding the fate of Rome" (Harper 2017, 15). The thesis has drawn a three-part response from Haldon and colleagues (2018) and remains contested.

A reader who hears in this part an argument that concentration brought Rome down has heard something the sources do not say. What the Republic supports is narrower, and sufficient for this paper. A distributional problem that reform did not resolve was followed by a century of civil conflict that ended the Republic, at a cost none of the reformers chose. The sources establish the order of those events, and the paper draws no causal line from the first to the second. No source in this part measures a compression of the distribution. The imperial economy that followed stood, on Scheidel and Friesen's estimate, near the most unequal its surplus allowed, so the Roman case records a rupture of the political order and no measured levelling.

France in 1789: privilege and fiscal breakdown

The France of the 1780s is the second case, and its scholarship is divided in a way that bears directly on this paper's question. The structural account is Sargent and Velde's. The monarchy, they write, "sustained institutions designed to constrain the king's revenues" (Sargent and Velde 1995, 475). In the years before 1789 "the pressure not to default outran the government's ability to raise taxes", and the result was a run-up of debt and interest payments (Sargent and Velde 1995, 475).

The taille was "a direct tax of medieval origin from which the nobility was exempt" (Sargent and Velde 1995, 483). Exemption by birth, offices that were bought and sold, and a war debt the crown had bound itself to honour were parts of one structure. In that structure the capacity to pay and the obligation to pay rested, in large part, with different people. On this account the exemptions were one part of the breakdown among several, and the paper does not present them as its single cause. The form the crisis took on Sargent and Velde's reading, interest payments that taxes could no longer match, is the form Part IV reads in the interest line of the United States budget.

Jack Goldstone sets the same breakdown in a longer sequence. The French state failed in 1789, he argues, for the reasons that had produced the crises of the seventeenth century. "France was again thrown into crisis by the inability of its economy, its system of taxation, and its mechanisms of elite recruitment to cope with sustained population growth" (Goldstone 1991, 173). On this reading the fiscal order was one of three systems that could not absorb a demographic pressure, and his account places the breakdown in the three together.

Eugene White's counter-view is the most direct challenge to the structural reading among the works this part has read, and the paper engages its argument as his abstract states it. White argues that the fiscal accomplishments of the regime's last two decades have been underrated (White 1989). Deficits, in his reading, "did not appear until the mid-1780s when earlier reforms and successful budget policies were abandoned by reactionary finance ministers" (White 1989, abstract). A severe crisis in 1788 and 1789 would have been unlikely, he concludes, had those policies continued. On his account the crisis was avoidable.

The disagreement is what the case contributes to this paper. If Sargent, Velde, and Goldstone are right, the old regime's fiscal order could not correct itself within its institutions, and the correction came from outside

them. If White is right, a fiscal solution may have been available and was abandoned, and the rupture followed the reversal. His argument concerns fiscal policy and budget reform, and the paper does not read it as a designed compression of inequality.

For this paper's purpose the two readings share one question: whether the fiscal adjustment could be made inside the institutions before the pressure outran them. Neither rests on the degree of inequality alone. Privilege and fiscal breakdown, together, are what the sources support, and no source here holds that inequality by itself brought down the monarchy. One further feature of the case travels into Part IX. The exemptions of the old regime were privileges of birth that the productive classes paid for. Part IX returns to that fact when it sets out why a lower rate under the Compact can be earned only by conduct open to any enterprise.

Argentina: correction through the currency and the budget

The third case is contemporary, and it shows one form a disorderly adjustment can take in an economy with a central bank, a bond market, and a statistical office. Argentina ran the sequence that Part IX examines in detail: fiscal deficits financed by money creation, inflation, and in its later episode official statistics that understated the damage. In 1989 the GDP deflator rose 3,046% (World Bank 2026). On February 1, 2013, the Executive Board of the International Monetary Fund issued a declaration of censure against Argentina over the quality of the consumer price index for Greater Buenos Aires and the GDP data it reported to the Fund, having found its remedial measures since September 2012 insufficient (International Monetary Fund 2013). The Board lifted the censure on November 9, 2016, once it judged the consumer price index to be in line with international standards (International Monetary Fund 2016).

The statistical correction did not end the economic one. In December 2023 the national consumer price index rose 25.5% in a single month (INDEC 2024a). In the first half of 2024 the national statistics institute counted 52.9% of persons in the 31 urban agglomerations it surveys as living below the poverty line (INDEC 2024b).

The Argentine sequence belongs in this part because the adjustment came without a revolution and without a war. It came through the unit of account. The budget and the currency carried the adjustment, and the official record itself fell short of the Fund's standard and stood under its censure for nearly four years. The case is offered as a rupture of the monetary order. Nothing in this part's record ties Argentina's deficits to the concentration of wealth, and the paper makes no such claim. Part IX returns to Argentina as the worked case for the Compact.

The twentieth-century compression: a correction that was partly designed

The counter-case is the one a careful reader raises first. Between the 1930s and the 1970s the advanced economies compressed their distributions of income and wealth, and they did so through deliberate institutions as well as through war. The American wage structure is among the best-measured instances of that compression.

Goldin and Margo find that it "narrowed considerably during the 1940's", in the words of the working paper that became their 1992 article (Goldin and Margo 1991, 1992). For white men, the gap between the

ninetieth and tenth percentiles of log wages fell from 1.414 in 1940 to 1.060 in 1950. They assign part of the credit to the Second World War and the National War Labor Board. Much of it they assign to a rapid rise in the demand for unskilled labour during a decade in which the supply of educated workers was growing fast. The compression had an institution in it, and it also had a war and a labour market in it.

Scheidel reads the same decades as the aftermath of the two world wars and counts the compression under the first of his four levellers, mass-mobilisation warfare (Scheidel 2017). This paper takes a middle position between the two readings. Reform was one cause of the compression among several, and the institutional contribution these sources name, a war labour board, was itself a creature of the war. Then the compression faded, as Scheidel's second finding would lead a reader to expect. Part I dates the turn to the late 1970s on the Saez and Zucman series and measures the rise since 1989 on the most conservative official series.

The lesson for design follows from the sequence and from nothing else. On this paper's reading, a compression that follows a catastrophe inherits the catastrophe's politics, and the institutions built in its wake may hold only as long as the memory of the shock. A compression designed before the shock would have to supply by contract, by law, and by verification the durability that the shock supplied for a generation. That is the standard the rest of this paper sets itself, and it is a higher standard than any precedent examined in this part met.

Exhibit 4. Four cases: the manner of the correction in each, its duration, and what its scholarship agrees on and disputes. Sources: as named in the table; see Part III.

Case	Manner of the correction	Duration	What the scholarship agrees on	What it disputes
Late Roman Republic	Land reform attempted from 133 BC; civil conflict	About a century of recurrent civil conflict, ending the Republic	Italian smallholders were in distress by 133 BC; the land laws did not settle it (Brunt 1971; Rosenstein 2004)	Why: long military service and displacement (Brunt) or rural overpopulation (Rosenstein)
France, 1789	Fiscal breakdown, then revolution	The crisis of 1788 and 1789	Privilege and fiscal breakdown together; exemptions by birth (Sargent and Velde 1995; Goldstone 1991)	Whether a fiscal solution was available and abandoned (White 1989)

Case	Manner of the correction	Duration	What the scholarship agrees on	What it disputes
Argentina	Through the currency and the budget, without revolution or war	Recurrent; IMF censure of the price index for nearly four years from February 1, 2013	Deficits financed by money creation, then inflation (the GDP deflator rose 3,046% in 1989; World Bank 2026) and, later, official statistics that understated it (International Monetary Fund 2013)	The paper ties none of this to the concentration of wealth
Twentieth-century compression	War and deliberate institutions together	1930s to 1970s, then faded	The American wage structure narrowed in the 1940s (Goldin and Margo 1992)	How much was reform and how much war (Goldin and Margo 1992; Scheidel 2017)

Two frameworks, held as frameworks

Two bodies of theory claim to explain why the pattern recurs, and this paper uses both as vocabulary without resting on either. The first is structural-demographic theory, developed by Turchin and Nefedov in *Secular Cycles* and carried into Turchin's *End Times* (Turchin and Nefedov 2009; Turchin 2023). Its central term, elite overproduction, entered in Part II as more aspirants than there are elite positions to fill. Turchin counts it as one of three principles in the theory and calls it the most reliable predictor in the historical cases (Turchin 2012).

What this part adds is his test on American data. From a database of 1,590 episodes of political violence in the United States between 1780 and 2010, among them riots, lynchings, and terrorism, he finds by spectral analysis a secular cycle, with a wave of instability in the second half of the nineteenth century, and over it an oscillation of about fifty years that produces the peaks Part II listed (Turchin 2012). The test is descriptive, and the theory supplies the explanation he offers for it.

The second framework is Acemoglu and Robinson's. They read the same history as a contest between inclusive institutions, "those that allow and encourage participation by the great mass of people in economic activities", and extractive ones, "designed to extract incomes and wealth from one subset of society to benefit a different subset" (Acemoglu and Robinson 2012, 74, 76). They state the conclusion in one sentence. "Nations fail when they have extractive economic institutions, supported by extractive political institutions that impede and even block economic growth" (Acemoglu and Robinson 2012, 83).

Neither framework is a law. Part II records Turchin's own caution about his best-known projection, and this part does not rest on it. What the two schools supply is a candidate mechanism for the asymmetry that Scheidel measures from the other end. Read at that level of generality, both locate the trouble in the claims of an elite: more aspirants than elite positions in Turchin's account, institutions built to extract from the

many in Acemoglu and Robinson's. The measurement of compression is Scheidel's, and the claims of this part stand or fall on it.

What the record leaves open

Five observations survive the cases above, each held to what its scholarship supports. In the three cases of rupture, a distributional or fiscal pressure that the existing institutions did not absorb was followed by a break in the political or monetary order, and what varied was the manner. Only the twentieth-century case produced the measured compression of inequality that Scheidel counts. The one case in which a scholar identifies a fiscal solution available in advance, White's reading of the French reforms in the regime's last two decades, is also a case in which that solution was abandoned. On that reading a fiscal policy that might have sufficed did not survive a change of ministers, which is a lesson about enforcement as much as about design.

The compression of the twentieth century, the only large one in these cases that institutions helped to produce, followed the shock and faded as the shock receded. One modern form of rupture, in Argentina's case, ran through the budget and the currency and was measured in the unit of account.

Read this way, the cases examined here offer no compression of inequality designed before the shock, and one fiscal solution, on White's reading of France, that may have been available in advance and was abandoned. That case is worth studying, and this paper has stated what it proposes to add: a compression written into the capital contract while the choice of manner is still open. Whether that choice is still open depends on the instruments that have postponed correction since 1980: falling interest rates, imported disinflation, a dominant reserve currency, public borrowing, and an expanding workforce. Part IV reads their present condition from the official series.

Part IV. The regime under strain: why the timing matters

Part III ended on a choice of manner that remains open only while the instruments that postpone correction remain affordable, and this part asks what those instruments now cost. For four decades after 1980 the United States, the economy this paper measures, absorbed distributional tension without correcting the distribution. Falling interest rates made the borrowing of households and governments cheap, and imported disinflation held down the price of goods while pay lagged productivity on the series Part II reported. A dominant reserve currency let the United States borrow in its own money at scale, and an expanding workforce carried the obligations that borrowing created. On Part II's saving-glut estimate, the saving of the top 1% of American households financed much of the rise in middle-class borrowing before 2008 and the expansion of federal debt thereafter. The window over which Part I measured the rise in concentration, 1989 to 2026, lies entirely inside that regime.

The hypothesis of this part is that each of those five buffers is thinning at once, and that the cost of postponing reform is therefore rising. If that is so, the form of the eventual adjustment will be chosen under pressure unless it is designed beforehand. None of the readings below predicts a crisis on a date, and the argument does not need one.

The fiscal position

The first buffer was public borrowing, and its arithmetic begins with two numbers that are often confused. The paper keeps them apart. Total public debt of the United States stood at about $40.1 trillion on September 29, 2026 (United States Treasury 2026a). That figure includes the debt the government owes to its own trust funds. Debt held by the public excludes those intragovernmental holdings and is the measure the Congressional Budget Office projects. It stood at about $32.4 trillion on September 29, 2026 (United States Treasury 2026a).

The Congressional Budget Office projects debt held by the public at 101% of gross domestic product (GDP) in 2026 and 120% by 2036, above the record of 106% set in 1946 (Congressional Budget Office 2026). The deficit it projects is 5.8% of GDP in 2026 and 6.7% in 2036, against a fifty-year average of 3.8%. The record of 1946 was set at the end of the mobilisation that Part III's counter-case describes.

The cost of carrying that debt has crossed a threshold whose wording matters. For fiscal year 2025 the budget line for net interest came to $970 billion (Committee for a Responsible Federal Budget 2025). On the Congressional Budget Office's other measure, as the Committee reports it, spending for net interest payments on the public debt surpassed $1 trillion for the first time in that year. The two figures measure different things, and the paper reports both in preference to the rounder one alone. The meaning for this paper's argument lies in the direction. A state that borrowed to absorb distributional tension now pays more each year for having done so, and that payment competes with the other uses of public money.

The price of money

The second buffer was the price of money, and the long end of the market has stopped following the short end. Between September 2024 and December 2025 the Federal Open Market Committee lowered its target range by 175 basis points across six decisions, one cut of 50 basis points followed by five of 25 (Board of Governors of the Federal Reserve System 2026). Over the same window the 30-year Treasury par yield rose

by 0.88 percentage points, from 3.96% on September 17, 2024, the day before the first cut, to 4.84% on December 31, 2025 (United States Treasury 2026b). On May 19, 2026 it reached 5.18%, its highest level since July 2007, and on September 30, 2026 it stood higher still, at 5.64% (United States Treasury 2026b). On September 16, 2026 the Committee raised its target range by 25 basis points, to 3.75% to 4%, its first increase since the easing began in September 2024 (Board of Governors of the Federal Reserve System 2026).

The inflation record sits behind those rates, and the official series are specific about it. The consumer price index for all urban consumers rose more than 2% year on year in every published month from March 2021 to June 2026 (United States Bureau of Labor Statistics 2026a). That span covers 64 calendar months and 63 published readings, because the figure for October 2025 was never published. The Federal Reserve defines its 2% objective on the personal consumption expenditures index, so the consumer price series is a proxy for the target and the paper labels it as one.

The reading a long-horizon owner takes from these series is modest and sufficient. The policy rate fell for fifteen months and the price of long-dated public borrowing rose over the same months, and the easing has since begun to reverse. The state's capacity to absorb distributional tension by borrowing depends in part on what long-dated borrowing costs, and that cost has moved against it.

Exhibit 5. The readings behind this part. Sources: Board of Governors of the Federal Reserve System (2026); United States Treasury (2026b); Congressional Budget Office (2026).

Reading	Value	Date	Source
Federal funds target range, easing	Lowered 175 basis points in six decisions (one of 50, five of 25)	September 2024 to December 2025	Federal Reserve
Federal funds target range, first increase	Raised 25 basis points, to 3.75% to 4%	September 16, 2026	Federal Reserve
30-year Treasury par yield over the easing window	Up 0.88 percentage points, 3.96% to 4.84%	September 17, 2024 to December 31, 2025	U.S. Treasury, Daily Treasury Par Yield Curve Rates
30-year Treasury par yield	5.18%, highest since July 2007	May 19, 2026	U.S. Treasury, Daily Treasury Par Yield Curve Rates
30-year Treasury par yield	5.64%	September 30, 2026	U.S. Treasury, Daily Treasury Par Yield Curve Rates
Debt held by the public	101% of GDP (2026); 120% (2036 projection); record 106% (1946)	February 11, 2026 projection	Congressional Budget Office

Reading	Value	Date	Source
Federal deficit	5.8% of GDP (2026); 6.7% (2036); fifty-year average 3.8%	February 11, 2026 projection	Congressional Budget Office

Blanchard's counterweight

The strongest argument against reading those rates as a constraint is Olivier Blanchard's, and the paper states it in his terms. In the lecture published as his 2019 article he argued that, "If the future is like the past", debt rollovers "may well be feasible", and that, "Put bluntly, public debt may have no fiscal cost" (Blanchard 2019, 1197).

Four qualifications travel with the claim, and he supplied them himself. The conclusion is conditional on the future resembling the past. Even without a fiscal cost, "public debt reduces capital accumulation, and may therefore have welfare costs" (Blanchard 2019, 1197). The lecture also weighs the risk of multiple equilibria, in which a rise in the risk premium on debt can make a sustainable position unsustainable. He stated, finally, that the purpose of the lecture was not to argue for more public debt (Blanchard 2019).

The paper does not dismiss the argument; it reads the condition. Blanchard's result rests on a safe interest rate below the growth rate. The paper does not compute that comparison, which depends on the maturity, the horizon, and the deflator chosen, and a nominal 30-year yield cannot answer it alone. The readings above show only that the long nominal safe rate, at 5.64% after rising through a fifteen-month easing cycle, has moved in the direction that makes the condition harder to meet. Blanchard's own multiple-equilibria caveat bites hardest when the rate moves that way, and the paper does not claim that the condition has failed.

Whether the future resembles the past on which his argument rests is now an open empirical question, and an argument for designing the adjustment in advance needs nothing stronger than that. A design adopted while the question is open is made while the choice of manner is still available.

The reserve system

The third buffer is the dollar's position, and the paper describes its movement as diversification at the margin and nothing more. The dollar's share of global official reserves was 56.70% in the second quarter of 2026 on the International Monetary Fund's reserve-composition survey, which now reports on a single full-coverage basis (International Monetary Fund 2026). Earlier comparisons that set a share from 2001 measured on one basis against a recent share measured on another overstate the decline, and the paper does not use them. The dollar remains the dominant reserve currency. No series in this paper's record suggests otherwise.

Two movements at the margin are nonetheless real. Central banks bought more than 1,000 tonnes of gold in each of the three years from 2022 to 2024, and the World Gold Council records 2024 as "the third consecutive year in which demand surpassed 1,000t" (World Gold Council 2025). In 2025 they bought 863 tonnes, purchases the Council describes as "historically elevated and geographically widespread" though slower than their recent pace (World Gold Council 2026). China's holdings of United States Treasury

securities fell from $1,316.7 billion in November 2013 to $653.3 billion in March 2026, a decline of 50.4% and the lowest level since the autumn of 2008 (United States Treasury 2026c). Neither movement ends the dollar's role. The first records official demand for a reserve asset outside the dollar, the second a single holder's demand for Treasury securities, and together they describe, at the margin and among some official holders, a smaller appetite for the asset on which the fiscal position above depends.

Goods, minerals and people

The fourth buffer was imported disinflation, and the globalisation of goods trade that supplied it has, on one reading, gone into reverse. Subramanian, Kessler, and Properzi describe a new era "characterized by the deglobalization of goods and the slower yet persistent globalization of services" (Subramanian, Kessler, and Properzi 2023). The International Monetary Fund's staff warn of "policy-driven geoeconomic fragmentation" (Aiyar et al. 2023). Its effects, they expect, would run through trade, migration, capital flows, technology diffusion, and the provision of global public goods. In the International Energy Agency's words, "A single country is the dominant refiner for 19 out of 20 energy-related strategic minerals, with an average market share of around 70%" (International Energy Agency 2025).

A buffer that depended on cheap goods from an open trading system weakens as the system fragments. The concentration the Agency records was built inside the integrated system, and on this paper's reading it would become a point of exposure if that system divides. Part II recorded what that same openness cost American manufacturing employment. The buffer was never free, and it is now also smaller.

The last buffer is demographic. The expansion of the labour force on which the post-1980 debt regime relied is slowing as populations age. An OECD working paper finds that longer working lives "could mitigate, but not completely offset, the negative effects of ageing on employment" (André, Gal, and Schief 2024).

The same study notes that ageing today "largely reflects past fertility, longevity, and migration developments" and that policies "have moderate or delayed impacts on population ageing". This buffer cannot be rebuilt quickly by any government that wants it back. A working population that grows more slowly than the retired one carries a larger stock of debt and more retirees at once. On this paper's hypothesis, the political demand for redistribution grows with both.

What the readings say together

None of these readings predicts a crisis, and the paper would not trust one that did. Read together they say something more useful to a long-horizon owner. The instruments that absorbed distributional tension after 1980 (rate cuts, public borrowing, a dominant reserve currency, imported disinflation, and an expanding workforce) each cost more today than when the regime was built, or offer less. Each reading comes from the official or institutional series that measures it, and each points the same way, with a strength that differs from series to series.

A government that meets the next distributional shock with the same instruments would, on present readings, pay more for them than its predecessors did. A government that cannot afford them is likely to choose the form of adjustment under pressure, which is how the corrections in Part III's cases of rupture arrived. The Argentine case there shows what one state reached for when its buffers were gone. Each

instrument had a payer, and Part II named two of them: the middle-class households whose borrowing the saving of the top financed, and the manufacturing regions that absorbed import competition.

The argument can be tested, and the paper states the conditions. If the safe interest rate falls durably below the growth rate on the measure Blanchard uses, if inflation returns to target and stays there, and if debt held by the public stabilises as a share of output, the case for urgency weakens. The case for the design itself rests on Parts I, II, and III, and none of those conditions touches it. That is the strongest claim this paper makes about timing, and it is deliberately modest. The cheapest moment to choose the form of an adjustment is before events narrow the choice, and the series above record the narrowing in progress. The SAVI Capital Model is a form that can be chosen now, by contract, in the documents of any fund that adopts it, and Part V specifies it term by term.

Part V. The SAVI Capital Model: the specification

Part IV closed on a choice. The instruments that absorbed distributional tension after 1980 each cost more today than when the regime was built, and the cheapest moment to choose the form of an adjustment is before events narrow the choice. Part V specifies, term by term, one form designed to be adopted now by contract.

The SAVI Capital Model divides every dollar of a portfolio company's net profit into two equal pools before any conventional distribution runs, half to the people who work there and half to the capital that financed them. It adds a ceiling on the pay ratio inside the company, a stewardship duty with consequences, and an outperformance threshold above which further returns leave the fund for the institution's own non-profit arm. The pages that follow specify each term precisely enough to be drafted as a contract, because a design that cannot be drafted cannot be tested. The arithmetic is in Appendix C, and the status of the terms is stated at the outset. The SAVI Group commits to write these terms into every future fund document; the draft clauses are in Appendix B. They are model terms labelled as such, and no claim in this part rests on an executed agreement.

One dollar, two pools

The defining mechanic is a division at the top of the waterfall. Every Profit Dollar of a financed company, defined in the next section, is split before the preferred return, before the manager's catch-up, and before carried interest: 50% to the Human Capital Pool and 50% to the Financial Capital Pool. The employees' claim on the Human Capital Pool is held through the Employee Trust described below, which pays the pool to them in equal shares, in addition to salary and never in place of it. The Financial Capital Pool goes to the fund and runs through a conventional limited-partner and general-partner waterfall whose terms are fixed below. One sentence states the relationship between the two halves exactly, and the paper never states it more generously: the waterfall's proportions are unmodified; its base is half the profit. An investor reads that sentence as a cost, and Part VIII prices it.

Invested capital is not profit and is never divided. When a company is sold, the fund's invested capital in that company returns to the Financial Capital Pool first, and only the gain above it is a Profit Dollar. The distinction matters because the Model is applied through growth equity, where a large part of the return can arrive at exit. The worked example of Appendix C assumes that a quarter of the total profit arrives as annual net income over five years and three-quarters as gain on sale, and both are divided on the same terms. The split is an assumption, and the outperformance threshold's trigger does not move when the appendix varies it.

The Model divides each Profit Dollar at the top, before the waterfall begins

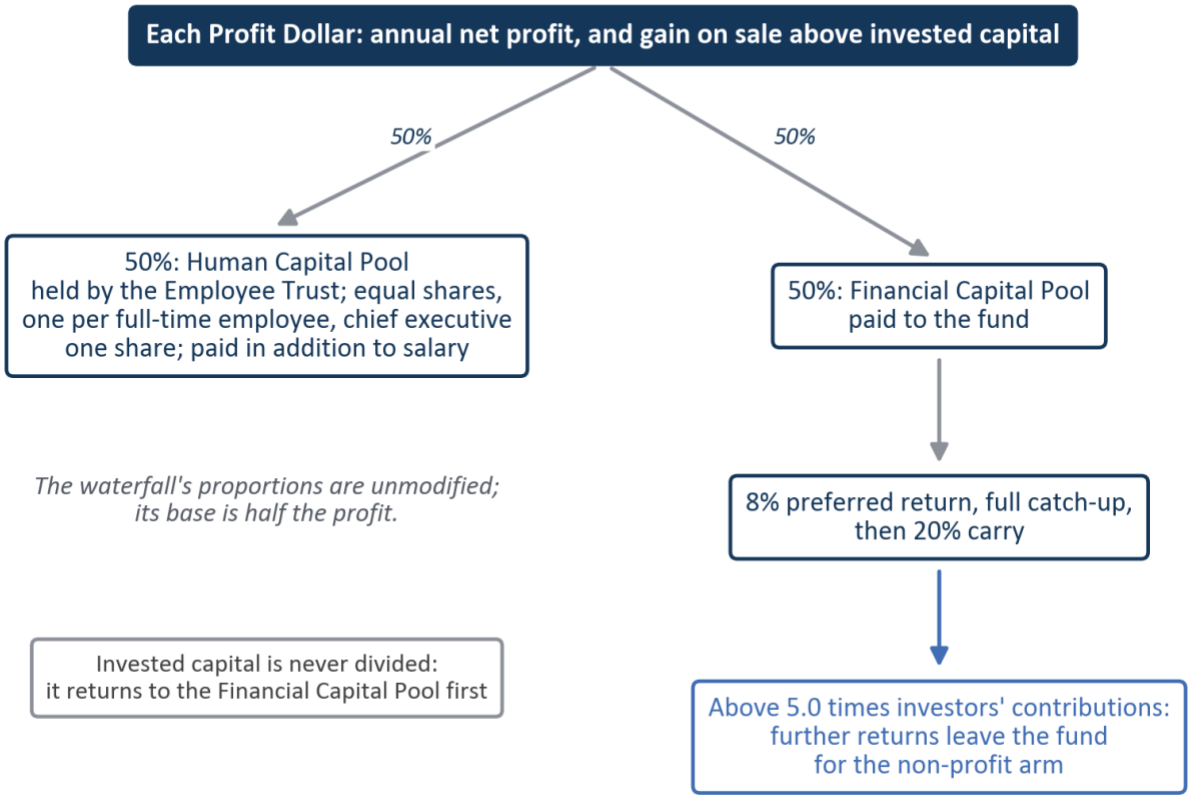

Exhibit 6. The division at the top of the waterfall. Source: Appendix B, sections B2 to B4 and B8.

What counts as profit, and when it is divided

The first question counsel asks of any profit-share is what "profit" means, and the Model answers it in two parts. For the operating years, Net Profit means the company's audited net income for the fiscal year plus the Human Capital Pool charged in arriving at it, measured before any distribution to stockholders, so that the Pool equals reported net income. Each year the company pays half of that figure to the Employee Trust, by estimate and trued up after the audit, and the Trust distributes it to the year's employees.

For the year of a sale, Exit Gain means the proceeds the fund receives on disposing of its interest, less the fund's invested capital in that interest. Half of the gain is paid to the employees of the year of disposal before the fund's own waterfall runs. The payment runs through the company's payroll at closing, for the Employee Trust's account, and the fund stands obliged behind it. A Profit Dollar is each dollar of either.

Appendix B refines the exit measure so that both annual income and exit gain are divided and each Profit Dollar is divided once. Each year's profit was divided in the year it was earned. The fund's half that the company kept instead of paying out, its Retained Financial Earnings, returns to the Financial Capital Pool beside invested capital and is subtracted from the exit gain before the split, so it is not divided again when it reappears in the sale price.

Two consequences follow from counting exit gains, and both are intended. The pool cannot be hollowed out by a company that reinvests its earnings for five years and is then sold at a multiple, the path the worked example treats as the main one. And the employees' claim on the gain and the investors' claim mature on the same event and are paid from the same proceeds. The exit date is still not neutral between them, because the preferred return compounds with time and the employees' share carries no hurdle. The manager decides the date, as in any fund, after written notice to the Employee Trust and a good-faith consultation, and the Trust has no veto (Appendix B); the pilots measure whether the two preferences diverge in practice.

Appendix B gives the exit payment two drafting routes. The default is a contractual payment, taxed to employees as compensation when paid. The company pays it through its payroll at closing, funded from the sale proceeds. The fund remains obliged for it and backstops it, and payment by the fund to the Trust is the fallback. Because the payment is contingent on a change in control, a private company puts it to the section 280G vote of more than 75% of the disinterested voting power before each sale.

The alternative is a class of company equity issued to the Trust at acquisition and entitled to half of any value above the fund's cost. Rule 701, the compensatory-plan exemption, does not list an employee trust among those who may take under it, so that route is taken only on securities counsel's opinion. Both routes need tax counsel's review before use.

Who shares, and in what proportion

Eligibility is defined by the payroll and not by rank. Every person on the company's payroll during the fiscal year is an Eligible Employee, the chief executive and the other executives included. A full-time employee employed for the whole year holds one share, and so does the chief executive. A part-time employee holds the fraction of a share that contracted hours bear to full-time hours, and a joiner or leaver holds the fraction that days employed bear to days in the year.

Independent contractors are excluded, with two anti-avoidance rules. A natural person who works for the company on an exclusive or substantially full-time basis for more than six months is treated as an employee for the pool and for the pay ratio. One supplied by an agency, staffing firm, or professional employer organisation for more than six months counts in the base of the pay ratio. A relabelled job therefore stays inside the pool and the ratio, and a job moved to an agency stays inside the ratio's base.

The shares are equal and not proportional to salary, and the choice is deliberate. A pool divided in proportion to pay would reproduce inside the pool the distribution it exists to correct, and would deliver the largest payments to the people whose compensation already carries the most upside. The Model allows variation by hours and time employed only, which is stricter than the United Kingdom's employee-ownership trust regime, compared in Appendix B's counsel note: under Schedule 37 of the Finance Act 2014 that regime also allows variation by remuneration and length of service. Earned amounts are never forfeited.

Because the pool is paid out each year, the same note designs it to be treated in the United States as a bonus programme, provided payments are not systematically deferred to the end of employment (29 C.F.R. 2510.3-2(c)). The payments are designed to be compensation, deductible to the company and subject to

payroll taxes. Tax counsel confirms that treatment under the governing law, and the treatment of the exit payment.

The Four Tenets, written as terms

The Model's four commitments are known as the Four Tenets, and each corresponds to a clause. Equitable Profit-Sharing is the division just described. Fair and Transparent Compensation is a ceiling on the pay ratio inside each company. Ethical and Principled Stewardship is a review whose consequences escalate to exit. Sustainable and Social Impact is the outperformance threshold and, for enterprises inside The Fifteen Compact that Part IX describes, the free-service commitment to the floor population, delivered through the non-profit arm.

Fair and Transparent Compensation: the ceiling and its grounds

The ceiling is written into the company's charter. The total annual compensation of any employee, the chief executive included, counting salary, bonus, equity awards at grant-date value, and benefits, may not exceed a stated multiple of the total compensation of the lowest-paid full-time Eligible Employee. The board sets the multiple for the company's industry within a band of 15 to 20 times, discloses the benchmark it used, and may never exceed 20 times. Pool payments are excluded from both sides of the ratio, so that a large pool, paid equally to all, cannot be counted to loosen the ceiling on salary.

Inside the ceiling the Model sets no pay scale. What each role earns, according to its training, education, experience, and responsibility, is left to the company, its industry, and the labour market. The charter fixes only the distance between the highest total compensation and the lowest.

The measure is stricter than the disclosure the Securities and Exchange Commission requires of listed companies, which compares the chief executive's total compensation with the median employee's under section 953(b) of the Dodd-Frank Act (SEC 2015). It binds where the rule only discloses, it covers every employee and not the chief executive alone, and its denominator is the lowest-paid full-time worker. The SEC, however, identifies its median from all employees, part-time, temporary, and seasonal staff included, without full-time-equivalent adjustment for part-time workers (SEC 2015), so a company with many part-time staff can have a median employee paid less than its lowest-paid full-time one. Within a full-time workforce, a ratio against the lowest-paid is always at least as demanding as the same ratio against the median.

The level is justified on three grounds of its own. First, it returns to a documented practice, on a stricter base. On the Economic Policy Institute's granted-pay measure, the chief executives of the largest American companies were paid 15 times the typical worker in 1965 (Bivens, Gould, and Kandra 2024), in the middle of the period that Part I showed delivering income growth across the whole distribution. The Model's band is measured against the lowest-paid full-time worker and not the typical one, so even at its floor of 15 times it asks at least as much of a company as the 1965 practice did.

The second ground is legitimacy inside the company. The design rests on a judgment the pilots can test: a pool divided equally among a workforce is more credible to that workforce when the person who directs the company stands inside the same arithmetic. Third, the Model does not need salary to carry the upside.

In a conventional company outperformance reaches the chief executive through pay. In a Model company it reaches every employee, the chief executive included, through the Human Capital Pool, so the ceiling constrains fixed and granted compensation and leaves the shared upside intact.

One evidential limit is stated here, once, because the one firm-level study the paper has found is easily read as saying more than it does. Afzali, Oxelheim, Randøy, and Vieito use hand-collected pay-ratio disclosures for 1,403 S&P 1500 companies, 4,686 firm-years over fiscal 2018 to 2022, and relate the ratio of chief-executive pay to median-worker pay to sales per employee and to total factor productivity. Their baseline relationship is log-linear and negative, and they estimate no quadratic term. A non-parametric kernel regression is nearly flat up to the point at which "CEO pay exceeds the median worker's pay by a factor of 40" (Afzali et al. 2023, 1) and strongly negative above it, and the lowest-ratio fifth of firms shows the highest productivity. The mean ratio in the sample is 193 to 1 and the median 108 (Afzali et al. 2023, 13), so the median sampled firm sits well over twice the line and the mean nearly five times above it.

Read for its shape, the study detects no productivity cost at or below 40 times the median. A ceiling of 20 times the lowest full-time pay stays under that line in any company whose median employee earns at least half the lowest full-time wage. The study measures the median, and the Model's ceiling is set against the lowest-paid full-time worker, a base that no study measures. The study therefore supports capping extreme ratios; it does not establish the Model's level, which rests on the 1965 practice, on legitimacy, and on the pool, and which the pilots measure. The study is a working paper, not peer-reviewed, and covers large listed companies over five years.

Ethical and Principled Stewardship: review, intervention, exit

Stewardship under the Model is a sequence of consequences written into the charter and the fund agreement. Each company's effects on its employees and on the communities it operates in are reviewed every year by a committee with at least one independent member. A failed review triggers a remediation plan with dated milestones. A failed plan triggers intervention by the fund, through changes to the board. Continued failure obliges the fund to exit the investment, whatever the point in the holding period, subject to its fiduciary duties and to the fund agreement.

The survival term described below is designed to ensure that the Human Capital Pool and the pay ceiling outlive the fund's departure. Each rung gives an outside evaluator something to inspect, and Part VII sets out how the inspection is made.

The outperformance threshold

Sustainable and Social Impact is written first as a distribution term in the fund agreement. The threshold is measured at fund level, on the limited partners' cumulative net distributions, after fees and carry, against their total contributions, management fees included. Once the limited partners have received 5.0 times their contributions, every further dollar of the Financial Capital Pool, the manager's share included, is paid to the Designated Non-Profit Arm named in the fund agreement. For the funds of The SAVI Group that arm is The SAVI Ministries® Endowment. Every other adopter names its own, such as a hospital's foundation, once counsel confirms that it qualifies. Written this way, the term activates by contract and not by a decision of management or the board, and the arm can enforce it.

Three features of the measurement keep the term from binding early or being avoided. The threshold is net, so that investors reach five times what they paid in before anything is diverted. The threshold is measured on the whole fund and not deal by deal, so that one exceptional company cannot trigger it while the fund as a whole sits below the line. And the term captures the manager's carry above the line as well as the investors' share, which leaves the general partner no interest in distributions the limited partners have ceased to receive.

Appendix C shows where the threshold first binds: for a fund running the Model's own waterfall, at a gross multiple of about 12.2 times on the underlying companies. The paper calls that what it is, a tail commitment. On the appendix's assumptions the term never activates below that multiple, and the point moves with the fees and the hold period. At 25 times gross, the highest outcome the appendix runs, the limited partners stop at 5.0 times and $640 million passes to the arm. The term exists for the outcome in which a vehicle built on shared profit returns far more than five times its investors' money, and it fixes in advance where the excess goes.

Appendix B's counsel note identifies the tax condition the term is written to meet. Either the allocation is fixed in the fund agreement at formation, before any income accrues, so that no partner ever holds a right to the diverted amounts, or the arm receives a separate interest in the fund at formation. Both routes are subject to review by non-profit tax counsel.

The financial half: the waterfall's own terms

The Financial Capital Pool runs the waterfall that the fund's investors already know, and the Model fixes its parameters so that nothing about the financial half is left to inference. The preferred return is an 8% hurdle, compounding annually on contributions. Once the hurdle is met the general partner receives a full catch-up until it holds 20% of the profits distributed, and thereafter profits are split 80 to 20. The waterfall is calculated on the whole fund and not deal by deal, the European structure that the Institutional Limited Partners Association's Principles 3.0 treat as best practice (ILPA 2019).

The hurdle follows market practice as recorded in the one fund sample this paper cites. Metrick and Yasuda studied 238 funds raised between 1993 and 2006, drawn from the records of one large investor. Among funds with a hurdle, the modal rate of 8% was used by about three-quarters of buyout funds, and virtually all funds with a hurdle used a rate between 6% and 10% (Metrick and Yasuda 2010). The Model changes the base of the waterfall and leaves its grammar alone.

Appendix C runs both waterfalls on the same companies. The illustrative fund invests $100 million in a growth-equity portfolio held for five years and charges a management fee of 2% of invested capital a year. Each gross outcome is run twice: once as a conventional fund and once as a Model fund in which every Profit Dollar is divided before the waterfall begins.

The central result holds at every outcome below the threshold, and Part VIII supplies the numbers. On the appendix's assumptions, a Model fund pays its investors exactly what a conventional fund pays at half the profit. The identity is the point. The investors' waterfall is fed by half of what it would otherwise receive, and the other half has gone, at the same moment, to the people who work in the companies. Above the

threshold the identity ends by design, because the limited partners stop at 5.0 times while a conventional fund would keep paying them.

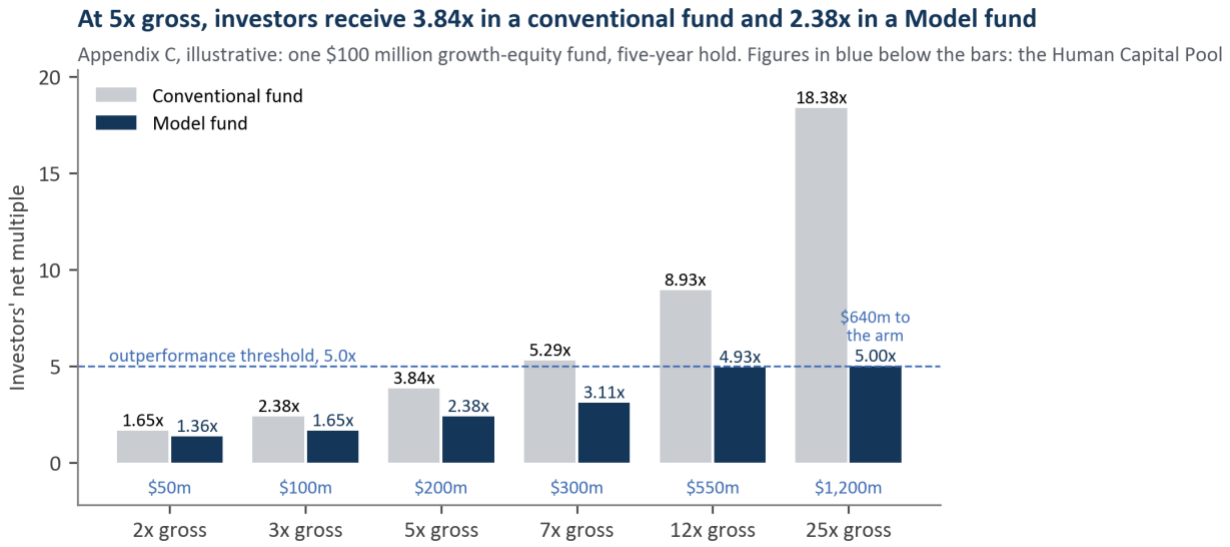

Exhibit 7. Investors' net multiple in a conventional fund and in a Model fund at six gross outcomes, with the Human Capital Pool. Illustrative: one $100 million growth-equity fund held five years, 2% fee, 8% hurdle, 20% carry. Source: this paper's model; full results in Appendix C.

Survival on sale, and enforcement by people who are not in the room

Two of the questions that the Model's published essays left open go to whether the commitment binds at all. The first is whether the term survives a sale of the company, and the second is how employees, who are not parties to the fund agreement, enforce a right that lives in it. Appendix B is written to answer both by placing each term in the document whose parties can enforce it, subject to the governing law and to counsel's review.

Document	Parties	What it carries
Company charter	The company and its stockholders	The Trust Class Share and the rights it protects; the pay-ratio ceiling; the stewardship duty
Human Capital Pool Agreement	The fund, the company, and the Employee Trust	The division of profit, the pool mechanics, the exit payment, enforcement
Employee Trust deed	The company as settlor and an independent trustee	Custody of the Trust Class Share and the pool; payment per share; standing to act for a changing workforce
Fund limited partnership agreement	The general partner and the limited partners	The financial waterfall, the outperformance threshold and the non-profit arm, amendment protection, reporting

Survival is designed to rest on a single share. The company issues one share of a special class, the Trust Class Share, to the Employee Trust, and the charter expresses three rights in terms. The pool entitlement and the pay ceiling may not be amended, repealed, or made inapplicable. No merger, consolidation, conversion, sale of substantially all assets, or reorganisation may eliminate or adversely affect the Trust Class Share, the pool, or the pay ceiling unless the surviving or acquiring entity assumes them on identical terms. Each of these requires the separate consent of the Trust Class Share, which carries a token economic right, a nominal liquidation preference and, where local law requires it, a de minimis profit share, and no vote beyond that consent. The charter bars any forced sale, squeeze-out, drag-along, forced transfer, or dilution of the share, so that no acquirer can buy or extinguish the consent it carries.

Appendix B's counsel note rests the construction on Delaware law. Under section 242(b)(2) of the Delaware General Corporation Law, a charter amendment that would alter the powers, preferences, or special rights of a class so as to affect it adversely requires a separate vote of that class. The Delaware Supreme Court confines that protection to rights expressed in the charter under sections 151(a) and 102(a)(4), which is why the rights are written out and never implied. Section 242 does not itself reach mergers, so the merger clause is an express protective provision that names mergers and conversions in terms. On that construction, which counsel confirms before use, a buyer takes the pool, the ceiling, and the Trust Class Share that protects them as conditions of the charter it acquires, removable only with the Trust's consent.

The company may also be incorporated as a Delaware public benefit corporation, at the adopter's option. Since Delaware's 2020 amendments a conversion out of that status needs only a majority vote, so the benefit-corporation form records the purpose and the Trust Class Share entrenches it.

Enforcement is designed around making the Trust a party. Employees are not parties to the fund agreement, so their right sits in documents to which their trustee is a signatory. The Employee Trust is a party to the Human Capital Pool Agreement. It holds a direct right of action against the fund and the company for the terms from the division of profit to the stewardship ladder (B2 to B7) and for the enforcement terms (B10). As holder of the Trust Class Share, it is also a stockholder party to the charter articles that carry the survival term. The trust deed is written to give each Eligible Employee a claim against the Trust for his or her share and the power to require the trustee to act, subject to the governing trust law.

The outperformance threshold and the non-profit arm (B8) protect a different beneficiary, which enforces them itself: the fund agreement names the Designated Non-Profit Arm as an intended third-party beneficiary of that covenant. Disputes under any of these documents go to arbitration seated in a neutral jurisdiction named in the agreement, with emergency and injunctive relief available in court.

The fund agreement also names each Employee Trust an intended third-party beneficiary of the fund's promise to perform the Pool Agreement, but the Trust's right never rests on that designation.

The non-profit arm's right under B8 does, and the fund agreement is drafted to meet that test. Delaware lets a non-party enforce a contract only where the parties intended to benefit it, where the benefit was a gift or satisfied an obligation, and where that intent was a material part of the contract's purpose (Appendix B, counsel note to clause B10). That test is applied strictly, so the designation is a second route, and the

Trust's standing as a party is the one a workforce relies on. Amendment of any of these terms, whether direct or effected by merger, consolidation, conversion, transfer, or a new agreement, requires three consents: the general partner's, a supermajority in interest of the limited partners, and that of the Trust's trustee. The first two are the consents ILPA Principles 3.0 recommend for any amendment of a limited partnership agreement. Part VII sets out the governance that surrounds them.

The precondition: capital in which the commitment is senior

The Model needs a capital structure in which the commitment is the senior claim, and that requirement decides where it can be applied. The SAVI Group's own essay on the point puts it in one sentence: "Encoded commitment requires a capital structure in which the commitment is the senior claim, not a residual after debt service" (The SAVI Group 2025). In a leveraged buyout the first claim on a company's cash is its debt, and the contracts that govern that debt decide what the company may do. Axelson, Jenkinson, Strömberg, and Weisbach studied the financing of 1,157 large private-equity buyouts worldwide from 1980 to 2008. Buyout leverage, they find, is cross-sectionally unrelated to that of matched public firms and driven mainly, in quantity and composition, by the economy-wide cost of borrowing. The use of high leverage negatively affects fund performance after controlling for fund vintage and other characteristics (Axelson et al. 2010), a result later published in the Journal of Finance (Axelson et al. 2013).

The covenant literature adds the mechanism. Bräuning, Ivashina, and Ozdagli show that the incurrence covenants typical of high-yield debt and leveraged loans trigger restrictions on a borrower's actions once a threshold is crossed, and that "the drop in investment under incurrence covenants is large and sudden" (Bräuning, Ivashina, and Ozdagli 2022). A profit pool that ranks behind debt service and inside a covenant package is a residual, and a residual is not a commitment. The Model is therefore applied through growth equity, in companies carrying little or no acquisition debt, where the division of profit at the top of the waterfall is the senior claim on the company's earnings. That choice narrows the universe of companies the Model can finance, and the paper says so. It may narrow the universe of investors as well, since some mandates are written for leveraged buyouts.

What the specification does not claim

The specification ends where the evidence for it begins, and two statements of status belong here. The legal and tax statements in this part are design statements and not opinions. Appendix B checked its authorities at search-summary level, so before any adopter executes the terms, licensed counsel in the governing jurisdiction confirms them and reviews the securities, employment, and tax questions the notes identify. A company incorporated outside Delaware needs local counsel to reproduce the perpetual class right in that jurisdiction's own form. And no platform, software, or intermediary is needed to operate the Model: the terms live in four documents and are enforced by the parties to them.

What remains is the question an economist and an investor will both ask of a design that assigns half of a company's profit to its workforce, which is whether a firm can carry a transfer of that size. Part VI sets out what the evidence shows about profit-sharing, states the scale at which it was measured, and says where it stops.

Part VI. Evidence that sharing works, and where the evidence stops

Part V closed on the question that decides whether the Model is a design or a wish. The best evidence available shows that mandated profit-sharing at moderate scale moves income to workers with small to nonexistent effects on investment and productivity. Shared pay and ownership are associated with lower turnover and higher effort, most strongly alongside good work practices and pay at or above market. No study tests sharing at half of profit. The first finding is why the Model merits a test at its own scale. The gap is why Part XII proposes pilots.

The French mandate: a natural experiment at about a tenth of pre-tax profit

France has required profit-sharing by law since 1967, and the law supplies the paper's anchor study. Every French firm above a size threshold must share a fraction of its excess profits with its employees. The threshold stood at 100 employees until 1990, when it was cut to 50. Article L3322-2 of the Code du travail today obliges every company employing at least 50 people to guarantee its employees' right to participate in the company's results (Code du travail, art. L3322-2). Nimier-David, Sraer, and Thesmar use the 1990 change to identify what a mandate does.

Among firms with excess profits, the scheme distributes on average 10.5% of pre-tax income to workers. The cost to firms is visible before the reform in significant bunching at the 100-employee threshold, which disappears completely after it. In a difference-in-differences comparison of firms brought under the mandate with firms that were not, mandated profit-sharing raises the labour share by 1.8 percentage points, lowers the profit share by 1.4 points, and has small to nonexistent effects on investment and productivity (Nimier-David, Sraer, and Thesmar 2026). At the level of the employee it raises the total compensation of low-skill workers and leaves that of high-skill workers unchanged. In the working paper, the average worker's total pay rises by about 3.5% with no fall in base wages, while the base pay of high-skill workers adjusts to offset their share (Nimier-David, Sraer, and Thesmar 2023).

The study carries more weight than any other in this part for three reasons. The sharing was imposed by statute, so coverage turned on headcount alone, and the only avoidance open to a firm, staying below the threshold, is the bunching the authors document. The identification comes from a change in the law and not from a comparison of adopters with non-adopters. And the outcome on which the Model's cost turns most directly, investment, was measured, and the published article finds the effect small to nonexistent. The paper reads the result as no detected harm and never as gain, since the mandate did not raise productivity.

Two limits belong beside it. The firm-level figures above are those of the article published in the Quarterly Journal of Economics (Nimier-David, Sraer, and Thesmar 2026), whose abstract describes the effects on investment and productivity as "small to nonexistent". The 3.5% rise in total pay comes from the National Bureau of Economic Research working paper (October 2023, revised August 2025), and this paper has not checked it against the published text. And the bunching is itself evidence that firms experience the mandate as a cost at a tenth of pre-tax income, and what they would do at half is unmeasured.

Shared capitalism inside the firm: turnover, effort, and the condition that matters

Inside firms that share, the clearest effects appear in behaviour: turnover, loyalty, and effort. Blasi, Freeman, Mackin, and Kruse draw on NBER surveys of more than 40,000 employees in hundreds of facilities across 14 firms, together with the 2002 and 2006 General Social Surveys. Shared capitalism, they find, has beneficial effects on every outcome except absenteeism. Its strongest effects on turnover, loyalty, and effort appear where it is combined with three things: high-performance work policies (employee involvement, training, and job security), low levels of supervision, and fixed wages at or above the market level. Where all three are present, the likelihood of turnover falls from 12.8% to 2.4% as the authors' index of shared-capitalist practices rises from 0 to 10 (Blasi et al. 2008).

Most workers in those surveys report that cash incentives, stock options, and ownership stakes motivate them to work harder, and the authors suggest that the interaction between sharing and the other policies may operate through a latent variable they call corporate culture. They also caution that because firms choose their own policies, causal interpretations remain open to criticism, and they describe the earlier literature on shared pay and productivity as showing substantial dispersion in results. The study later appeared as a chapter in the NBER volume *Shared Capitalism at Work* (Kruse, Freeman, and Blasi 2010).

One detail of that finding bears directly on the Model. The condition under which sharing shows its strongest associations includes fixed pay at or above market, which is to say that the sharing is additional to the wage and is no substitute for it. The Model writes half of that condition into its terms: the Human Capital Pool is paid in addition to salary and never in place of it. No term requires salaries at or above market. The pay ceiling ties the top of the scale to its floor, which gives a board reason to raise the floor, but whether a pilot company meets this condition is a matter for measurement.

Productivity on adoption, measured modestly

The productivity evidence is positive and small, and the paper reports it at its size. Kruse opens with the state of the field as he found it: "Existing research tends to show that profit-sharing plans for employees are associated with higher company productivity and profitability, though the causality and mechanisms are unclear" (Kruse 1993). He uses a survey of 500 American public companies and panel data on their performance. Controlling for a range of other influences on productivity, he finds that the adoption of profit-sharing is associated with an average productivity increase of 4% to 5%, with no subsequent trend upward or downward (Kruse 1993). The effect is larger in smaller firms and in cash plans and survives controls for personnel policies, but he finds no evidence on the mechanism, since there are no strong interactions with information-sharing or other policies. The finding is a one-time level shift associated with adoption, published in 1993 and measured on listed companies, and the paper uses it for exactly that.

Ownership and performance across the literature

Across the whole literature on employee ownership, the average association with firm performance is positive, statistically significant, and small. A meta-analysis by O'Boyle, Patel, and Gonzalez-Mulé of 102 samples representing 56,984 firms finds a small but positive and statistically significant relation between employee ownership and firm performance, a mean correlation of 0.04 (O'Boyle, Patel, and Gonzalez-Mulé 2016). A 2026 working paper by Kurtulus, Hoyt, Ouimet, Blasi, Kruse, Freeman, and Castellano links the Census Bureau's 2010 and 2015 surveys of management practices in American manufacturing

establishments to Census production data and Labor Department pension filings. It finds that adopting an employee stock ownership plan is associated with a rise of 5.6% to 6.7% in labour productivity over 2010 to 2015, after controlling for management and organisational practices (Kurtulus et al. 2026). The National Center for Employee Ownership reports that the estimate aggregates about 600 adopting establishments (NCEO n.d.). Both studies were read in their published abstracts, and neither full text was opened.

In Britain, Bryson and Freeman use the nationally representative 2004 Workplace Employment Relations Survey, which links workplaces to their employees. Shared capitalism has grown in Britain as in the United States, they find, and its forms complement one another: firms use profit-sharing, share ownership, and group pay for performance together more than they would if each were chosen on its own. Among single schemes, share ownership has the clearest positive association with productivity, and the association is strongest when it is combined with other forms of shared pay and organisation. Workplaces also switch among schemes often enough to suggest they have trouble finding the right one (Bryson and Freeman 2008). Every one of these findings is an association in observational data, and the paper describes none of them as a cause.

Worker wealth and security: the scale that already exists

Employee ownership in the United States is an established institution with its own tax treatment. The National Center for Employee Ownership, drawing on the Department of Labor's Form 5500 filings, counts 6,609 employee stock ownership plans in 2023, covering 15.1 million participants and holding more than $2 trillion in assets. The plans of publicly traded companies account for about 12.2 million of those participants, so most of the institution's members work in listed companies, outside the private growth companies the Model finances. The filings arrive with a lag of up to two years, so 2023 is the latest year available on a page updated in January 2026 (NCEO 2026).

What ownership does for the individual worker is harder to measure cleanly, and the figures this paper found come from an interested source. A 2018 survey of 39 S-corporation plans with 61,020 participants found an average retirement balance of $170,326 against a national average of $80,339, with quit and separation rates less than half the national rates (NCEO 2018). The survey was sponsored by an association of such companies and drawn from its members, most of them large and wholly employee-owned, and the paper cites it with that disclosure and without weight beyond it. Part IX returns to the tax treatment these plans already enjoy, which is the strongest precedent for the regime it proposes.

Where the evidence stops

Every study above concerns sharing at a fraction of the Model's scale, and the paper states the gap without softening it. The French mandate distributes about a tenth of pre-tax income. The Model commits half of net profit, and half of every gain on sale besides. The bases differ, pre-tax income in one case and audited net income in the other, and no adjustment of bases closes a gap of that size. Nothing in the literature shows what happens to investment, to hiring, to the wages a firm pays beside the pool, or to the valuation a buyer places on the company, when half of its profit is committed to its employees before the owners are paid.

The ownership studies come closer in kind, since an employee stock ownership plan gives workers a claim on the value of the firm. They compare owning firms with non-owning firms, however, and say nothing about a fixed half-share of profit in a company financed by outside capital.

Two features of the French result also warn against simple extrapolation. The mandate requires firms to share a fraction of excess profits as French law defines them, a narrower base than the Model's net profit. And the firms it newly covered in 1990 had between 50 and 100 employees, unlike the growth-equity portfolio companies the Model finances with outside capital.

A third feature is the one the paper takes most seriously. The high-skill workers in the French sample ended with total compensation unchanged because their base pay adjusted to offset the share, which suggests that part of the cost of a tenth was absorbed inside the wage bill. Half of profit is a far larger share, and the paper does not assume a wage bill can absorb it in the same way. The no-harm result at a tenth may therefore rest in part on an adjustment that is unavailable at half, and the paper states that as a hypothesis for the pilots to test and never as a finding.

The investment channel needs the same precision. An owner who keeps half of each marginal dollar of profit faces half the return on each marginal project, and a project that clears the owners' hurdle at the full return may fail it at half. The French reform of 1990 fell on owners who had priced their firms without it, whereas the Model's terms are known before the first dollar is invested, so an investor can price them at entry and pay less for the company. Yet every project proposed after entry still returns its owners half of its profit, so advance knowledge changes who bears the cost and leaves the incentive at the margin unchanged. The pilots measure whether the wedge reduces investment in practice, and the paper claims nothing about it in advance.

That gap is the paper's central open question, and the pilots that Part XII proposes exist to answer it: investment, hiring, pay beside the pool, turnover, and valuation at entry and at exit.

Until those results exist, the claim this part supports is narrower than the Model and is stated at its true width. Mandated profit-sharing at about a tenth of pre-tax income did no detected harm to investment or productivity in France. Shared pay and ownership are associated with lower turnover and higher effort, most strongly where pay is already at or above market. The behaviour of a firm that shares half is unknown.

Two supporting arguments, weighed lightly

Two further bodies of evidence bear on the cost of the Model and are cited for what they are. El Ghoul, Guedhami, Kwok, and Mishra study 12,915 firm-year observations on 2,809 American firms between 1992 and 2007 and find that companies with better scores on corporate social responsibility have a lower implied cost of equity: a rise of one standard deviation in the overall score goes with an equity premium about 10 basis points lower. Of the six components of the score, employee relations is one of three that enter with a negative and statistically significant coefficient, at the 5% level; the authors give no separate size for it (El Ghoul et al. 2011). The figures are those of the authors' accepted manuscript.

In Deloitte's 2025 survey of 23,482 Generation Z and millennial respondents in 44 countries, 89% of the former and 92% of the latter said that a sense of purpose was important to their job satisfaction and well-being (Deloitte 2025). Deloitte adds that for some respondents that purpose is to earn money, and the source is a consultancy survey, cited as such. Neither result shows that a firm sharing half of its profit would raise capital more cheaply or hire more easily. Both are hypotheses, and they suggest where the pilots should look.

What remains for Part VII

A reader who accepts the evidence at the width stated above is left with the question that a commitment of this size raises next, which is whether the terms can be verified by anyone outside the firm that made them. Part VII sets out how the Model's terms are protected from amendment, reported each year, verified independently, and enforced by the trust that holds the employees' claim.

Part VII. Governance, stewardship and the Compact Charter

Part VI leaves the Model with two findings: sharing at the scales studied does no detected harm to investment or productivity, and no study yet tests sharing at half of net profit. An investor then needs a third answer, whether the terms can be protected from revision, verified by someone other than the manager, and enforced by the parties they are written to benefit. A commitment that management can revise is a policy. One that cannot be amended without a supermajority of investors and the employees' trustee, that an outside verifier checks every year, and that an employee trust can take to a tribunal is written to bind as a contract, subject to the governing law and to counsel's review.

The problem the governance answers

Gordon Myers and Martin Steindl argued in 2013 that private equity "hasn't actually solved the principal-agent problem that exists in public companies but rather shifted it up the investment chain" (Myers and Steindl 2013). In a survey of 401 financial executives, "78% of the surveyed executives would give up economic value in exchange for smooth earnings" (Graham, Harvey, and Rajgopal 2004). In the same survey, 55% would avoid starting a very positive net-present-value project if it meant missing the quarter's consensus. A term that depends on the continuing discretion of a manager or a board is exposed to both pressures, and the governance below is written so that neither can revise it.

Ratings are a weak instrument for policing an obligation of this kind. Across six prominent ESG rating agencies, Florian Berg, Julian Kölbel, and Roberto Rigobon find that ratings correlate at 0.54 on average, with pairwise correlations from 0.38 to 0.71. Credit ratings, by their own illustrative calculation, correlate at 0.99 (Berg, Kölbel, and Rigobon 2022, 1316, 1320-21). A contract could name one provider, but a duty tied to measures that disagree that often leaves each party exposed to the choice of rater. The Model writes its financial obligations as quantities and its stewardship obligation as a written procedure with dated milestones: a sum paid per full-time-equivalent share, a ratio against the lowest-paid worker, a review whose outcome a verifier can test.

Where each term lives

Four documents carry the Model's terms, each designed to hold what its parties can enforce (Appendix B, section B0). The portfolio company's charter carries the pay-ratio cap, the stewardship duty, and one share of a special class, the Trust Class Share. The Human Capital Pool Agreement, among the fund, the company, and the Employee Trust, carries the bifurcation, the annual pool, the exit payment, and the enforcement clause. The Trust's deed, with an independent trustee, makes the Trust the holder of the Trust Class Share and of the pool. The fund's limited partnership agreement carries what governs investor money: the financial waterfall, the outperformance threshold and the non-profit arm, the amendment protection, and the reporting duty.

Under Delaware law, which the clauses assume, a charter amendment that adversely alters a class's rights needs that class's separate vote (Appendix B, section B5, citing section 242(b)(2)). The courts confine that protection to rights expressed in the charter itself, so the pool entitlement and the cap are written there. Other jurisdictions need an equivalent of their own.

Protection on standards the industry already uses

The Institutional Limited Partners Association's Principles 3.0 state that, apart from removals and matters needing specified consent, "any amendment to the LPA should require the consent of the GP and the approval of a super majority in interest of the LPs" (ILPA 2019, 23). The Principles are guidance and bind only a fund that writes them in. A fund agreement that incorporates this one places the Model's terms under the supermajority protection, and Appendix B adds a third lock, the consent of the Employee Trust's trustee (section B11). The lock applies in terms to an amendment made by merger, consolidation, conversion, or transfer, or by the adoption of a new agreement. A Delaware merger agreement may otherwise amend a partnership agreement around its amendment clause.

The same Principles hold that "a vote of two-thirds in interest of LPs, should be sufficient for the no fault removal of the GP or dissolution of the fund" (ILPA 2019, 20). Their glossary records a general-partner commitment of 2% to 5% of the fund's capital as standard practice (ILPA 2019, 41). The Model leaves both formal terms unchanged, although it changes the economics they govern. Where a fund adopts the removal standard, a manager who halves the investors' profit base stays removable without cause by two-thirds of them.

Fiduciary duty sits beneath the contract. The Securities and Exchange Commission stated in its 2019 interpretation that an adviser's duty under the Advisers Act "comprises a duty of care and a duty of loyalty" (SEC 2019, 33669). The duty "may not be waived, though its application may be shaped by agreement" (SEC 2019, 33672). The Model's terms are designed to shape that application by agreement and to leave intact the duty itself, which the adviser owes its client (for a private fund, the fund).

The paper rests nothing on the Commission's 2023 Private Fund Advisers rule, which the Fifth Circuit vacated in full on June 5, 2024, as beyond the Commission's statutory authority (National Association of Private Fund Managers v. SEC, 103 F.4th 1097 (5th Cir. 2024)). The Model's terms rest on contract and charter alone.

For pay, the G20/OECD Principles of Corporate Governance of 2023 ask boards to align key executive remuneration with the company's longer-term interests and to disclose the sustainability indicators used in pay (OECD 2023a, principles V.D.5 and IV.A.6). They set no level. The ceiling of Fair and Transparent Compensation therefore rests on the grounds Part V gives, and the board discloses the industry benchmark behind the multiple it sets (Appendix B, section B6).

The Operating Principles for Impact Management require under Principle 9 annual disclosure and periodic independent verification of an investor's alignment with the Principles, a test of the management system and not of outcomes (Impact Principles 2019). The UK Stewardship Code 2026, a voluntary "apply and explain" code for asset managers and asset owners, and the ICGN Global Stewardship Principles of 2024 are the stewardship benchmarks, and neither has the force of contract (FRC 2026; ICGN 2024). The Model's test is narrower: its financial items can be counted, and its stewardship items are judgments made on a written procedure that the verifier tests (Appendix B, section B12).

The stewardship ladder

Ethical and Principled Stewardship is written as a ladder in the company's charter and the fund agreement (Appendix B, section B7). Each year a committee with at least one independent member reviews the company's effects on its employees and communities. A failed review triggers a remediation plan with dated milestones, a failed plan triggers intervention by the fund through changes to the board, and continued failure obliges the fund to exit. Exit is the last rung. The charter is written so that the pool and the cap pass with the company to its buyer (section B5), although the effect depends on the transaction's form and the governing law.

Who can enforce the Human Capital Pool, for what and where

Employees are not parties to the fund agreement, and under Delaware law a non-party may enforce a contract only where it meets a strict test of the parties' intent to benefit it (Appendix B, section B10). The Model therefore gives the right to a party, the Employee Trust. It adds a second route: the fund agreement names each Employee Trust an intended third-party beneficiary of its covenants to perform the Pool Agreement, in a clause drafted to meet the test, which helps standing without guaranteeing it. The answer runs through four holders.

The Employee Trust holds the principal right. As a party to the Pool Agreement it may sue the fund and the company directly to enforce five obligations (Appendix B, sections B2 to B7 and B10). They are the bifurcation, the annual payment of the pool, the payment of half of any exit gain, the pay-ratio cap, and the stewardship duty. As holder of the Trust Class Share it may withhold consent to any amendment, merger, conversion, or sale of substantially all assets that would eliminate or impair the share, the pool, or the cap, unless the acquirer assumes them on identical terms. The charter names these transactions because section 242 does not reach mergers, and it bars any forced sale, squeeze-out, drag-along, forced transfer, or dilution of the share (section B5). The share is designed to carry a token economic right and no vote beyond that consent, so the Trust has no vote over the business and no consent right over a sale that preserves the terms.

Each Eligible Employee holds a claim against the Trust for his or her full-time-equivalent share, with the power to require the trustee to act. The claim runs against the Trust and not against the fund, so that one holder with standing acts for a changing workforce, and an employee who leaves keeps every amount earned while employed (section B3). The investors' right is unchanged from any conventional fund: the limited partners enforce the financial waterfall against the general partner. The outperformance threshold and the payment above it belong to the fourth holder, the Designated Non-Profit Arm, which the fund agreement names an intended third-party beneficiary of that covenant (section B8). Disputes under the Pool Agreement go to arbitration seated in a neutral jurisdiction that the agreement names, with emergency and injunctive relief available in court. An employee trust in one country and a fund in another thus meet on ground neither controls (section B10).

Two limits apply. The first is that the Trust's claim is measured on the audited accounts: in a year without net profit the annual pool is zero, and no tribunal can award a share of profit that was never earned. To contest the accounts themselves, for manipulation or related-party pricing, the Trust receives the audited accounts and the Pool calculation each year (section B10). Once a year it may have an independent

accountant examine the records behind them, at the company's cost if the examination finds an underpayment of more than 5%. The audit right reaches the records; it cannot make a weak auditor strong.

The second limit is that the design has an analogy in statute and no case record. The United Kingdom's employee-ownership trust regime requires trust property to benefit all eligible employees on the same terms, varying only by remuneration, length of service, and hours (Appendix B, section B3, citing Finance Act 2014, Schedule 37). That regime is a precedent for equal treatment inside an employee trust, and for nothing in the Model's charter share or cross-border enforcement. The Model varies by hours and time employed only, and its clauses have not been tested in any court. The clauses are model terms and not legal opinions: Appendix B checked their authorities at search-summary level only, and licensed counsel in the governing jurisdiction reviews them before any adopter signs.

The Compact Charter

If a jurisdiction enacts the reward Part IX proposes, self-policing would move from one fund's documents to a public regime, the Compact Charter, which would bind every Compact Enterprise to six obligations:

1. An annual Tenet Report for each enterprise: the profit shared and paid per share, the pay ratio and its benchmark, the services delivered to the floor population at cost, and the flows to and from its non-profit arm. 2. Independent verification of that report by an accredited verifier, rotated at least every five years (Appendix B, section B12). 3. Peer review among Compact Enterprises and a standing ethics council with outside members. 4. A protected whistleblower channel that reports to that council. 5. Graduated sanctions, ending in loss of the regime and repayment of the tax relief received. 6. Conflict rules for every non-profit arm: arm's-length pricing, no founder compensation from the arm, and public accounts.

The first two are written into the fund agreement of any fund that adopts the Model (Appendix B, section B12), and the other four await a jurisdiction's enactment. The sixth reaches the author's own arm on the same terms, since Appendix B names The SAVI Ministries Endowment as the arm for The SAVI Group's funds.

The Charter gives both audiences independently verified figures. A university can test an enterprise's report against its own data, and a stewardship team can rely on figures someone other than the manager has checked. Verification tests whether the reported terms are kept, to the assurance standard the verifier applies. It does not settle whether an investor should accept them, and the cost of accepting them is the first thing Part VIII states.

Part VIII. The investor case, met head-on

The Model costs the financial investor something real, and this part states it before anything else: half of the profit base. The split halves the profit base on which the investors' share is calculated, at every level of company performance, and above the outperformance threshold the investors' proceeds fall further. No argument that follows changes that split. The part claims no outperformance for the Model, because no evidence supports such a claim.

The cost, in the appendix's own numbers

Appendix C builds one illustrative fund and runs it twice. One hundred million dollars is invested at the start in a growth-equity portfolio and held for five years, with a management fee of 2% of invested capital a year. A quarter of the portfolio's total profit arrives as annual net profit in equal instalments, and the rest arrives as exit gain in the fifth year. The financial waterfall is whole-of-fund, with an 8% compounding hurdle on contributions, a full catch-up, and a 20% carry. The portfolio's 500 full-time staff are the model's illustrative default, used only to express the pool per head.

The conventional run sends every profit dollar down that waterfall. The Model run divides each profit dollar first, half to the Human Capital Pool and half to the Financial Capital Pool, and sends only the second half down the same waterfall. The figures are illustrative and are not a projection of any fund.

At a gross outcome of five times cost, the conventional fund returns its investors 3.84 times their contributions net of fees and carry, an internal rate of return of 38.2%. The Model fund returns 2.38 times, at 22.0%, while $200 million reaches the Human Capital Pool, or $400,000 per full-time employee over the five years at that illustrative headcount. At seven times gross the figures are 5.29 times against 3.11 times, and 51.5% against 30.6%, with $300 million to the pool. At three times gross they are 2.38 times against 1.65 times, with $100 million to the pool. At two times gross the conventional fund returns 1.65 times at 11.8% and the Model fund 1.36 times at 6.9%, with $50 million to the pool. At that outcome the Model fund falls below the 8% hurdle where the conventional fund clears it, and its manager earns no carry.

One rule generates every row below the outperformance threshold. The Model's financial half runs an unchanged waterfall on half of the profit, so until the threshold binds a Model fund pays its investors exactly what a conventional fund pays at half the profit. The Model's row at five times gross is therefore the conventional row at three times gross, figure for figure, and its row at three times is the conventional row at two. The manager's economics fall with them. Carried interest of $78 million in the conventional fund at five times gross becomes $38 million in the Model fund, and $118 million at seven times becomes $58 million. In these rows the manager accepts a cut of about half to its own reward, and at two times gross a cut of all of it.

The outperformance threshold changes none of the rows above. Once the limited partners have received cumulative net distributions of 5.0 times their total contributions, every further dollar of the Financial Capital Pool, the manager's share included, goes to the non-profit arm (Appendix B, section B8). In the appendix's fund that point is first reached at a gross multiple of about 12.2 times, so at 12 times nothing passes to the arm. At 25 times gross the investors are held at 5.0 times, the arm receives $640 million, and the pool reaches $1,200 million. At that outcome the identity no longer holds: the threshold leaves the

Model's investors with less than a conventional fund pays at half the profit, and the conventional fund on the same companies returns 18.38 times. The threshold is a commitment about the tail of the distribution, and the paper says so (Exhibit 7).

The strongest critics first

The case against paying this cost is strong, and the paper states it before answering it. Using Burgiss cash-flow data on nearly 1,400 US buyout and venture funds, Robert Harris, Tim Jenkinson, and Steven Kaplan find that average buyout returns exceeded public markets for most vintages (Harris, Jenkinson, and Kaplan 2012). Against the S&P 500 the outperformance averages 20% to 27% over a fund's life, net of fees, which the authors put at more than 3% a year. If private equity earns a premium of that size, halving the profit base gives up much of a premium worth keeping. Brad Barber, Adair Morse, and Ayako Yasuda find that venture funds with a dual financial and impact objective earned internal rates of return 4.7 percentage points lower, ex post, than traditional venture funds (Barber, Morse, and Yasuda 2021).

Nor does responsible investing pay for itself on the evidence. Across 153 studies and 1,047 estimates, Lars Hornuf and Gül Yüksel find that socially responsible investment neither outperforms nor underperforms conventional investment, and that controlling for more risk factors makes a finding of outperformance less likely (Hornuf and Yüksel 2022).

Ludovic Phalippou reads the record differently. He finds that private-equity funds "have returned about the same as public equity indices since at least 2006", with net multiples implying a return of about 11% a year (Phalippou 2020). If he is right, there is less premium to protect, but the Model's cost does not shrink with it. A Model fund would then trail public indices by roughly the gap Appendix C shows against a conventional fund, and the investor would be giving up market return itself.

This paper does not adjudicate between the two readings. Under either one, the gap between the two funds in Appendix C shows the scale of what the Model asks, in one illustrative fund.

What the same evidence shows about the price of alignment

In the same study, using random-utility models of willingness to pay, Barber, Morse, and Yasuda estimate that investors in venture funds accepted internal rates of return 2.5 to 3.7 percentage points lower, ex ante, in exchange for an impact objective (Barber, Morse, and Yasuda 2021). The willingness is uneven: development organisations, foundations, public pensions, and signatories of the UN Principles for Responsible Investment show the most, and investors subject to legal restrictions such as the Employee Retirement Income Security Act (ERISA) the least. That is an estimated market price for alignment in venture funds, and it was accepted for an objective the fund declared for itself. The Model is designed to offer something more verifiable, a sum paid to named people and checked by an outside verifier. The open question is whether investors who pay for a declared objective would pay for a ledger.

The comparison does not flatter the Model. In Appendix C the gap between the conventional fund and the Model fund is 4.9 points of internal rate of return at two times gross, 10.2 points at three times, and 16.2 points at five times (computed from the appendix's table). The two are not strictly comparable, since one is an estimate across real funds and the other a mechanical gap in one illustrative fund.

Even so, the Model's cost exceeds the top of the estimated range at every outcome in the table, already at two times gross and by several times that price at high outcomes. Nothing in the literature shows a market paying it. The paper states that gap because the pilots proposed in Part XII are designed to learn whether a verifiable ledger commands a price that a declared objective does not.

What may offset the cost, and where each offset stops

Five findings point to channels that may return part of the cost, and each stops short of the Model's scale. Across NBER surveys of more than 40,000 employees in 14 firms, Joseph Blasi, Richard Freeman, Chris Mackin, and Douglas Kruse find that shared capitalism is associated with lower turnover and higher loyalty and effort. The association is strongest where sharing is combined with high-performance work practices, low supervision, and "fixed wages that are at or above market level" (Blasi et al. 2008). In that combination the share of workers likely to leave falls from 12.8% to 2.4% as the surveys' shared-capitalism index rises from 0 to 10. In Kruse's earlier study of about 500 US public companies, adopting profit-sharing "is found to be associated with average productivity increases of 4-5%, with no subsequent positive or negative trend" (Kruse 1993). The gain is larger in small firms and in cash plans.

The third offset is a cheaper cost of equity, and the last two come from the capital structure. Sadok El Ghoul and his co-authors find, in 12,915 observations on US firms from 1992 to 2007, that a one-standard-deviation improvement in corporate social responsibility scores goes with an implied equity premium about 10 basis points lower, and that employee relations is among the components whose coefficient is statistically significant (El Ghoul et al. 2011).

Ulf Axelson, Tim Jenkinson, Per Strömberg, and Michael Weisbach, studying 1,157 buyouts between 1980 and 2008, find that "the economy-wide cost of borrowing is the main driver of both the quantity and the composition of debt in these buyouts". They also find that "the use of high leverage in transactions negatively affects fund performance, controlling for fund vintage and other relevant characteristics" (Axelson et al. 2010). Falk Bräuning, Victoria Ivashina, and Ali Ozdagli find that once a high-yield covenant binds, "the drop in investment under incurrence covenants is large and sudden" (Bräuning, Ivashina, and Ozdagli 2022). Neither leverage study measures growth equity. The Model's growth-equity structure, which Part V requires so that its commitment is the senior claim, supports only this much: it is designed to avoid the high transaction leverage on which both findings turn. The companies a growth-equity fund holds may still carry debt of their own.

The one return comparison this paper can cite is a single year. For calendar 2024, Cambridge Associates reports growth-equity managers returning 8.8% against 7.9% for buyouts (Cambridge Associates 2025), and one year proves nothing about a cycle.

None of these findings is shown to offset a 50% transfer, and this paper does not claim that any of them does. Kruse's gain is a one-time shift in productivity, and how much of it reaches profit depends on each firm's margins. Lower turnover is a saving whose size depends on the firm, and a cheaper cost of equity reaches the fund, if at all, through the price a later buyer pays, which none of these studies measures. The French mandate, the best natural experiment available, moved about 10.5% of pre-tax income to workers

with small to nonexistent effects on investment and productivity (Nimier-David, Sraer, and Thesmar 2026). The Model moves half of net profit, and no study shows what offsets exist at that scale.

The owner of a whole market

The asset managers this paper addresses do not hold one fund but, in aggregate, the market. James Hawley and Andrew Williams named such an investor a universal owner, one that "holds in its portfolio a broad cross section of the economy" (Hawley and Williams 2000, xv). Its long-term return depends on the performance of the whole economy, and on the costs firms impose on one another. Daniel Greenwald, Martin Lettau, and Sydney Ludvigson decompose the rise in real per-capita US corporate equity value between 1989 and 2017. They find that "40% of this increase was attributable to a reallocation of rewards to shareholders", mostly at labour's expense (Greenwald, Lettau, and Ludvigson 2025, 1083 and 1086). In a separate line of work, Ľuboš Pástor and Pietro Veronesi find that "political uncertainty commands a risk premium whose magnitude is larger in weaker economic conditions" (Pástor and Veronesi 2013).

Together, the last two findings describe an owner whose returns came in part from labour's share and whose required premium rises with political uncertainty. To the extent that the risk Part II describes is systematic, it falls on that owner's whole book, and holding the whole market does not diversify it away. Part II's evidence establishes association, with causation shown only inside calibrated models, and this part claims no more than that. If those associations hold, a pilot of the Model in a small share of assets is where an owner begins to learn whether a verifiable sharing structure bears on a risk that security selection alone cannot remove. The cost of a pilot is bounded by the capital committed to it, and Appendix C shows its scale. Allocation, stewardship, and policy engagement can reduce an owner's exposure to the wider risk, but none of them caps it as a commitment caps the cost of a pilot.

The market context

Three indicators describe the market into which the Model is offered, and none of them is an argument about its returns. Bain's Global Private Equity Report 2026 puts distributions at 14% of net asset value, the lowest since 2008 to 2009, with about 32,000 unsold companies worth $3.8 trillion (Bain 2026). In UBS's Global Family Office Report 2026, a survey of 307 family offices in more than 30 markets, 60% planned changes to their strategic asset allocation (UBS 2026). In Preqin's survey of investors conducted in December 2016, 91% of limited partners had declined to invest in a fund because of its proposed terms (Preqin 2017). The indicators show investors re-examining allocations and terms, and that is the only sense in which the window for a new structure is open.

Eligibility, stated once

This paper is a proposal and not an offering. The one rule of access it states is that The SAVI Group's vehicles accept only Qualified Purchasers as the Investment Company Act defines them: natural persons with at least $5 million in investments and entities with at least $25 million (15 U.S.C. 80a-2(a)(51)). The rule reaches the Designated Non-Profit Arm. It holds an interest in a fund only if it is itself a Qualified Purchaser, and otherwise holds a non-equity contractual claim (Appendix B, section B8). Nothing in Parts V to VIII describes the terms of any particular fund. The terms The SAVI Group stands behind are the draft clauses of Appendix B, which it commits to write into the governing documents of its future funds, subject to counsel's review.

An investor who accepts the cost stated at the start of this part has financed an enterprise that shares half of its profit with the people who produce it, under terms a verifier can check. That is the behaviour Part IX asks the state to recognise. The Fifteen Compact is the public reward for it: one contribution on profit, never above 15%, for an enterprise that has shared before tax.

Part IX. The Fifteen Compact: the fiscal pillar

An enterprise that divides half of its net profit among the people who produced it before any tax is assessed, and that caps its own pay ratio (Part V), has already performed part of the redistribution that a tax system is designed to perform. The Fifteen Compact is the public counterpart of that private act. This part sets out its terms through one worked case, Argentina, where the cost of taxing activity can be read in the published record.

What taxing activity costs: the Argentine case

The World Bank's Doing Business 2020 profile measured the total tax and contribution rate of a standardised medium-sized firm in Argentina for calendar 2018, under its own methodology, and reached 106.3% of its commercial profit. The provincial turnover tax accounted for 53.21 points of that figure, employer social contributions for 26.51, the tax on bank credits and debits for 17.25, labour-risk insurance for 3.40, and other levies for 2.35, against 3.57 points for the corporate income tax (World Bank 2020). The levies on revenue, payroll, and the movement of cash (the turnover tax, employer contributions, labour-risk insurance, and the bank tax) exceed 100% of commercial profit by themselves, a burden a firm incurs whether or not it earns anything. A levy on profit stops when profit stops; a levy on turnover does not.

One caution attaches to that source. The World Bank discontinued Doing Business on September 16, 2021, after an external investigation into data irregularities in the 2018 and 2020 editions (World Bank 2021; Machen et al. 2021). The Argentine profile is therefore cited for the structure of the burden alone. The statutory rates below show the payroll levies behind one component, and its turnover and bank-transaction shares have no second source.

The rates in force in 2026 show the payroll side. An employer in services or commerce whose sales exceed the threshold of a medium-sized firm pays 20.40% of payroll to the pension, family-allowance, unemployment, and retirees' health funds, and every other employer pays 18% (Ley 27.541, art. 19). A further 6% goes to the employee's health fund (Ley 23.660, art. 16, as amended). The employee pays 11% to the pension system (Ley 24.241, art. 11), 3% to the retirees' health insurer (Ley 19.032, art. 8), and 3% to the health fund, 17% in all.

Ley 27.802 of March 6, 2026, changes the employer's position in two ways. For a qualifying new hire it cuts the employer's pension, unemployment, family-allowance, and retirees' health contributions to 2% plus 3% for 48 months (art. 159), so the statutory rates overstate the marginal cost of that job. Once the law's severance fund is in force, 1% or 2.5% of payroll is paid into it with an equivalent reduction in the employer's social security contribution (arts. 60, 76, and 167), which changes where the money goes and leaves the employer's total unchanged.

Beside those rates sits a labour market in which 45.0% of employed Argentines worked informally in the second quarter of 2026, on an INDEC definition that covers wage earners, the self-employed, and employers alike (INDEC 2026). This paper does not attribute that figure to the tax structure alone, since informality has many causes. It notes a narrower fact. A state that draws much of its enterprise revenue from payroll and turnover collects no payroll contribution on the informal wage work inside that 45.0%, and its levies raise the cost of formalising that work by an amount this paper does not estimate.

Predistribution and its fiscal counterpart

The theoretical ground is Jacob Hacker's argument of 2011 that progressive reformers should focus on "market reforms that encourage a more equal distribution of economic power and rewards even before government collects taxes or pays out benefits". He used "pre-distribution" for "the way in which the market distributes its rewards in the first place" (Hacker 2011). The SAVI Capital Model writes such a reform into the capital contract (Part V), and The Fifteen Compact draws the fiscal conclusion. The hypothesis the pilots test is that a single capped contribution on profit, granted in exchange for sharing before tax, enlarges the formal economy and with it the base on which the state relies. This paper does not claim to have proved it.

One contribution, capped at 15 percent

For a Compact Enterprise, one contribution replaces every national and sub-national tax that the enterprise itself bears, among them the corporate income tax, the turnover tax, the tax on bank credits and debits, and the employer's payroll contributions. Its base is net profit after the Human Capital Pool, which is paid out as wages and taxed in the workers' hands; its ceiling is 15% without exception, and its schedule is a ratchet. The same ceiling covers the income taxes and contributions of the enterprise's workers and outside investors, through the personal ratchet below. That ratchet applies to the people who work in or invest in Compact Enterprises and to no one else. Consumption taxes such as value-added tax and excises, and duties on trade, are borne in principle by the buyer and stay outside the Compact, and the enterprise collects and remits them as it does today.

The first million dollars of profit pays 1%, the second pays 2%, and each further million pays one point more, up to 15% on the fifteenth million and on everything above it. An enterprise earning $1 million pays $10,000. At $15 million the contribution is $1,200,000, an effective 8.00%, and the effective rate reaches 13.95% at $100 million and 14.89% at $1 billion. The marginal rate climbs one point per million, so the effective rate rises continuously and never reaches the ceiling. A small firm pays little while it grows, and no firm meets a cliff at any threshold.

Three conditions make the schedule hold. Related and commonly controlled entities are aggregated before the ratchet applies, so that one business cannot divide itself into 15 companies of $1 million each. The contribution is never refundable and never levied on turnover or payroll, so that it can count under the global minimum tax as a tax on profit (next section). The Compact Charter of Part VII polices every element, and its final sanction is loss of the regime and repayment of the relief received.

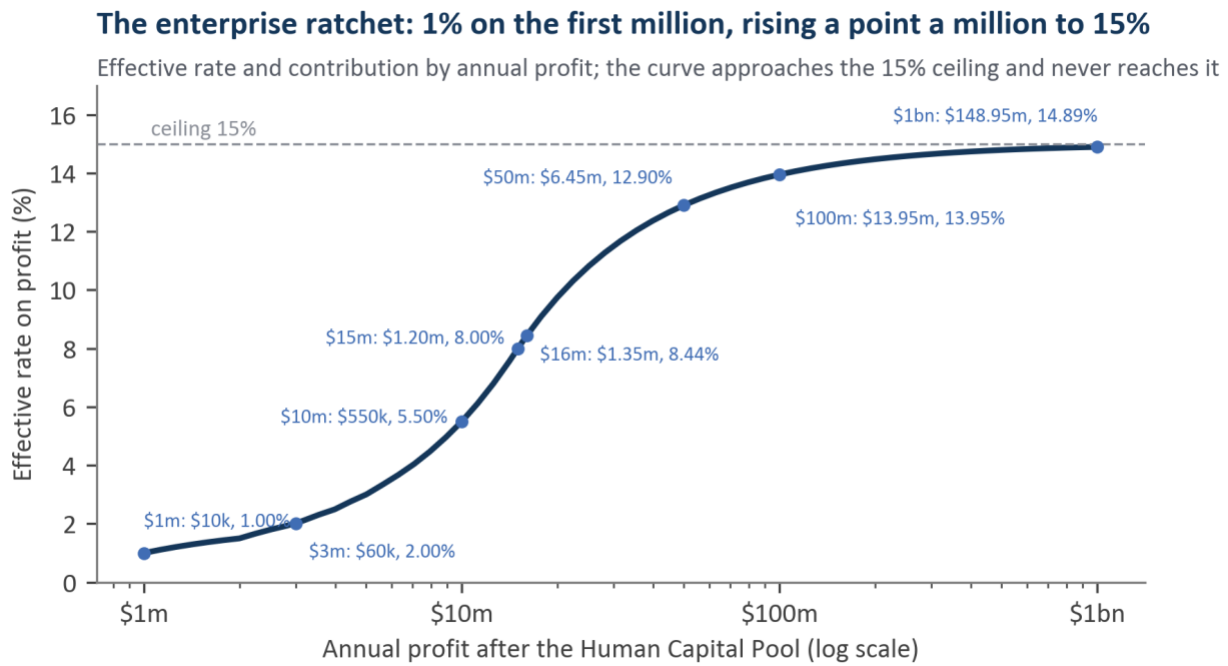

Exhibit 8. The enterprise ratchet: effective rate and contribution by annual profit after the Human Capital Pool. Source: this paper's computation (Appendix D).

Large groups and the global minimum tax

The ceiling meets an international floor. Under the OECD's Model Rules of 2021, a multinational group with consolidated revenue of EUR 750 million or more in at least two of the four preceding fiscal years is subject to a minimum effective rate (OECD 2021, art. 1.1.1). Article 10.1 sets it at "fifteen percent (15%)". A group whose effective rate in the host country, as the rules compute it, fell below that level under the ratchet could be topped up to 15% under another jurisdiction's rules, and that revenue would leave the country where the profit was earned.

The Compact is designed to keep that revenue at home. The host jurisdiction enacts a Qualified Domestic Minimum Top-up Tax (QDMTT), which article 5.2.3 of the Model Rules deducts from any top-up another country computes (OECD 2021, art. 5.2.3). Under the Administrative Guidance of July 2023, a QDMTT that meets the standards of its safe harbour reduces that foreign top-up to zero (OECD 2023b, section 5.1). If the contribution qualifies as a Covered Tax and the domestic top-up meets the safe harbour's standards, in-scope groups pay a 15% effective rate as the Global Anti-Base Erosion (GloBE) rules measure it, collected where the profit was earned. The ceiling holds for Compact taxpayers, and for in-scope groups only on those two conditions. If either fails, foreign top-up tax may capture the shortfall.

Two drafting points follow. The contribution must itself count as a Covered Tax, or it would not enter the effective rate the rules test and the domestic top-up would have to raise the full 15% on top of it. The Model Rules include in that term taxes recorded "with respect to its income or profits" and taxes "imposed in lieu of a generally applicable corporate income tax" (OECD 2021, art. 4.2(a) and (c)). On this paper's reading, a contribution on net profit fits both limbs and a levy on turnover or payroll would fail the first, which is why the base is fixed where it is. A specialist adviser's opinion is still required before any statute is

drafted. On a professional tracker, Argentina has joined the Pillar Two statement but enacted no domestic top-up tax (PwC 2026), so the pilot statute must create one.

The person: a ratchet on income

The same logic applies to personal income. Below the floor line, $50,000 in the US figures used here, a person pays nothing under the personal ratchet. Above it, each band of $10,000 pays one point more than the band below, 1% on the first band and 15% on the fifteenth, and all income above $200,000 pays 15%. The effective rate is 0.60% at $75,000, 1.5% at $100,000, 6.00% at $200,000, 11.4% at $500,000, and 14.6% at $5 million. The ceiling covers the income taxes and contributions the Compact names: the tax on wages and Pool payments, the employee's social contributions, and the tax on outside investors' dividends and gains from the enterprise.

The ceiling on persons is coherent with the Model because the Model has already bounded the top of the payroll. Inside a Compact Enterprise no salary exceeds 15 to 20 times the lowest wage, so a 15% ceiling on salaried income leaves little room for a shelter. For the passive investor the case is thinner, and a 15% ceiling on dividends and gains will read to many economists as a concession to capital. The design's one defence is that the dividend comes from a profit of which labour has already taken half and on which the Compact Contribution has been paid. Appendix D models employees alone, and Part XI takes the objection in its strongest form.

Thresholds travel by index

The dollar figures are the US expression of a design in which every threshold is a fixed multiple of the host country's median wage. The US Bureau of Labor Statistics puts median usual weekly earnings at $1,251 in the second quarter of 2026, not seasonally adjusted, which annualises to $65,052 (United States Bureau of Labor Statistics 2026b). Against it, the floor line is 0.77 times the median, the top of the personal ratchet is 3.07 times, and each band is 0.15 times (Appendix D).

Argentina's median gross wage for registered private-sector employees was 1,608,682.59 pesos in May 2026 on the data of the Sistema Integrado Previsional Argentino (SIPA). That is about 20.9 million pesos a year, counting 12 monthly wages and the statutory supplementary wage as a thirteenth (Secretaría de Trabajo 2026a). The two medians cover different universes, so the transfer is a rule of design and makes no claim of statistical equivalence. Applied to the Argentine median, the floor and the bands shrink in proportion.

The floor and the taper

Below the floor line, education and medicine are free at the point of use. The benefit then tapers across a band, $50,000 to $75,000 in the US expression, in which access is partly subsidised. The taper is designed so that an extra dollar of earnings never costs more in lost benefit than it brings. The logic is that of Milton Friedman's negative income tax, which withdraws support gradually as earnings rise (Friedman 1962, 191-92). The basket is defined in the pilot statute; primary care, medicines, schooling, and vocational training are the candidates.

What the worker gains

Appendix D compares what a registered employee in Argentina pays today with what the same employee would pay under the Compact on the indexed thresholds. Today's burden combines the 17% of employee contributions with the wage income tax. The contributions run up to the contributory cap that the Administración Nacional de la Seguridad Social (ANSES) resets each month (4,303,619 pesos a month in May 2026, the month of the median wage the model uses; Secretaría de Seguridad Social 2026). The tax is computed on the 2026 annual-liquidation deductions of the Agencia de Recaudación y Control Aduanero (ARCA), a non-taxable minimum of 6,019,671.36 pesos and a special employee deduction of 28,894,422.56 pesos (ARCA 2026a). At the median wage the worker pays 17.0% of gross pay today, all of it contributions, because the deductions place the income tax threshold higher; under the Compact the same worker pays 0.3%. At twice the median the figures are 17.0% and 2.8%, at five times the median 22.3% and 9.5%, and at 20 times 31.7% and 13.6% (Appendix D, Exhibit 9).

In proportion to today's burden the relief is largest for ordinary earners, nearly all of it removed at the median and most of it at twice the median. In percentage points it is broadly similar across incomes, 16.7 points at the median, 12.8 at five times, and 18.1 at 20 times, and the gain at the top is the ground of the tax-cut objection Part XI answers.

Exhibit 9. Personal burden as a share of gross pay in Argentina, today and under the Compact, from half the median registered wage to 50 times it. Employee contributions plus wage income tax, with the contributory cap at its May 2026 value. Source: Appendix D.

Three limits belong beside those figures. The first is method. The contributory cap is annualised like the wage, at 13 times its May 2026 monthly value. The thirteenth salary is assumed to be capped at the same level. The calculation derives the annual wage-tax scale by rescaling ARCA's July-to-December scale by the ratio the annual-liquidation deductions show, since no separate annual-liquidation scale was located.

The second limit is the employer's side of the payroll, 20.40% or 18% plus 6%, which Appendix D's comparison omits and the Compact removes. If gross wages are unchanged, the profit its removal releases

is divided like any other, half to the pool and half to the capital that financed the firm, and the Compact Contribution is assessed on the half that remains after the Pool. Who finally bears a payroll tax, and so who gains from its removal, is a question of incidence the static model does not answer.

The third limit is what today's contributions buy: the employee's 17% finances a pension entitlement, the retirees' health insurer, and the health fund. The pension saving moves under the Compact to the personal account of Part X. The employee's 3% and the employer's 6% to the health fund now finance health cover for earners above the taper band, whom the non-profit arms do not serve. Who provides that cover under the Compact is a term the design has yet to settle. Appendix D's comparison excludes both its value and its cost, so the worker's net position is not final until the pilot statute chooses.

The design offers three options for exploration, one for each of those entitlements, and each keeps the taxes the Compact covers inside the single 15% ceiling. The first makes health cover for every employee a benefit of employment that the Compact Enterprise provides as a cost of business, deducted before profit, so that it lowers the profit base and adds no tax. Its price is that a smaller profit is also a smaller Human Capital Pool, so the employees fund half of their own cover. The second leaves the health cover of current retirees with the old system, financed as its legacy pensions are in Part X. The third, a floor pension guaranteed by the old system, belongs to the pension bridge of Part X. The pilots and their independent evaluators develop, price, and test these options, and the pilot statute adopts what the evidence supports.

Each institution's own non-profit arm

Under Sustainable and Social Impact, each Compact Enterprise delivers 10% to 25% of its services free to the floor population through a non-profit arm that it designates and controls. A hospital does so through its foundation, a school group through its own vehicle, and The SAVI Group through The SAVI Ministries (Part V). An enterprise whose output is not an essential service, a software firm or a logistics carrier, meets the commitment in cash or in capacity contributed to arms that deliver one. The value delivered, at cost, is reported each year against the tax relief received, and the Charter's verifiers check both numbers. The arm is the institution's own, which is why the Compact names no single charity and prescribes no single programme.

Precedents

In the United States, an S corporation wholly owned by its employee stock ownership plan generally pays no federal income tax on its earnings, the closest precedent for a tax privilege tied to employee ownership. The corporation itself is not subject to the income tax (IRC 1363(a)), and a plan qualified under section 401(a) may hold its shares (IRC 1361(c)(6)). The plan's share of the income is excluded from the unrelated business income tax (IRC 512(e)(3)). The result is conditional on the anti-abuse rule of section 409(p) and remains subject to the entity-level taxes on built-in gains and excess passive income (IRC 1374 and 1375).

Other jurisdictions have taxed shared or favoured enterprise at lower and simpler rates. Spain taxes the cooperative results of fiscally protected cooperatives at 20%, with a further 50% reduction in the resulting liability for specially protected cooperatives, worker cooperatives among them (Ley 20/1990, arts. 33.2(a), 34.2, 7(a)). Guangdong's regulations of August 26, 1980, set a lower rate for its three special zones. They provided that "The enterprise income tax rate in the special zones is 15 percent" for Shenzhen, Zhuhai, and

Shantou (Guangdong Province 1980, art. 14). Outside the zones, the joint-venture income tax law adopted the same year set 30% plus a local tax of a tenth of the tax assessed, about 33% in all (People's Republic of China 1980, art. 3). Paraguay levies 10% on corporate net income (Ley 6380/2019, art. 21).

Two further precedents sit closer to the Compact's terms. India's Companies Act 2013 obliges large companies to spend "at least two per cent. of the average net profits of the company made during the three immediately preceding financial years" on corporate social responsibility (s. 135(5)), a spending commitment written into statute. Argentina's own Régimen de Incentivo para Grandes Inversiones (RIGI) grants qualifying large investments an income tax rate of 25% and a stability guarantee of 30 years from the date of adhesion (Ley 27.742, arts. 178 and 183). Each precedent carries one element of the Compact. None combines them, and none conditions its rate on sharing half of profit before tax.

Equality, 1789, and article 16

A regime that taxes some enterprises at a lower rate must answer the charge that it creates a privileged class, and Part III makes the charge concrete. The exemptions of the ancien régime were privileges of birth, held by estates and paid for by those who held none. Sargent and Velde describe the taille as a direct tax "from which the nobility was exempt" (Sargent and Velde 1995, 483). The Compact's rate is earned by a behaviour, the sharing of half of profit before tax and the capping of pay, that is open to any enterprise adopting the standard and is certified by verifiers who answer to the Charter.

Argentina's Constitution states the test. Article 16 admits no "prerrogativas de sangre, ni de nacimiento" and declares that "La igualdad es la base del impuesto y de las cargas públicas", equality as the basis of taxation and public burdens (Constitución de la Nación Argentina, art. 16). On this paper's reading, a lower rate open to everyone on the same condition is equality before the tax, and one reserved to a class is what the article forbids.

The signed commitments of the host country

On July 9, 2024, in Tucumán, the President, 17 provincial governors, and the Head of Government of the City of Buenos Aires signed the Pacto de Mayo (Casa Rosada 2024). Its fifth point commits the signatories to "Una reforma tributaria que reduzca la presión impositiva, simplifique la vida de los argentinos y promueva el comercio", a tax reform that lowers and simplifies the burden. The eighth commits them to "Una reforma laboral moderna que promueva el trabajo formal", a labour reform that promotes formal work. The ninth commits them to "Una reforma previsional que le dé sostenibilidad al sistema y respete a quienes aportaron", a pension reform that sustains the system and respects those who contributed.

The Fifteen Compact is proposed as one way to serve all three at once, a claim the pilots exist to test. The paper presents that alignment as an alignment with signed national commitments, carried by 18 of the country's 24 jurisdictions, and with no political party.

What the regime costs the state, and who carries the people the old taxes now support, are the questions Part X answers with the arithmetic of Appendix D.

Part X. The transition: two systems in parallel

A reform that reassigns functions between the state and the enterprise, imposed on everyone at once, would court the correction by rupture that Part III describes. The Fifteen Compact is therefore designed as a parallel transition and not as a compulsory replacement. The new system grows beside the old one by choice, and the old one winds down as its population ages out while honouring every obligation to its last beneficiary. Nobody is moved across against his or her will, and nobody loses a right already earned. This paper's hypothesis for the transition is that a parallel, opt-in regime with published expansion triggers can move an economy toward predistribution without the shock that sinks structural reform.

Stage one: private initiative, no law required

The first stage needs no statute. Enterprises adopt the Four Tenets voluntarily, under their own names, and publish Tenet Reports verified to the Charter's standard. Asset managers that commit a vehicle, family offices, hospitals that run their own non-profit arm, and universities acting as independent evaluators form a coalition. This stage is both proof and advocacy. It generates the evidence that Part VI says does not yet exist, and it assembles the constituency that asks a legislature for the second stage, in Argentina on the strength of the Pacto de Mayo's signed commitments (Part IX). The private sector moves first and asks government to follow.

Stage two: the pilot statute

A host jurisdiction enacts the Compact as an opt-in regime, open to any enterprise that meets the Charter. Everyone else stays in the existing system, which the statute does not amend. A stability clause reduces the risk of reversal for adopters over a stated term, although constitutional, judicial, and legislative risks remain, and the RIGI guarantee cited in Part IX, 30 years from adhesion, shows the form (Ley 27.742, art. 178). The pilot statute extends a guarantee of that kind to Compact Enterprises of every size. The same statute enacts the domestic top-up tax that Part IX requires for groups within the global minimum, and it defines the floor basket and the taper.

Stage three: expansion by triggers

The regime widens, to more sectors and more provinces or states, only as published indicators are met. Four indicators are proposed: formal employment in the covered population, net public revenue counted with the formalisation gains and the fiscal cost together, coverage of the floor population, and the quality of the services delivered through the arms as measured by the evaluators of stage one. Each trigger is a number set in the statute before the pilot begins, and each expansion is a legislative act that cites the number. The state's exposure thereby widens only on evidence, and so does the coalition's claim to expansion.

Stage four: convergence

When coverage passes a stated share of formal employment, the Compact becomes the default for newly formed enterprises. The old system stays open to any enterprise and any person who prefers it. Convergence therefore changes the default, and the two systems run in parallel for as long as any beneficiary of the old system, survivors included, holds a right in it.

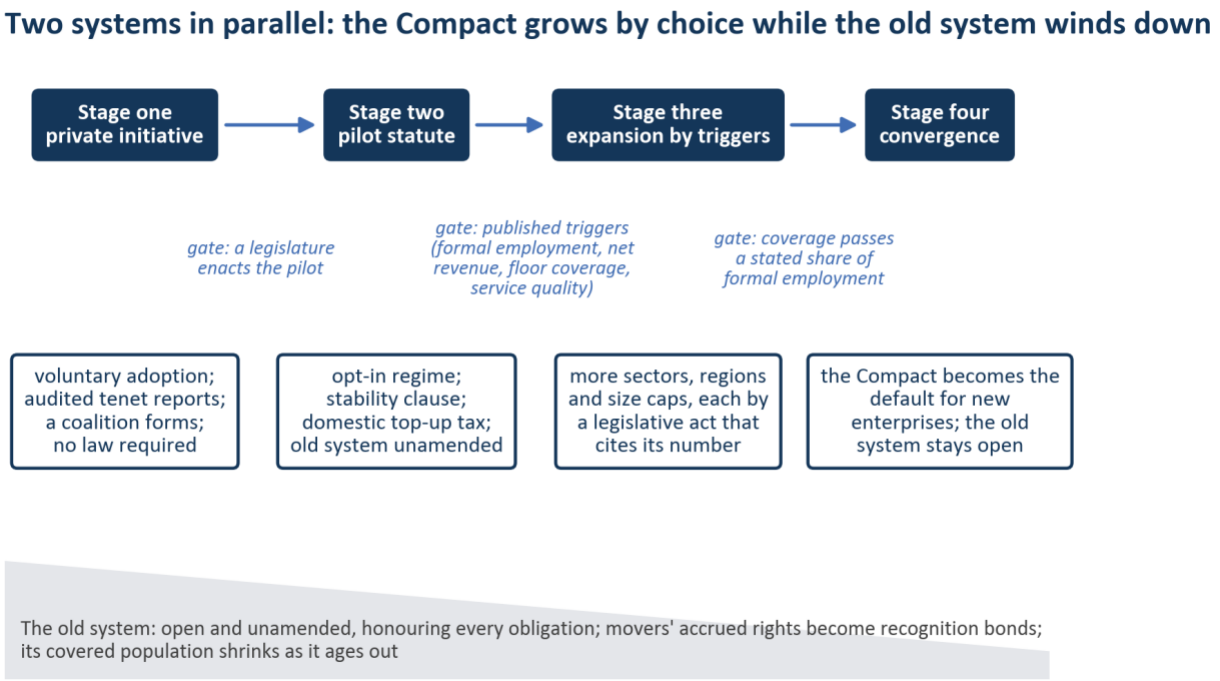

Exhibit 10. The four stages of the transition, the gate before each, and the old system beneath them. Source: this part.

The pension bridge

A central question in any such transition is who pays the pensions of people already retired. A worker who joins a Compact Enterprise keeps every pension right already accrued: those rights are frozen at the date of transfer and converted into a recognition bond, indexed to inflation and redeemed at retirement. The precedent is Chile's reform of 1981. Decreto Ley 3.500 of 1980 provided for the issue of "un título de deuda expresado en dinero que se denominará Bono de Reconocimiento" for the periods contributed (D.L. 3.500, art. 3 transitorio). The bond was adjusted by the consumer price index and bore "un interés del cuatro por ciento anual, el que se capitalizará cada año" (art. 9 transitorio). New saving goes into a personal, portable account funded from the worker's share of the Human Capital Pool.

Two safeguards are written into the design. The enterprise makes a minimum contribution to the account in a year without profit, so that a bad year for the firm does not become a lost year for the worker's retirement. The account is also invested away from the employer: it may not be concentrated in the employer's own securities. The pattern is an American rule. A participant in an employee stock ownership plan who has reached 55 with 10 years of participation may direct "at least 25 percent of the participant's account" into other investments, and 50% in the final election year (IRC 401(a)(28)(B)).

The static arithmetic marks the limits of the bridge. Appendix D estimates the pension-financing share of the payroll contributions that a covered firm and its workers would stop paying. The employee total it uses excludes the 3% health-fund contribution, so it applies the 11 pension points of the employee's 14 and the 12.35 points of the employer's 20.40 to the 2025 contribution totals, after removing the public sector's share (18.3% of employee and 13.7% of employer contributions; ARCA 2026c). For the formal private economy that share is about 3.1% of GDP. Set against the profit of that economy, which the model brackets

between 9% and 15% of GDP, it equals 21% to 34% of profit, more than the entire Compact Contribution at its 15% ceiling. No slice inside the ceiling can carry today's retirees, and the paper does not pretend that one can.

The ceiling therefore holds only under three conditions. The first is that current retirees stay financed by the old system's own revenue, still collected from every enterprise and worker that has not opted in, and by the general budget that already supports it. In 2025 the national system counted 1.446 contributors for every benefit in payment on its official, broad definition (Secretaría de Trabajo 2026b), and its pension spending exceeded the pension contributions that Appendix D estimates.

The second condition is that the accrued rights of workers who move across are converted into recognition bonds that the state pays at their retirement, which spreads the cost over decades, as Chile's did. The third is that coverage expands only as fast as the public accounts can carry the bridge, which is the purpose of the revenue trigger in stage three. Each worker who moves takes a contribution out of a pay-as-you-go system and leaves an obligation behind. The recognition bond records and defers it without cancelling it, and the triggers pace it. Appendix D does not estimate that liability, and an actuarial estimate per cohort of movers is among the first tasks of a pilot.

Chile is a precedent for the bond and for nothing wider, and it differs in two ways. Its new system was compulsory for everyone who first affiliated after December 31, 1982 (D.L. 3.500, art. 1 transitorio), while the Compact compels nobody and leaves the old system open. Chile also added a solidarity pillar in 2008, the Pensión Básica Solidaria of Ley 20.255, since replaced for old age by the Pensión Garantizada Universal of Ley 21.419 (Ley 20.255). That gave its funded accounts a public floor, and the Compact must say where its own floor lies. The minimum contribution keeps an account growing in a year without profit, and the Compact floor supplies education and medicine below the line, but neither guarantees a pension level.

The option this paper offers for exploration keeps the taxes the Compact covers inside the single 15% ceiling. During the transition the old system's revenue guarantees a floor pension to any Compact worker whose account proves insufficient, a public floor of the kind Chile added. Its limit is that this revenue comes from the same narrowing base that finances current retirees, so the guarantee grows dearer per remaining contributor as the old system contracts. Its cost is counted in the revenue trigger that paces coverage. The pilots and their evaluators price the guarantee on the first cohorts of movers before the pilot statute fixes its level.

The fiscal bridge

Public services funded by the old taxes do not disappear on the first day of the pilot. Three sources are designed to replace that revenue over time: the Compact Contribution, the formalisation of work now outside the system (45.0% of employment in Argentina in the second quarter of 2026), and the floor services that enterprises deliver through their arms. Those services count as fiscal substitution only where they are measured at cost, audited, and matched to services the state would otherwise provide to the same population.

Appendix D measures the taxes the Compact replaces at their recent yield. They are the corporate income tax, at its 2024 share because the OECD has published no later year's breakdown, and the provincial

turnover tax, the bank-transaction tax, and both halves of the social security contributions on private payrolls in 2025. Together they raised about 12.8% of GDP (Appendix D, built on DNIAF 2026, DNAP 2026, and OECD et al. 2026).

Contributions on public payrolls are removed, and La Pampa's turnover tax is missing from the 2025 totals, so the figure approximates what the formal private economy pays. The profit of that economy is not observed directly, so the model brackets it between 9% and 15% of GDP, and it applies an average effective rate near 14%, an assumption that holds only if most profit is earned by firms well above the fifteenth million. Because the contribution is levied on profit after the Pool, covered profit is half the profit before it. On those assumptions the contribution that replaces the old taxes raises about 0.63% to 1.05% of GDP, a floor that excludes the personal ratchet on Pool income, which Appendix D does not model. A pilot covering 1% of that economy therefore costs about 0.12% of GDP a year before any formalisation or growth effect, and at 5% coverage the cost is about 0.6%. At full coverage the state would collect roughly 12% of GDP less from enterprises and their workers than it does today.

The coverage figures scale taxes and profit by the same share, which assumes that adopters pay the old taxes and earn profit in the economy's average proportions. An opt-in regime will draw first the firms with most to gain, those whose old taxes are high relative to their profit. The cost of early coverage may therefore run above the average the model applies, and the revenue trigger has to be set on measured adopters.

On that arithmetic the Compact is no revenue-neutral tax swap. At full scale it reassigns functions from the state to the enterprise. The Human Capital Pool raises take-home pay directly, and on its own it replaces none of the pensions, family allowances, unemployment cover, and health insurance that payroll contributions finance. The non-profit arms are designed to deliver part of the floor the public service budget now funds, to the extent the measured services match it, and the personal accounts carry future pensions in place of part of a pay-as-you-go system.

The static model also omits what the design is built to produce. It counts no revenue from the 45.0% of workers now outside the formal economy, no growth effect of taxing profit instead of activity, and none of the value of the services delivered at cost against the relief received. Whether those effects are large enough to close the gap is what the pilots exist to measure, and the expansion triggers make every widening of the regime conditional on that measurement.

A design that caps the taxes it covers at 15%, funds a floor from the enterprises themselves, and runs beside a pension system it does not dismantle invites objections. Four are aimed most directly at these two parts: that a 15% top rate is a tax cut for the rich, that the state loses revenue it cannot replace, that special regimes are captured or repealed, and that the author of this paper would benefit from its adoption. Part XI states each in its strongest form, with its best source, and answers it, conceding in each case the limit that remains.

Part XI. Objections answered

A transition that moves nobody against their will and widens only as evidence allows still rests on claims a careful reader will test before the first pilot opens. Part XI puts twelve of those tests in their strongest form, each with the source a sceptic would cite, and answers each. Every answer ends with the limit the paper concedes. The concession is the point. Exhibit 11 collects the twelve in one table.

The diagnosis contested

The first objection holds that the concentration figures are overstated. Smith, Zidar, and Zwick (2023) allow for the higher returns the rich earn and put the top 0.1% at 15.7% of wealth in 2016, against 18.4% in the Saez and Zucman series. Auten and Splinter (2024, 2179), on income, find "little change in aftertax top income shares". Part I anchors on the Federal Reserve's Distributional Financial Accounts, more conservative at the top than the Saez and Zucman series, on which the top 0.1% held 8.6% of net worth in 1989 and 15.0% in 2026. The correction's authors write that it "does not change the fundamental story for top wealth shares" (Smith, Zidar, and Zwick 2023, 515), and after-tax income is a different quantity from the ownership of capital. The limit remains: levels differ by several points, the after-tax dispute is open, and the paper never uses the higher estimates as a headline.

The second objection holds that inequality reflects skills, technology, and competition, which no contract can repeal. Goldin and Katz (2008) gave it its classic form, the race between education and technology, and Acemoglu and Restrepo (2021) attribute 50% to 70% of the change in the US wage structure over four decades to task automation. Autor and his co-authors (2020) trace the falling labour share to reallocation toward high-markup superstar firms. Part II concedes much of this and sets against it Stansbury and Summers (2020, 2), for whom declining worker power is "large enough to be able to explain the entire decline in the aggregate labor share". The Model need not settle that contest: it acts inside the firm on the division of profit, whatever produced it, and pays everyone on an adopting company's payroll an equal share for time worked. The limit is that the Model does not address education, skill premia, or industry concentration, so a worker outside an adopting enterprise gains nothing from it.

The Model contested

The third objection holds that private equity creates value and is not extractive, so the Model misreads the industry it would reform. Using nearly 1,400 US buyout and venture funds, Harris, Jenkinson, and Kaplan (2012) find that average US buyout funds beat the S&P 500 by 20% to 27% over a fund's life, net of fees. Davis and his co-authors (2019) report that employment "shrinks 12% over two years after buyouts of publicly listed firms" but "expands 15% after buyouts of privately held firms", with productivity gains "large on average". The paper quotes both halves. The Model changes who shares the value the industry creates, and it applies through growth equity, where the commitment can be the senior claim (Part V). The limit is that Phalippou's reading of returns, cited in Part I, remains contested, and that the paper makes no general employment claim beyond the two findings it reports.

The fourth objection is the strongest in the paper: sharing half of net profit will starve the firm of retained earnings. It rests on reasoning, because the evidence stops far below that share. The intuition is sound and the paper does not argue it away.

When France extended mandatory profit-sharing to firms with 50 or more employees, firms with excess profits distributed on average 10.5% of pre-tax income and the labour share rose 1.8 points, with small to nonexistent effects on investment and productivity (Nimier-David, Sraer, and Thesmar 2026). In the working paper, average pay rose about 3.5% with no fall in base wages (Nimier-David, Sraer, and Thesmar 2023). That is evidence of no detected harm in that setting, at about a tenth of pre-tax income, and no study this paper found reaches a half. The limit is the paper's central open question and the first pre-registered outcome of the Appendix E pilots: what happens to investment, hiring, and valuation when the share is 50%.

The fifth objection holds that impact funds underperform, so the Model asks investors to pay for virtue. Barber, Morse, and Yasuda (2021) find that impact venture funds earned internal rates of return 4.7 points below traditional venture funds. The same paper finds that the investors in its sample accepted 2.5 to 3.7 points less for impact before committing, a measured price for alignment. Against that price the Model offers a term an auditor can check, an equal payment per employee from audited profit, where ESG ratings agree with one another at a correlation of only 0.54 (Berg, Kölbel, and Rigobon 2022). In Appendix C a portfolio earning five times its cost returns 3.84 times net, an internal rate of return of 38.2%, in a conventional fund and 2.38 times, or 22.0%, in a Model fund. The limit is that the Model's cost exceeds the impact discount so far observed, and no study cited here shows investors paying for verifiability.

At its strongest, the same objection attacks Part VIII's answer to that cost, the universal-owner argument that concentration lowers growth and raises political risk across a whole portfolio. Forbes (2000) finds that within 45 countries, 1966 to 1995, higher inequality was followed by higher five-year growth, a result she says does not contradict the long-run negative cross-country pattern. Barro (2000) finds the relation positive in richer countries, and Ritter (2005) finds a correlation of minus 0.37 between real equity returns and real per-capita growth across 16 countries from 1900 to 2002. Growth and shareholder returns are different things.

The answer is that Part II reports its growth associations as correlations, the top-quintile one significant only at the 10% level (Dabla-Norris et al. 2015). Part VIII rests the universal-owner case on political risk, which Pástor and Veronesi (2013) find carries a premium "larger in weaker economic conditions", a finding about policy uncertainty in general. The limit is that no cited study ties that premium to concentration or sizes it against the Model's cost, so the universal-owner argument is the paper's least tested claim and does not by itself justify the cost.

The timing and the regime contested

The sixth objection holds that nothing forces a correction: public debt is cheap while rates sit below growth, and Part II's chain from concentration to credit and crisis is unproven. Blanchard (2019, 1197) puts the first half best, that "if the future is like the past" then "public debt may have no fiscal cost". For the second, Bordo and Meissner (2012) find in 14 advanced countries, 1920 to 2000, "no evidence that a rise in top income shares leads to credit booms", and Coibion and his co-authors (2020) find poorer Americans borrowing less, relative to income, where inequality is higher. Part II states the debt loop as co-movement and a modelled mechanism, and Part IV's case rests on observed prices, current levels that do not by themselves show rates staying above growth. The 30-year Treasury yield stood at 5.64% on September 30,

2026, and the Federal Open Market Committee raised its target range by a quarter point on September 16, 2026 (United States Treasury 2026b; Federal Open Market Committee 2026). The limit is that rates could fall again and restore Blanchard's premise; the paper does not need them to stay high, since Part IV argues only that the old instruments cost more today than when the regime was built, or offer less, and predicts no crisis.

The seventh objection holds that a 15% top rate is a tax cut for the rich, since a ceiling binds hardest at the top. For pay inside a Compact Enterprise, the answer is that the 15% ceiling never meets an unbounded salary. There the Fair and Transparent Compensation tenet caps every employee's total compensation, the chief executive's included, at 15 to 20 times the lowest-paid worker's, and half of the profit has gone to the workforce before tax. Appendix D shows the result for a registered Argentine employee: 17.0% of gross pay today and 0.3% under the Compact at the median wage, and 31.7% against 13.6% at 20 times the median. The limit sits in that last pair and in the outside investor. A person at 20 times the median keeps a larger share of a larger income, and outside investors pay at most 15% on dividends and gains of any size where Argentina's personal income tax scale now reaches 35%, an incidence Appendix D does not model.

The eighth objection holds that the state loses revenue, and the paper's own arithmetic is its strongest source: Appendix D finds that the replaced taxes raise about 12.8% of GDP from Argentina's formal private economy, and that the Compact Contribution, levied on profit after the Human Capital Pool, would raise about 0.63% to 1.05% before the personal ratchet on Pool income. The answer is to bound the exposure. A pilot covering 1% of the formal economy costs about 0.12% of gross domestic product a year before any formalisation effect, and about 0.6% at 5%, a cost sized to be measured and stopped. The regime widens only as published indicators are met, net public revenue among them, and informality of 45.0% in the second quarter of 2026 marks the base to formalise (INDEC 2026). Part X keeps current retirees on the old system's revenue, outside the ceiling. The limit is that the static gap is the paper's own number and the offsets are hypotheses; at full coverage the state collects roughly 12% of gross domestic product less from enterprises, a reassignment of functions and never a revenue-neutral swap.

The ninth objection holds that special regimes get captured or repealed, and special economic zones are its evidence. Preferential rates attract firms that reclassify to qualify, and legislatures withdraw them when revenue tightens, the risk against which Argentina's RIGI regime promises 30 years of fiscal stability. The paper's first answer is structural. The qualifying act is the surrender of half of net profit to the workforce before tax, verified each year under the Compact Charter. A firm that claims the rate without sharing the profit becomes a case for the verifier and for sanctions ending in loss of the regime. Two subtler risks remain: a firm can reduce the profit it reports, or price related-party dealings to move profit out of the base, shrinking the Pool and the contribution together.

The second answer is political: an open standard, a statute with a stability clause, published triggers, and a coalition larger than any one firm are designed to make repeal costlier than for a zone granted to a few. That is a judgment no pilot has yet tested. The limit is that reversibility can be reduced and never removed; a later legislature can repeal a statute, and a stability clause is worth what the courts make of it.

Interest, risk, and analogy

The tenth objection is that the author benefits, and conflict of interest is the right name for it: The SAVI Group designed the Model, runs funds that would apply it, and would gain if it were adopted. The front matter's note on authorship states all three facts, and the design answers the rest. The Fifteen Compact is an open standard any enterprise may take up without licence, though its tax treatment needs a statute and certification. No sentence rests on The SAVI Group's performance because none is offered, and Appendix E gives the evaluating universities control of the analysis data and of the publication. Appendix F states how the evidence was assembled and checked. The limit is that The SAVI Group would still benefit if the idea spread, and says so; a reader should weigh the design by its clauses and the evidence by its sources, which do not depend on the firm.

The eleventh objection comes from agency theory: workers would receive half of the upside while bearing none of the risk, and Fama and Jensen (1983) assign the residual claim to those who bear it. The paper accepts the theory and disputes the premise. A worker's human capital is among the least diversified assets anyone holds, often tied to one employer, one trade, and one town, and in the pandemic the lowest-paid workers had the steepest and most persistent job losses (Dalton et al. 2021). The Pool itself carries risk, because it is paid from audited net profit and a year without profit pays nothing.

As a design rule, salary stays whole, a condition the shared-capitalism evidence attaches to the effects it finds (Blasi et al. 2008). Appendix B's dependent-contractor rule guards against relabelled roles, and its agency-worker rule counts staff supplied for more than six months in the ceiling's base. The payroll records Appendix E requires let the evaluators test whether slower wage growth offsets the Pool. The limit is that pay additional to salary is a real transfer from the financial investor, who alone can lose capital, and Appendix C states it in dollars.

The twelfth objection holds that the historical analogies overreach. Harper (2017, 15) attributes Rome's decline to climate and disease, writing that "Biological change was even more forceful than the physical climate in deciding the fate of Rome", a thesis with its own critics (Haldon et al. 2018). White (1989, 545) argues that the French crisis was avoidable, since "Had the earlier policies been continued, it is unlikely that a severe crisis would have occurred in 1788/89". Part III claims recurrence of correction and no single cause; its Roman case is the Republic's political crisis, not the Empire's end, and White's reading supports its point that the form of correction was a late choice. Scheidel (2017) finds every major compression came through war, revolution, state failure, or plague, with "no repertoire of benign means of compression that has ever achieved results that are even remotely comparable". The limit is that the record describes a distribution of outcomes, from which the paper predicts nothing, and the pilots can test the Model, never Scheidel's historical finding.

Two of the twelve objections, the untested scale of the share and the static fiscal gap, are conceded in full and turned into the outcomes the pilots must measure. The rest are answered within stated limits. What remains is a bounded design with a stated cost and named evidential gaps, and Part XII asks the institutions able to close them to do so.

Exhibit 11. Twelve objections, the strongest source for each, the paper's answer, and the limit conceded.

Objection	Its strongest source	The paper's answer	The limit conceded
The concentration figures are overstated	Smith, Zidar, and Zwick (QJE 2023); Auten and Splinter (JPE 2024)	The paper anchors on the conservative Fed series; the series cited agree on the direction of the trend	Levels differ by several points; the paper never uses the high estimate as its headline
Inequality reflects skills, technology, and competition, not power	Goldin and Katz (2008); Acemoglu and Restrepo (NBER w28920); Autor et al. (QJE 2020)	Part of it does; Stansbury and Summers attribute much of the wedge to declining worker power, and the Model acts inside the firm whatever the cause	The Model does not address education, skill premia, or industry concentration
Private equity creates value; it is not extractive	Harris, Jenkinson, and Kaplan (NBER w17874); Davis et al. (NBER w26371)	The Model is no attack on private equity; it changes who shares the value, and it uses growth equity	Davis et al. find employment falls 12% after public-to-private buyouts and rises 15% after private-firm buyouts, with large productivity gains; the paper quotes both
Sharing half of profit will starve the firm of retained earnings	Economic intuition; no study at 50%	At 10.5% of pre-tax income the French mandate showed small to nonexistent effects on investment and productivity	No evidence exists at 50%; this is the purpose of the pilots
Impact funds underperform, and the universal-owner case does not rescue them	Barber, Morse, and Yasuda (JFE 2021); Forbes (AER 2000); Barro (JEG 2000); Ritter (PBFJ 2005)	Investors already accept 2.5 to 3.7 points less for impact; the Model offers verifiable terms where ratings offer scores; Part VIII rests the universal-owner case on priced political uncertainty (Pástor and Veronesi 2013), which no cited study ties to concentration	The cost is real and larger than the impact discount (Appendix C); the universal-owner argument is the paper's least tested claim
Nothing forces a correction: public debt is cheap, and the credit chain is unproven	Blanchard (AER 2019); Bordo and Meissner (JIMF 2012); Coibion et al. (JEEA 2020)	The 30-year yield at 5.64% and the 2026 rate rise weaken the first premise; Part II states the debt loop as co-movement and a modelled mechanism	Rates could fall again; the argument does not depend on a crisis

Objection	Its strongest source	The paper's answer	The limit conceded
A 15% top rate is a tax cut for the rich	Standard tax-incidence reasoning	Inside a Compact Enterprise, top pay is capped at 15 to 20 times the lowest-paid and half of profit has already gone to workers before tax	Outside investors also pay 15%; Appendix D shows the outcome for employees only
The state loses revenue	Static fiscal arithmetic (Appendix D)	Formalisation, a pension bridge outside the ceiling, and directly delivered services replace it over time; the pilot is bounded	Appendix D states the static gap; the offsets are hypotheses the expansion triggers measure
Special regimes get captured or repealed	The history of special economic zones	Sham sharing fails annual verification; an open standard, a statute with a stability clause, and a coalition larger than any one firm raise the cost of repeal	Political reversibility can be reduced, not removed; reduced reported profit and related-party pricing remain risks
The author benefits	Conflict of interest	Disclosed in front matter; the Compact is an open standard with no licence; no claim rests on The SAVI Group's performance	The SAVI Group would still benefit if the idea spreads, and says so
Workers get upside without bearing risk	Agency theory (Fama and Jensen 1983)	Workers already carry firm-specific risk through their jobs; the Pool is zero in loss years; salary stays whole as a design rule	Pay additional to salary is a real transfer; the paper names it
The historical analogies overreach	Harper (2017) on Rome; White (1989) on 1789	Part III claims recurrence of correction, not a single cause; the pilots test the Model, not Scheidel's finding	The paper describes a risk distribution; it predicts nothing

Part XII. Conclusion: advice, not command

The SAVI Group cannot change the system alone. We are a small firm with a framework, a set of draft clauses, and a willingness to be tested. The change this paper describes belongs to institutions far larger than ours. The measurement that opened the paper still stands. One household in a thousand holds about a seventh of American household wealth, and about a quarter of the corporate equities and fund shares that households hold outside defined-contribution pension plans, on the Federal Reserve's series, the paper's conservative anchor.

History has corrected concentration of this kind before, and Part III set out how. On Scheidel's reading, every major compression on record came through catastrophe, and no peaceful reform achieved one at comparable scale. Scheidel also finds that those compressions faded once the shocks passed, which is why the correction proposed here is designed to be written into contracts and statutes that outlast their moment. The paper proposes one designed correction: contractual, opt-in, measurable, and limited until the evidence warrants expansion. Part IV showed that cheaper money, imported disinflation, and public borrowing, the instruments that absorbed distributional tension for four decades, cost more today than when the regime was built, or offer less. That reading predicts no crisis; it argues for choosing the form of adjustment while the choice is still open.

The role we claim is that of an advisor. An advisor brings the design and the research behind it, reports what the evidence shows, and implements no change in capital markets or tax codes. Part V and Appendix B specify The SAVI Capital Model to the level of a clause. Parts IX and X specify The Fifteen Compact to the level of a statutory outline and a timetable. Both are offered for others to test, adapt, and improve under their own names.

Five commitments follow from that role, and each can be checked. We offer the Four Tenets and The Fifteen Compact as an open standard, free of licence, to any enterprise or jurisdiction. We commit to write the Model's terms into the legal documents of every fund The SAVI Group raises from this point, in the form Appendix B sets out. We commit to open our vehicles to independent evaluation under Appendix E and to publish the results, favourable or not. We commit to serve as advisor to any institution that designs its own version, with its own non-profit arm in the place that The SAVI Ministries holds for us. The fifth commitment applies the Compact Charter's conflict rules to our own arm now, before any Compact exists: services priced at arm's length, no compensation to the founder from the arm, and public accounts.

Each commitment has a surface on which it can be verified. The open standard is verified by any adopter who takes up the published terms without a licence. The fund documents are verified by the investors who sign them and by the annual Tenet Report Part VII requires each company to publish. The evaluation is verified by publications the evaluators control and we cannot edit, and the advice by the institutions that take it up. The conflict rules are verified by the arm's published accounts. A commitment with no such surface would be a sentiment, and this paper has tried to carry none.

Three requests follow, each with a first step available this year. We ask universities, above all their economics, business, and public-policy faculties, to co-design a pre-registered evaluation of the first pilots and to control its analysis data and its publication. We ask asset managers to commit one vehicle or one

sleeve to the Model and to join the coalition that will ask governments for the Compact. We ask governments to legislate an opt-in pilot regime with a stability clause and published expansion triggers, so that it grows only as its evidence allows. None of the three requires the others to move first, and the first requires no law at all.

The open questions are the reason for the pilots, and we state them as a research agenda. The first is what happens to investment, hiring, and valuation when half of net profit is shared, where the evidence now stops at a tenth. The second concerns the Human Capital Pool at exit, when one year's share can exceed many years of salary. The pension bridge is the third, its size and the pace at which public accounts can carry it. The fourth is the net fiscal effect once formalisation is measured and no longer assumed, and the fifth is the quality of the services the non-profit arms deliver to the floor, judged by the people who receive them. Each is measured against a comparison group and outcomes fixed in advance under Appendix E, which limits the room to choose a favourable result afterwards.

A second set of questions concerns the Compact's own design, and we state them as solutions to be explored and developed, with every tax held inside the single 15% ceiling. The first is who funds health cover for earners above the floor's taper band once employee contributions sit inside the ceiling. One option is employer cover as a cost of business, deducted before profit. It adds no tax but lowers the profit base, and with it the Human Capital Pool, the contribution, and the investors' return. Another addresses the contribution that today funds retirees' health insurance. It keeps the health cover of current retirees with the old system, financed as its pensions are.

The second question is separate: who guarantees a floor pension to a Compact worker whose personal account proves insufficient. The option offered is the old system's own revenue during the transition, as Part X already requires for current retirees. Each option keeps the ceiling intact without removing the cost. The cost moves to the enterprise or stays with the old system until that system's population ages out. The pilots and the actuarial work should show which combination carries the cost, and the evaluation should record it.

Each of those questions needs a pilot, and most also need modelling, legal design, or actuarial work. The paper does not claim to have the answers. It claims that the questions are urgent, that the design is specific enough to be tested, and that the institutions reading it are the ones able to test it. We would rather be proved wrong in a pilot than right in a crisis. The SAVI Group offers to work with the institutions that take the next step and to publish what they find, whichever way the evidence falls.

Santiago Vitagliano Founder, Chairman, and Chief Executive Officer of The SAVI Group and principal architect of The SAVI Capital Model Correspondence through the inquiry form at thesavigroup.com/inquiry.

Appendix A. Glossary

Each defined term of The SAVI Capital Model and The Fifteen Compact has one name here, and the variants used on the firm's website and in its design files are named and retired. A capitalised term that Appendix B defines carries its contract meaning; the other entries are the paper's policy, tax, and model terms.

Bifurcation at the top: the division of every Profit Dollar, before the preferred return, the catch-up, and the carry, half to the Human Capital Pool and half to the Financial Capital Pool (Appendix B2). The site's "The Distribution Waterfall" names the same mechanic.

Compact Charter: the six obligations binding every Compact Enterprise (Part VII). They run from the annual Tenet Report and rotated independent verification to a protected whistleblower channel, graduated sanctions ending in loss of the regime and repayment of relief, and conflict rules for the arm.

Compact Contribution: the single contribution a Compact Enterprise is designed to pay, under a pilot statute, in place of every levy on its income, turnover, payroll, and financial transactions (Part IX and Appendix D). The enterprise ratchet assesses it on net profit after the Human Capital Pool, never above 15%. Value-added tax, excises, and trade duties, which fall on the buyer in law whatever their economic incidence, stay outside the ceiling.

Compact Enterprise: an enterprise that has adopted the Four Tenets, meets the Compact Charter, and has opted into the regime under a pilot statute (Parts IX and X).

Compact floor: the income line below which education and medicine are free at the point of use, $50,000 in the US expression, 0.77 times the median wage (Part IX). A taper band to $75,000 withdraws the benefit gradually.

"Conscious Capital": the framework's former brand name, which the site's glossary records as renamed The SAVI Capital Model in September 2025. The paper uses the name only here, to retire it.

Eligible Employee: every person on a Company's payroll during the fiscal year, executives included, and anyone working for it exclusively or substantially full-time for more than six months (Appendix B1). A natural person supplied by an agency, staffing firm, or professional employer organisation for more than six months counts in the base of the pay ceiling. Other contractors are excluded.

Employee Trust: the trust each Company settles with an independent trustee to hold the Trust Class Share and the Pool, pay it per FTE Share, and act for the workforce (Appendix B1). It has standing to sue in its own name as a party to the Pool Agreement and as the fund agreement's named third-party beneficiary (Appendix B10).

Enterprise ratchet: 1% on the first million dollars of profit, 2% on the second, and one point more on each further million up to 15% on the fifteenth and above (Appendix D).

Equitable Profit-Sharing: the first of the Four Tenets, the bifurcation at the top and the Human Capital Pool it funds (Part V). The site's numbered labels for the tenets are retired.

Ethical and Principled Stewardship: the third tenet, an annual review of each Company's effects on employees and communities by a committee with an independent member, escalating from a remediation plan to intervention by the Fund and then to mandatory exit (Appendix B7). The site's "Principled Stewardship" is the same tenet.

Fair and Transparent Compensation: the second tenet, a charter term capping every employee's total annual compensation, the chief executive's included, at 15 to 20 times the lowest-paid full-time Eligible Employee's, set by industry and never above 20 (Appendix B6). The site's "Fair Compensation" and "CEO-to-worker ratio" are retired forms.

The Fifteen Compact: the fiscal regime this paper proposes, named for its single 15% ceiling on enterprises and persons alike (Parts IX and X). Offered as an open standard, it is designed to need no licence to adopt, subject to counsel's review.

Financial Capital Pool: the half of each Profit Dollar that goes to the Fund and runs the conventional waterfall on terms the Model fixes, an 8% hurdle compounding annually, a full catch-up to 20%, and 80 to 20 thereafter, calculated on the whole fund (Part V; Appendix B2). The site's "LP and GP Mechanics" describes this pool; its proportions are unmodified and its base is half the profit.

Growth equity: private capital for companies with little or no acquisition debt, through which the Model is applied so that the division of profit is the senior claim on earnings (Part V). The site's "Growth Equity versus Leveraged Buyouts" asserts a return differential the paper does not cite.

Human Capital Pool: the half of each Profit Dollar that belongs to the employees, paid yearly to the Employee Trust and distributed equally per FTE Share, in addition to salary and never forfeited (Appendix B3). An FTE Share is one share for a full-time employee for the whole year, pro rata otherwise; the chief executive holds one.

Non-profit arm: the non-profit institution each adopter designates in its fund documents to receive the overage above the outperformance threshold and deliver the service commitment (Appendix B8, the Designated Non-Profit Arm). A hospital names its foundation, a university its endowment, and The SAVI Group names The SAVI Ministries, a legally independent institution whose Endowment receives the overage (Part V). The arm enforces the threshold itself, as the fund agreement's named intended third-party beneficiary of that covenant (Appendix B10).

Outperformance threshold: the point at which the limited partners' cumulative net distributions reach 5.0 times their total contributions, fees included, at fund level (Appendix B8). Beyond it every further Financial Capital Pool dollar, the manager's share included, goes to the arm. The site's "5x Investor Threshold", "5x equity multiple", and "5x distribution multiple" are retired forms.

Pension bridge: the conversion of a moving worker's accrued pension rights into an inflation-indexed recognition bond redeemed at retirement, on the precedent of Chile's Decreto Ley 3.500 (Part X and Appendix D). New saving goes to a personal account funded from the Pool; current retirees stay with the old system.

Personal ratchet: 0% up to the Compact floor, one point more on each further band of $10,000, and 15% on all income above $200,000 in the US expression (Part IX and Appendix D). It applies to the workers and investors of Compact Enterprises alone, with their social contributions, Pool wages, and investment income inside it.

Predistribution: Hacker's term for market reforms that spread economic power and rewards before the state taxes or transfers, spelled "pre-distribution" in his text (Hacker 2011). The Model is predistribution in the capital contract, the Compact its fiscal counterpart (Part IX).

Profit Dollar: each dollar of Net Profit and each dollar of Exit Gain (Appendix B1). Net Profit is a Company's audited net income for a fiscal year plus the Pool charged in arriving at it, before any distribution to stockholders. The Pool therefore equals reported net income. Exit Gain is the proceeds of the Fund's disposal of its interest, less invested capital and less Retained Financial Earnings, the past Net Profit retained for the Fund and not distributed, so no dollar is divided twice (Appendix B4). The Fund times any disposal after notice to the Trust, which holds no veto.

Qualified Domestic Minimum Top-up Tax: the domestic tax of article 10.1 of the OECD's Model Rules by which a host jurisdiction itself tops up an in-scope group to the 15% minimum; article 5.2.3 deducts it from any foreign top-up, which falls to zero where the domestic tax meets the July 2023 safe harbour (OECD 2021, 2023b; Appendix D).

Qualified Purchaser: the investor class of section 2(a)(51) of the Investment Company Act, a natural person with at least $5 million in investments or an entity with at least $25 million (15 U.S.C. 80a-2(a)(51); Part VIII).

The SAVI Capital Model: the Four Tenets written as contract terms in the four documents of Appendix B (Part V). The SAVI Group, the firm founded by Santiago Vitagliano that designed the Model and would benefit from its adoption, commits to write them into every fund it raises from this point. The site's definition adds platforms and technology systems the paper leaves out.

Service commitment: the obligation of each Compact Enterprise to deliver 10% to 25% of its services free to the floor population through its non-profit arm, or to contribute cash or capacity to an arm that does (Appendix B9 and Part IX). The value is reported at cost against the tax relief received.

Sustainable and Social Impact: the fourth tenet, the outperformance threshold written as a distribution term in the fund agreement, with the service commitment that applies inside the Compact (Part V).

Tenet Report: the annual report each Company publishes on the Pool paid per FTE Share, the pay ratio and its benchmark, stewardship findings, the arm's flows, and services delivered at cost (Appendix B12 and Part VII). An accredited verifier, rotated at least every five years, checks it.

Trust Class Share: the single share of a special class each Company issues to the Employee Trust (Appendix B5). Its charter rights forbid amending the pool entitlement and the pay ceiling, bar any merger, conversion, or asset sale that would impair them unless the acquirer assumes them on identical terms, and require the

share's separate consent to each. It carries a token economic right and no other vote. The charter bars its forced sale, squeeze-out, drag-along, forced transfer, or dilution.

The site's "Encoded versus Expressed" survives only as the adjective for a term a counterparty can enforce; the Model's terms are a commitment for future fund documents, never terms already executed.

The site's glossary holds 43 entries (The SAVI Group n.d.). Fifteen are reconciled in the entries above, and four more (The SAVI Group, The Four Tenets, The SAVI Ministries, and its Endowment) name the institutions and the tenets, which the paper uses as proper names. The other 24 define no term this paper uses. Twenty are doctrinal: Asset Loop, Strategic Symmetry, Resilient Hubs, Symmetric Middle, Intelligence Alpha, Shared Intelligence, The Trust Dividend, The Complexity Tax, Fortress Assets, Structural Inclusion, K-Shaped Society, Ownership Without Participation, Symbolic ESG, Moral Debt, Talent Arbitrage, Liquidity of Reputation, Governance Theater, Redistribution of Ownership Creation, Sovereign Hard Stop Clause, and The Mandate. Four describe the firm's platforms and technology systems.

Appendix B. Model terms

This appendix restates the terms of The SAVI Capital Model in plain English, condensed from the draft clauses prepared for this paper (version 2.4, dated October 1, 2026). They are model terms for discussion, not legal advice, and no licensed lawyer has yet reviewed them. The authorities named in the notes were checked at the level of published summaries, and their current text must be confirmed. Before any adopter signs, licensed counsel in the governing jurisdiction reviews the securities, employment, and tax questions that each note identifies.

B0. Four documents, each carrying what it can enforce

A term binds only the parties to the document that holds it, so the Model places each term in the document whose parties can enforce it. Employees are not parties to the fund agreement, which is why their claim cannot live there alone. The architecture spreads the terms across four documents. The charter carries what must survive a change of owner, and the trust gives a changing workforce a single holder with standing.

Document	Parties	Terms it carries
Company charter (certificate of incorporation)	The Company and its stockholders	The Trust Class Share and its rights (B5); the pay ceiling (B6); the stewardship duty (B7); the service commitment under the Compact (B9)
Human Capital Pool Agreement	The Fund, the Company, and the Employee Trust	The bifurcation (B2); the Pool (B3); the exit payment (B4); enforcement (B10)
Employee Trust deed	The Company as settlor and an independent trustee	Holding the Trust Class Share and the Pool; paying FTE Shares; acting for employees
Fund limited partnership agreement	The general partner and the limited partners, with the Designated Non-Profit Arm as named third-party beneficiary of B8 and each Employee Trust as named third-party beneficiary of the Fund's promise to perform the Pool Agreement (B10)	The bifurcation, jointly with the Pool Agreement (B2); the Financial Capital Pool waterfall; the stewardship ladder, jointly with the charter (B7); the outperformance threshold and the non-profit arm (B8); amendment protection (B11); reporting (B12)

B1. Defined terms

The *Company* is the portfolio company in which the *Fund* invests, and the *LPA* is the Fund's limited partnership agreement. The *Employee Trust* is a trust settled by the Company with an independent trustee, which holds the Trust Class Share and receives and distributes the Human Capital Pool. The *Trust Class Share* is the single share of a special class described in B5. The *Pool Agreement* is the Human Capital Pool Agreement among the Fund, the Company, and the Employee Trust.

Net Profit is the Company's audited net income for a fiscal year plus the Human Capital Pool charged in arriving at it, measured before any distribution to stockholders is paid from it, so that the Pool equals

reported net income. *Retained Financial Earnings* are the Financial Capital Pool's half of each year's Net Profit that the Company kept instead of paying out, net of any later payment of it. *Exit Gain* is what the Fund receives on disposing of its interest in the Company, less the capital it invested in that interest and less the Retained Financial Earnings. Invested capital and Retained Financial Earnings return to the Financial Capital Pool and are never divided again, so each Profit Dollar is divided once. Each dollar of Net Profit and each dollar of Exit Gain is a *Profit Dollar*. The *Human Capital Pool* is the half of each Profit Dollar allocated to employees under B2, and the *Financial Capital Pool* is the other half together with returned invested capital.

The definition is written so that the Pool can be computed from the audited statements alone. With profit before tax and before the Pool written as X and the tax rate as t, the Pool equals X(1 - t)/(2 - t). At a tax rate of 21% the Pool and the owners each receive 44.1% of pre-tax profit. The two halves are then equal after tax. The Pool Agreement carries the formula and a worked example and fixes the treatment of other comprehensive income, minority interests, and consolidation.

Eligible Employee means every person on the Company's payroll during the fiscal year, the chief executive and the other executives included. A dependent contractor, meaning a natural person who has worked for the Company exclusively or substantially full-time for more than six months, counts as an employee for the Pool and for the pay ceiling, so that neither can be avoided by relabelling a role. A natural person supplied to the Company by an agency, staffing firm, or professional employer organisation for more than six months counts in the base of the pay ceiling, so that the lowest-paid roles cannot be moved off the payroll to raise it. Other contractors are excluded. An *FTE Share* is one share for a full-time employee employed for the whole year. Part-time staff receive the fraction that their contracted hours bear to full-time hours, and joiners and leavers the fraction of the year's days for which they were employed.

B2. Bifurcation at the top

Each Profit Dollar is divided before any preferred return, catch-up, or carried interest is calculated, with half going to the Human Capital Pool and half to the Financial Capital Pool. The clause sits in both the Pool Agreement and the LPA, so that the Fund and the Company owe the same division to the Trust. The Financial Capital Pool then runs a conventional waterfall whose proportions are unmodified and whose base is half the profit: an 8% preferred return compounding annually, a full catch-up until the general partner holds 20% of the profits distributed, and 80 to 20 thereafter, calculated on the whole fund. Investors' economics therefore change, and the clause says so plainly. Appendix C shows that, on the same companies and on its stated assumptions, a Model fund below the threshold pays its investors exactly what a conventional fund pays at half the profit. This clause is the contractual form of Equitable Profit-Sharing.

B3. The Human Capital Pool

The Company pays the Human Capital Pool to the Employee Trust by estimate no later than the fifteenth day of the third month after its fiscal year end, and trues it up after the annual audit. A payment foreseeably made after that window is presumed to be deferred compensation. The same window bounds the short-term-deferral exception under section 409A of the Internal Revenue Code (26 C.F.R. sections 1.404(b)-1T and 1.409A-1(b)(4)). A fixed payment date written to satisfy section 409A is the alternative. The Trust pays the Pool out in equal amounts per FTE Share.

The payment is additional to salary, and an amount once earned is never forfeited. The chief executive holds one FTE Share, like every other full-time employee, so the firm's upside reaches its leader by the same route as every other worker. In a year without Net Profit the Pool is zero.

Three notes govern the drafting. In the United States, a Pool paid currently each year is a bonus program and not a pension plan under the Employee Retirement Income Security Act, provided its payments are not systematically deferred to the end of employment or beyond (29 C.F.R. section 2510.3-2(c)). The retirement accounts proposed under The Fifteen Compact are a separate plan with their own rules. A close statutory precedent, the United Kingdom's employee ownership trust regime under Schedule 37 of the Finance Act 2014, requires trust property to benefit all eligible employees on the same terms while allowing variation by remuneration, length of service, and hours. The Model is stricter, allowing variation by hours and time employed only. In the United States, subject to counsel's review, Pool payments are designed to be treated as compensation, deductible to the Company and subject to payroll taxes.

B4. Exit Gain

On any disposal of its interest in the Company, half of the Exit Gain is paid to the Eligible Employees of the year of disposal, per FTE Share, before the Fund applies its own waterfall. The payment runs through the Company's payroll at closing, funded from the sale proceeds and made for the Employee Trust's account, so that one employer deducts it and withholds on it. The Fund remains obliged for the payment under the Pool Agreement and backstops it, and payment by the Fund to the Trust, which then distributes per FTE Share, is the fallback. The Fund decides the timing of any disposal. Before it signs one, it gives the Employee Trust written notice within the period the Pool Agreement sets and consults the Trust in good faith; the Trust has no veto over the decision.

The exit payment is contingent on a change in control, so section 280G of the Internal Revenue Code applies. It reaches the part paid to officers, holders of more than 1% of the stock, and highly compensated individuals, the chief executive's equal FTE Share included. For a Company without readily tradeable stock, a vote of more than 75% of the disinterested voting power, after adequate disclosure, precedes each disposal (26 U.S.C. section 280G(b)(5); 26 C.F.R. 1.280G-1, Q&A-7(b)(4)). Two drafting routes are available. The default is the contractual payment described above, designed to be taxed as compensation income to employees when it is paid, and it is the simpler of the two.

The alternative issues the Trust, at acquisition, a class of Company equity entitled to half of any value above the Fund's cost, so that the gain arises inside the Trust. Rule 701, the exemption for compensatory issues by a private company, does not list an employee trust among those who may take under it. Rule 701(c) names employees, directors, general partners, trustees where the issuer is a business trust, officers, consultants and advisors, and their family members (17 C.F.R. section 230.701(c)). The equity route is therefore taken only on securities counsel's opinion that an exemption is available, and the contractual route is the default. Both need tax counsel.

B5. Survival on sale: the Trust Class Share

The term is written to survive a sale, subject to the governing law and to counsel's review. The Company issues one share of a special class, the Trust Class Share, to the Employee Trust, and the charter writes out

its rights in full. The charter provides that the Pool entitlement in B2 and B3 and the pay ceiling in B6 may not be amended, repealed, or made inapplicable. No merger, consolidation, conversion, sale of substantially all assets, or reorganisation may eliminate or adversely affect the share, the Pool, or the pay ceiling in B6 unless the surviving or acquiring entity assumes them on identical terms. Each of these acts requires the separate consent of the Trust Class Share, which carries no vote beyond that consent.

Two further terms protect the share. It carries a token economic right in every adopter, a liquidation preference equal to its nominal value and, where local law requires it, a de minimis profit share. Brazil and Argentina void a share excluded from profits (Lei 6.404, article 109; Ley 19.550, article 13), and the consent right does the work. The charter bars any forced sale, squeeze-out, drag-along, forced transfer, or dilution of the share, because a consent right that an acquirer could buy or extinguish would protect nothing.

Under Delaware law, a charter amendment that would adversely alter the powers, preferences, or special rights of a class requires a separate vote of that class (Delaware General Corporation Law, section 242(b)(2)). The Delaware Supreme Court confines that protection to rights expressed in the charter under sections 102(a)(4) and 151(a). It holds that the rights, preferences, and limitations of preferred stock "must be expressly and clearly stated" (*Elliott Associates, L.P. v. Avatex Corp.*, 715 A.2d 843 (Del. 1998)), which is why the clause writes the rights out in full. Section 242 does not itself reach mergers, so the protection against a merger is an express provision, and provisions of this kind are read strictly and must name mergers and conversions in terms.

A Company may also incorporate as a Delaware public benefit corporation, which records shared prosperity as its public benefit and requires directors to balance the interests of stockholders, employees, and that benefit (sections 362 and 365). That status does not entrench the terms by itself, because since the 2020 amendments to subchapter XV of the Delaware General Corporation Law a corporation can leave it by a majority vote. The Trust Class Share is the device designed to entrench the terms, subject to the governing law.

B6. Fair and Transparent Compensation

The total annual compensation of any employee, the chief executive included, may not exceed a stated multiple of the total compensation of the lowest-paid full-time Eligible Employee. Compensation here means salary, bonus, equity awards at grant-date value, and benefits. The board sets the multiple for the Company's industry within a band of 15 to 20 times, discloses the benchmark it used, and may never exceed 20 times.

Within that range the Company sets pay for each role as its industry and labour market determine; the clause limits the spread, not the scale. Pool payments are equal per FTE Share and are excluded from both sides of the ratio, so the ceiling governs pay alone. The ratio's base is stricter than that of the pay-ratio disclosure the Securities and Exchange Commission requires under section 953(b) of the Dodd-Frank Act, a disclosure and not a cap, which compares the chief executive with the median employee (SEC 2015). Part V sets out why the level is justified on its own grounds.

B7. Ethical and Principled Stewardship

Ethical and Principled Stewardship is enforced through a ladder written into the charter and the LPA. Each year a committee with at least one independent member reviews the Company's effects on its employees and the communities in which it operates. A failed review triggers a remediation plan with dated milestones, and a failed plan triggers intervention by the Fund through changes to the board. Continued failure obliges the Fund to exit, and B5 is written so that the Pool and the pay ceiling survive that exit.

B8. The outperformance threshold and the non-profit arm

Once the limited partners have received cumulative net distributions equal to 5.0 times their total contributions, fees included, every further distribution of the Financial Capital Pool is paid to the Designated Non-Profit Arm named in the LPA. The rule applies to the limited partners' share and the general partner's share alike. For funds of The SAVI Group the Arm is The SAVI Ministries Endowment, and each adopter names its own. Appendix C shows that, on its assumptions, the threshold first binds at a gross multiple of about 12.2 times, so the clause is a commitment about the tail of outcomes and is presented as one. The Arm enforces this term itself: the LPA names it an intended third-party beneficiary of the B8 covenant and states that intent in terms. With the service commitment in B9, the clause gives Sustainable and Social Impact its contractual form.

The note for tax counsel is specific. The allocation must be fixed in the LPA at formation, before any income accrues, so that no partner ever holds a right to the diverted amounts. An alternative issues the Arm its own interest in the Fund at formation. A Fund that admits only Qualified Purchasers relies on section 3(c)(7) of the Investment Company Act, which requires every holder of its securities to be a Qualified Purchaser at acquisition (15 U.S.C. section 80a-3(c)(7)(A)). The Arm therefore takes an interest only if it is itself a Qualified Purchaser, and otherwise holds a non-equity contractual claim under the covenant route. Either route raises assignment-of-income and unrelated-business-income questions for non-profit tax counsel.

B9. The Compact service commitment

The commitment in B9 applies only where the Company operates under The Fifteen Compact. The charter obliges the Company to deliver 10% to 25% of its services free to the population below the Compact floor, the income line below which education and medicine are free (Appendix A), through its own non-profit arm. A Company that produces no essential services contributes cash or capacity to an arm that does. Value delivered is reported at cost against the tax relief received, so the exchange at the centre of the Compact can be read from a single line of the annual report.

B10. Enforcement

The enforcement right sits outside the fund agreement because employees are not parties to it. The Employee Trust is a party to the Pool Agreement, with a direct right of action against the Fund and the Company for the terms in B2 to B7 and in this clause, and it holds the Trust Class Share for B5. The outperformance threshold and the non-profit arm in B8 are enforced by the Designated Non-Profit Arm, named in the fund agreement as an intended third-party beneficiary of that covenant. Each Eligible Employee holds a claim against the Trust for his or her FTE Share and may require the trustee to act.

Disputes go to arbitration seated in a neutral jurisdiction, while emergency and injunctive relief remain available in court.

The design avoids a weaker route deliberately. Delaware lets a non-party enforce a contract only where the parties intended to benefit it, the benefit was a gift or satisfied an obligation, and that intent was a material part of the contract's purpose, a test Delaware courts apply strictly. Making the Trust a party to the Pool Agreement means its right under that agreement does not depend on passing that test. As a second route, the fund agreement names each Employee Trust an intended third-party beneficiary of the Fund's promise to perform the Pool Agreement, and states that intent in terms so that the test is met; employees still do not become parties to the fund agreement.

The Employee Trust also receives the information it needs to test the figures. Within 120 days after each fiscal year end the Company delivers its audited accounts and a statement of the Pool calculation. The Fund delivers a statement of the Exit Gain calculation for each disposal. Once a year the trustee may appoint an independent accounting firm to examine the books and records behind either calculation, related-party transactions included. If the examination finds an underpayment of more than 5%, the Company, or the Fund for an Exit Gain, bears its cost and pays the shortfall with interest; otherwise the Trust bears the cost.

B11. Amendment protection

Any amendment touching the terms from B2 to B10 requires three consents, from the general partner, from a supermajority in interest of the limited partners, and from the Employee Trust's trustee, in addition to the approvals the governing law requires. The first two follow ILPA Principles 3.0, which recommend that any amendment to the limited partnership agreement require the general partner's consent and a supermajority in interest of the limited partners (ILPA 2019). Those principles are industry guidance and carry no force of law. The third consent gives the people who are owed the Pool a veto over any change to it. The lock applies by its terms to an amendment, or the adoption of a new agreement, effected by merger, consolidation, conversion, or transfer. Delaware lets a merger agreement amend a limited partnership agreement notwithstanding its amendment clause unless that clause applies to mergers in terms, so the words are written in (Delaware Code, Title 6, section 17-211(g)).

B12. Reporting and verification

Each Company publishes an annual Tenet Report covering the Pool paid per FTE Share, the pay ratio and the benchmark behind it, the stewardship findings, the flows to the non-profit arm, and the services delivered at cost. An independent assurance provider checks the report and is rotated at least every five years. The provider is licensed or accredited to perform assurance engagements where it practises, and it conducts a reasonable-assurance engagement under ISAE 3000 (Revised) or ISSA 5000, as applicable, or an equivalent national standard (IAASB 2013). ISSA 5000, the IAASB's sustainability assurance standard, is effective for periods beginning on or after December 15, 2026, and the verifier classifies each item of the report under the standard that governs it. Most items in the report are counts or amounts, which is what allows an outsider to audit the claim instead of trusting it.

What remains before an adopter signs

For the purposes of this paper the terms are complete as model terms for discussion, and labelled as such. Execution is a different matter. Securities counsel reviews the LPA, the Trust's interests, and, if equity carries the exit payment, the exemption on which that route relies. Employment counsel reviews the pay ceiling, the dependent-contractor and agency-worker rules, and local labour law, and tax counsel reviews the characterisation of the Pool and of the exit payment and the allocation in B8. A Company outside Delaware needs local counsel, because a perpetual class right in the charter is a Delaware construction that other jurisdictions must reproduce in their own form.

Changes in version 1.1

Version 1.1 carries twelve refinements to these terms. Each was found in research completed after version 1.0 and approved by The SAVI Group, and none softens a term. Appendix F is shortened to a statement of method.

Number	Clause	Change
1	B11	The three-consent lock applies in terms to an amendment, or a new agreement, effected by merger, consolidation, conversion, or transfer
2	B3	The Pool is paid by estimate by the fifteenth day of the third month after year end, with a true-up after the audit, or on a fixed date that satisfies section 409A
3	B4	The equity route is taken only on securities counsel's opinion, since Rule 701(c) lists no employee trust; the contractual route is the default
4	B4	Section 280G reaches the exit payment, the chief executive's equal share included; a vote of more than 75% of the disinterested voting power precedes each disposal of a Company without readily tradeable stock
5	B5	The public benefit corporation note cites the 2020 amendments to subchapter XV for exit by majority vote; the pinpoint to section 363 is retired
6	B8	The Arm takes a fund interest only if it is itself a Qualified Purchaser under section 3(c)(7); otherwise it holds a non-equity contractual claim
7	B1	A natural person supplied by an agency, staffing firm, or professional employer organisation for more than six months counts in the base of the pay ceiling
8	B1	Net Profit is audited net income plus the Pool charged in arriving at it, so the Pool equals reported net income; the formula and a worked example are stated

Number	Clause	Change
9	B12	The verifier engages under ISAE 3000 (Revised) or ISSA 5000, as applicable
10	B5	The Trust Class Share carries a token economic right in every adopter, a nominal liquidation preference and, where local law requires, a de minimis profit share
11	B5	An express bar on forced sale, squeeze-out, drag-along, forced transfer, or dilution of the Trust Class Share
12	B4	The employees' half of the Exit Gain is paid through the Company's payroll at closing, funded from the sale proceeds; the Fund remains obliged and backstops it; the Fund-to-Trust route is the fallback

Appendix C. Worked waterfall

This appendix runs one illustrative fund twice, once as a conventional fund and once under the Model, on identical companies with identical timing, so that the cost Part VIII states can be read row by row. Every figure is illustrative: the fund does not exist, the outcomes are not projections, and nothing here represents the past or future performance of any vehicle of The SAVI Group. The script (The SAVI Group 2026a), re-run on October 1, 2026, reproduces the table.

The fund and its assumptions

The fund invests $100 million at the outset in a growth-equity portfolio and holds it for five years. It charges a management fee of 2% of invested capital a year, paid by the limited partners at the start of each year, so their total contributions come to $110 million. Each gross outcome is a multiple of the capital invested: at 5 times gross the portfolio returns $500 million, of which $100 million is capital and $400 million is profit. A quarter of the profit arrives as net income in five equal annual instalments and three-quarters as gain on sale at the end of year five, when the capital is returned. That split is an assumption. Re-run with none of the profit annual and with half of it annual, the model leaves every multiple in the table unchanged, while the internal rates of return move, rising as more of the profit arrives early.

The conventional fund runs a European, whole-of-fund waterfall on every dollar of profit, the structure ILPA treats as best practice (ILPA 2019). The limited partners first receive their contributions back with a preferred return of 8% a year, compounding on contributions not yet returned. The general partner then receives a full catch-up until it holds 20% of the profit distributed, and every further dollar is split 80 to 20. Among the funds with a hurdle in Metrick and Yasuda's sample of 238 funds, 1993 to 2006, 8% is the modal rate (Metrick and Yasuda 2010).

The Model fund runs the same waterfall with the same parameters on the Financial Capital Pool, after every Profit Dollar, annual or exit, has been divided 50/50 at the top, and invested capital returns to the financial side undivided. Because each year's net income is paid out as it arises, no Retained Financial Earnings accumulate and the exit gain is divided once (Appendix B1). Once the limited partners' cumulative distributions reach 5.0 times their $110 million of contributions, $550 million, every further dollar of the Financial Capital Pool goes to the non-profit arm, the manager's share included. The conventional comparator has no bifurcation and no threshold. The portfolio is assumed to employ 500 full-time people, and the per-employee figure is cumulative over five years.

Gross outcome	Fund	Investor net multiple	Investor IRR	Carry to the manager ($ million)	Human Capital Pool ($ million)	Pool per full-time employee ($)	To the non-profit arm ($ million)
2x	Conventional	1.65x	11.8%	18.0	0	0	0
2x	Model	1.36x	6.9%	0.0	50.0	100,000	0
3x	Conventional	2.38x	22.0%	38.0	0	0	0
3x	Model	1.65x	11.8%	18.0	100.0	200,000	0

Gross outcome	Fund	Investor net multiple	Investor IRR	Carry to the manager ($ million)	Human Capital Pool ($ million)	Pool per full-time employee ($)	To the non-profit arm ($ million)
5x	Conventional	3.84x	38.2%	78.0	0	0	0
5x	Model	2.38x	22.0%	38.0	200.0	400,000	0
7x	Conventional	5.29x	51.5%	118.0	0	0	0
7x	Model	3.11x	30.6%	58.0	300.0	600,000	0
12x	Conventional	8.93x	78.0%	218.0	0	0	0
12x	Model	4.93x	48.3%	108.0	550.0	1,100,000	0
25x	Conventional	18.38x	131.7%	478.0	0	0	0
25x	Model	5.00x	63.4%	110.0	1,200.0	2,400,000	640.0

Exhibit 7, in Part V, draws these results.

Reading the three central rows

At 3 times gross the conventional fund returns its investors 2.38 times their contributions, an internal rate of return of 22.0%, and pays the manager $38 million of carry. The Model fund returns 1.65 times at 11.8%, pays the manager $18 million, and pays $100 million into the Human Capital Pool, $200,000 per full-time employee over five years. At 5 times gross the figures are 3.84 times and 38.2% against 2.38 times and 22.0%, with $78 million of carry against $38 million and $200 million in the Pool. At 7 times gross they are 5.29 times and 51.5% against 3.11 times and 30.6%, $118 million of carry against $58 million, and $300 million in the pool, $600,000 per employee. The manager's carry falls with the investors' returns, to about half at 3, 5, and 7 times and to nothing at 2 times, because carry is a share of the profit the financial half distributes.

One further row matters to Part VIII. At 2 times gross the conventional fund clears its hurdle and pays $18 million of carry. The Model fund's investors earn 6.9%, below the 8% hurdle, so the manager earns nothing and the investors take the whole financial half.

The identity

One rule generates every row below the threshold: a Model fund pays its investors exactly what a conventional fund pays at half the profit. The reason is mechanical. The financial half runs an unchanged waterfall on half of each Profit Dollar, paid on the same dates. The Model's investors at a given gross multiple therefore receive the cash flows of a conventional fund whose profit is half as large.

The Model at 3 times reproduces the conventional fund at 2 times, 1.65 times and 11.8%. The Model at 5 times reproduces the conventional fund at 3 times, 2.38 times and 22.0%. The Model at 7 times reproduces a conventional fund at 4 times, which the script puts at 3.11 times and 30.6%.

On the stated assumptions the match is exact to the dollar and to the date. In the 5 times case both sets of investors pay in $102 million at the outset, receive $8 million at the end of each of the first four years, and receive $222 million at exit. The rule says nothing about whether a company that shares half its profit earns the same gross outcome as one that does not, which is the question of Part VI and of the pilots.

Where the threshold binds

The threshold caps the limited partners at $550 million of cumulative distributions, 5.0 times their contributions. At 12 times gross the Model's investors stand at 4.93 times, just under the cap, and the arm first receives a dollar at a gross multiple of about 12.2 times. Above that point the identity ends by design. At 25 times gross the investors stop at 5.00 times, the manager's carry stops at $110 million, $640 million passes to the arm, and the Human Capital Pool holds $1.2 billion. The half-the-profit rule would have given 9.655 times, the conventional fund's result at 13 times, and the conventional fund on the same companies returns 18.38 times. Every dollar is still paid to someone: the script checks at each outcome that the sums paid to employees, investors, manager, and arm equal the gross proceeds.

The trigger moves by less than half a multiple with the fee and the holding period: a lower fee or a shorter hold brings it down, and a higher fee or a longer hold raises it. The split between annual profit and exit gain, re-run at zero and at one half, leaves the trigger unchanged. On these assumptions the threshold is a tail commitment, and the paper calls it one.

What the script tests and what it omits

Six tests, each designed so that a named wrong version would fail, must pass before the script prints. They cover a known rate-of-return case, conservation at four outcomes for both funds, reduction to a plain 20%-carry fund with the bifurcation and threshold off, zero carry below the hurdle, a threshold that stops the investors at exactly 5.0 times and passes the excess to the arm at 30 times gross, and a bifurcation that cuts the investors' multiple by more than a full turn at 7 times. The tests check the implementation against cases with known answers; they do not test the assumptions.

The model's omissions treat both funds alike. No transaction fees offset the management fee, no capital is recycled, the general partner makes no commitment of its own, and the fund carries no expenses, taxes, or borrowing. No company fails, so each row is a single outcome and never a distribution of them. Behaviour is outside the model, and the largest question it cannot answer is the one Part VI identifies: whether a company that commits half its profit to its employees earns the gross outcome the row assumes.

Appendix D. The Compact models

This appendix carries the arithmetic behind Parts IX and X. Its models are static and illustrative: published rates applied to official revenue totals for one year. The profit base is assumed, because the profit of the formal private economy is not observed. Two design decisions govern them. The Compact Contribution is assessed on profit after the Human Capital Pool, because the Pool is paid as wages and taxed in the workers' hands under the personal ratchet. The 15% ceiling covers every tax on the enterprise and the income taxes and contributions of its workers and investors; value-added tax, excises, and trade duties, which fall on the buyer in law while their economic incidence varies, stay outside it.

Indexing the thresholds

Every threshold is a multiple of the host country's median wage. American median usual weekly earnings were $1,251 in the second quarter of 2026, not seasonally adjusted, or $65,052 a year (United States Bureau of Labor Statistics 2026b). The $50,000 floor is therefore 0.769 times the median, each $10,000 band 0.154 times, and the $200,000 top 3.074 times. For Argentina the model takes the SIPA median gross monthly wage of registered private employees, 1,608,682.59 pesos in May 2026, and counts the half-year bonus as a thirteenth wage (Secretaría de Trabajo 2026a). That gives 20,912,874 pesos a year, an indexed floor of 16,073,967, a band of about 3.2 million, and a top of 64,295,867.

The enterprise ratchet

Annual net profit after the Pool	Compact Contribution	Effective rate
$1 million	$10,000	1.00%
$3 million	$60,000	2.00%
$10 million	$550,000	5.50%
$15 million	$1,200,000	8.00%
$16 million	$1,350,000	8.44%
$50 million	$6,450,000	12.90%
$100 million	$13,950,000	13.95%
$1 billion	$148,950,000	14.89%

Exhibit 8, in Part IX, draws this schedule.

The schedule charges 1% on the first million dollars of profit after the Pool and one point more on each further million, up to 15% on the fifteenth and above, so the effective rate rises continuously and no firm meets a cliff. Related entities are aggregated, the contribution is never refundable, and it is never levied on turnover or payroll.

Groups inside the global minimum tax

A multinational group with consolidated revenue of EUR 750 million or more in at least two of the four preceding fiscal years falls within the OECD's Model Rules, whose minimum rate is 15% (OECD 2021, arts. 1.1.1 and 10.1). On its own base the ratchet leaves such a group below that rate. At $100 million of profit

after the Pool it pays $13,950,000, an effective 13.95%, against the $15,000,000 that 15% would take, a shortfall of $1,050,000. On that base the shortfall is the same at every profit above $15 million, because the first $15 million of profit pays $1,200,000 against $2,250,000 and every dollar above it pays 15%.

The Compact's answer is a Qualified Domestic Minimum Top-up Tax enacted in the pilot statute. Article 5.2.3 of the Model Rules deducts a qualified domestic top-up from the top-up any other country computes (OECD 2021, art. 5.2.3). Under the Administrative Guidance of July 2023 a domestic tax that meets the safe harbour reduces that foreign top-up to zero (OECD 2023b, section 5.1). If the top-up qualifies, the host collects the ratchet and the top-up together, 15% in all on this simplified base, and that total does not exceed the Compact's own 15% ceiling.

Two conditions attach. First, the contribution must count as a Covered Tax, and the Model Rules include taxes recorded "with respect to its income or profits" and taxes "imposed in lieu of a generally applicable corporate income tax" (OECD 2021, art. 4.2(a) and (c)). On this paper's reading, pending a specialist adviser's sign-off, a contribution on net profit meets both limbs where a levy on turnover or payroll would not. The GloBE rules compute income by their own method, so a real top-up differs from this illustration. Second, a qualifying domestic top-up must exist: Argentina has joined the Pillar Two statement and enacted no domestic top-up tax for 2024 to 2026 (PwC 2026), so a pilot statute that admits in-scope groups would need to create one.

The personal ratchet

Annual income	Contribution	Effective rate
$50,000	$0	0.00%
$75,000	$450	0.60%
$100,000	$1,500	1.50%
$200,000	$12,000	6.00%
$500,000	$57,000	11.40%
$1 million	$132,000	13.20%
$5 million	$732,000	14.64%

The personal schedule mirrors the enterprise one: nothing up to the Compact floor, one point more on each further band of $10,000, and 15% above $200,000. It applies to the workers and investors of Compact Enterprises alone, with their social contributions, Pool wages, and investment income inside the ceiling.

What a registered employee pays, today and under the Compact

Multiple of the median wage	Gross pay (pesos a year)	Today	Under the Compact
0.5	10,456,437	17.0%	0.0%
0.77	16,102,913	17.0%	0.0%

Multiple of the median wage	Gross pay (pesos a year)	Today	Under the Compact
1	20,912,874	17.0%	0.3%
2	41,825,747	17.0%	2.8%
3	62,738,621	19.3%	5.8%
5	104,564,368	22.3%	9.5%
10	209,128,737	28.4%	12.2%
20	418,257,473	31.7%	13.6%
50	1,045,643,684	33.7%	14.4%

Exhibit 9, in Part IX, draws these figures.

Today's burden has two parts for a single registered employee without dependants. The first is the employee's social contributions, 11% to the pension system, 3% to the retirees' health insurer, and 3% to the health fund, 17% in all (Leyes 24.241, 19.032, and 23.660). They stop at the maximum contributory base, 4,303,619 pesos a month in May 2026, the month of the median wage, annualised by thirteen like the median (Resolución ANSES 110/2026, via Secretaría de Seguridad Social 2026). The model caps the employee's contributions only.

The second part is the wage income tax on gross pay less those contributions, less the non-taxable minimum of 6,019,671.36 pesos and the special employee deduction of 28,894,422.56 pesos in ARCA's annual-liquidation table for 2026 (ARCA 2026a). The tax follows the nine-bracket article 94 scale, 5% to 35% (ARCA 2026b). ARCA publishes that scale only as a December cumulative, so the model rescales it by the ratio of the two non-taxable minimums, 6,019,671.36 to 5,585,736.93, a derivation.

At the median wage the employee pays 17.0% today and 0.3% under the Compact; today's figure is all contributions, because the deductions place the income tax threshold at about twice the median. At twice the median the figures are 17.0% and 2.8%, and at three times, where the income tax begins to bite, 19.3% and 5.8%. At five, ten, twenty, and fifty times the median they are 22.3% and 9.5%, 28.4% and 12.2%, 31.7% and 13.6%, and 33.7% and 14.4%. In proportion the relief is largest at the bottom; in percentage points it runs between about 13 and 19 across the range, which is the ground of the tax-cut objection Part XI answers.

Five limits attach. The table omits the Human Capital Pool, received in addition and taxed under the personal ratchet, so it understates both the worker's income and the state's take. The cap is applied at its May 2026 value, although ANSES resets it monthly, and its extension to the thirteenth wage is an estimate. Whether employer contributions are also capped was not verified, and family deductions are omitted. The employer's contributions, 20.40% or 18% of payroll plus 6% to the health fund (Ley 27.541, art. 19; Ley 23.660, art. 16), sit outside the worker's rate on both sides, and their incidence is unmodelled. And the table says what the employee pays, not what the employee receives: today's 17% buys a pension entitlement and health cover, which the two closing sections take up.

The static fiscal cost by coverage

Profit before the Pool (% of GDP, assumed)	Contribution if levied on pre-pool profit (comparison only)	Contribution on profit after the Pool (% of GDP)	Cost at 1% coverage	Cost at 5%	Cost at 10%	Cost at 25%	Cost at 100%	Pension contributions as a share of pre-pool profit
9%	1.26%	0.63%	0.12%	0.61%	1.22%	3.05%	12.19%	34%
12%	1.68%	0.84%	0.12%	0.60%	1.20%	2.99%	11.98%	26%
15%	2.10%	1.05%	0.12%	0.59%	1.18%	2.94%	11.77%	21%

The replaced taxes are measured at their recent yield for the formal private economy. They are the corporate income tax at its 2024 share of GDP (OECD et al. 2026), the provincial gross-receipts tax in 2025 (DNAP 2026), and the bank-transaction tax and both social security contributions in 2025 on the finance ministry's concept, without the health funds (DNIAF 2026). Public employers' payrolls are removed from the two contribution legs at their 2025 shares of declared amounts, 18.3% of employee and 13.7% of employer contributions (ARCA 2026c). Together they raised 12.82% of GDP; the per-tax yields are recorded in the model script (The SAVI Group 2026b).

The profit of that economy is not observed, so the model brackets the profit before the Pool at 9%, 12%, and 15% of GDP. Half goes to the Human Capital Pool as wages, so the covered base is half of each figure, to which the model applies an average effective rate of 14%, below the ceiling because smaller firms pay less. The contribution then raises 0.63%, 0.84%, or 1.05% of GDP; the pre-pool figures in the table are for comparison only. The take is a floor, because the personal ratchet on the Pool and on investors' dividends and gains is not modelled. The static cost of covering a share of the formal private economy is that share of the gap between the replaced taxes and the contribution. The cost is about 0.12% of GDP a year at 1% coverage on every profit assumption, 0.59% to 0.61% at 5%, 1.18% to 1.22% at 10%, 2.94% to 3.05% at 25%, and 11.77% to 12.19% at full coverage.

Three limits remain. The revenue totals omit La Pampa's gross-receipts tax, and the public-sector shares come from declared amounts rather than collections, so the totals approximate what the formal private economy pays. The coverage figures scale taxes and profit by the same share, whereas an opt-in regime draws first the firms with most to gain, so early coverage may cost more than the average. And the model counts nothing the design is built to produce: no revenue from the 45.0% of workers now outside the formal economy, no growth effect of taxing profit instead of activity, and no value for the arms' services. Each cost is therefore the static arithmetic before those effects, and the selection of early adopters could still raise the first years' cost above it.

The pension bridge

The pension question is a central test of whether the ceiling can hold. Of the employee's 17 points, 11 go to the pension system, and of the employer's 20.40 points under the large-firm schedule, 12.35 go to it (Secretaría de Trabajo 2026c). The employee total the model uses excludes the health-fund contribution,

so it carries 14 points and the share applied is 11 of 14; the employer share, 12.35 of 20.40, is itself an estimate. On the 2025 private-sector totals of employee and employer contributions, those shares give pension-financing contributions of about 3.10% of GDP. Spending on the national system's retirement and survivor benefits was 5.83% of GDP in the same year (Secretaría de Política Económica 2026), so private contributions of this kind finance a little over half of it.

Set against the profit base above, 3.10% of GDP equals 34% of pre-pool profit at 9% of GDP, 26% at 12%, and 21% at 15%. That is three to five times the whole Compact Contribution, which takes 7% of pre-pool profit at the modelled rate and could never exceed half of 15%. On these figures no slice inside the ceiling could carry today's retirees, and the design does not ask one to.

The ceiling therefore holds only under Part X's three conditions. Current retirees stay financed by the old system's own revenue and by the budget that already supports it. Rights accrued by workers who move become recognition bonds paid at retirement, spreading the cost over decades, as Chile's did at the consumer price index plus 4% a year, compounded (Chile 1980, arts. 3 and 9 transitorios). And coverage expands only as fast as the public accounts can carry the bridge. Two limits remain: the public-sector shares removed from the totals come from declared amounts rather than collections, and the recognition-bond liability per cohort is not modelled, the actuarial estimate Part X registers as still needed. Neither reverses the comparison on these figures, although the bond liability could change the bridge's size and timing.

Two design questions, presented as solutions to be explored

Two design questions remain open, and the paper presents them as solutions to be explored and developed, each keeping every tax inside the single 15% ceiling. The first is health cover for earners above the floor's taper band, whom the arms do not serve. Today the employee's two 3% contributions and the employer's 6% finance it. Under the Compact the employee's contributions sit inside the 15% ceiling, and the personal ratchet that replaces them earmarks nothing for health.

Two options are on the table. Under the first, the Compact Enterprise provides health cover for every employee as a cost of business, deducted before profit, which lowers the profit base and adds no tax. It also shrinks the Human Capital Pool, so employees fund half of their own cover. The second addresses the 3% that today funds the retirees' health insurer: the health cover of current retirees stays with the old system, financed as its pensions are.

The second concerns the guarantor of a floor pension for a Compact worker whose personal account proves insufficient, the public floor Chile added in 2008 and later replaced with a universal guarantee (Chile 2008). The option offered is that the old system's revenue guarantees that floor during the transition, its cost counted in the revenue trigger, and that the evaluators price it on the first cohorts before the statute fixes its level.

What the static arithmetic cannot supply, the pilots must: formalisation revenue, the growth effect of taxing profit, the value of the arms' services, the recognition-bond liability, and the price of the floor-pension guarantee and of the retirees' health cover. Until then the figures here are the Compact's static cost before those effects, and adverse selection among early adopters may raise the early cost above them.

Appendix E. Pilot design

The pilots exist to test the questions the evidence leaves open, and their design must let a university evaluator register it before the first year of data exists. This appendix sets out the design in the form a pre-analysis plan would take: the questions, the comparisons, the evaluator's independence, the data, and the rule for publication. This outline is offered for co-design with the evaluating university, which owns the final plan. Olken (2015) sets out both the benefits and the costs of fixing an analysis before the data are examined. The design accepts the costs, because a proposal from an interested party needs the strongest available protection against choosing results after the fact.

What the pilots must answer

For the Model, the primary outcomes are fixed in advance at the level of the firm. Investment, hiring, productivity, and turnover come first, because the French evidence covers firms with 50 or more employees sharing about a tenth of pre-tax income, while the Model commits half of net profit (Nimier-David, Sraer, and Thesmar 2023). The bases differ, since pre-tax income comes before the profit tax, but the Model's share is the larger on either. Valuation at entry and at exit follows, measured on the transactions themselves. The Human Capital Pool's exit payment forms a separate question: whether a large one-time payment changes departures, saving, or effort in the years around a sale. Secondary outcomes include the pay ratio actually reached, the distribution of Pool payments, and the findings of the stewardship reviews in B7.

For the Compact, the unit is the jurisdiction, and the outcomes are formalisation, net public revenue, and the delivery of services to the floor population. Formalisation is measured as the share of workers in registered employment, on the official labour survey of the host jurisdiction. Net revenue counts the Compact Contribution, the revenue from newly formal work, and the taxes forgone, so that the static gap in Appendix D is tested and no longer assumed. Service delivery is measured by volume at cost, as B9 requires, and by quality as judged by the people who receive it.

Comparison designs suited to opt-in adoption

Adoption is voluntary, and that choice is the design's central threat. Firms that choose to share half their profit may differ from those that do not in ways that also drive the outcomes, so a plain comparison of adopters with everyone else would measure selection. Three designs reduce the threat, and the plan uses them together.

The first matches each adopting company to comparison firms that resembled it before adoption in industry, size, growth, profitability, and pay structure. Companies a fund screened and did not acquire are the closest available comparison, because they passed the same initial screen. The second design exploits staggered adoption. When companies adopt in different years, the later adopters serve as comparisons for the earlier ones until their own adoption, which partly controls for whatever leads a firm to adopt at all.

The third is difference-in-differences across those groups, estimated with methods built for adoption that varies in timing. Goodman-Bacon (2021) shows that the conventional regression estimator in this setting is a weighted average of every two-group, two-period comparison in the data, and that it is biased when effects change over time. The plan therefore uses estimators that identify effects by adoption group and

period under staggered timing, including where parallel trends hold only after conditioning on observed characteristics (Callaway and Sant'Anna 2021). Trends before adoption are reported for every outcome, and the plan states in advance what divergence before adoption would disqualify a comparison.

A single host jurisdiction leaves the Compact with very few treated units. The synthetic control method, which compares the treated region with a synthetic region built from comparison regions to resemble it, suits interventions that affect a small number of aggregate units (Abadie, Diamond, and Hainmueller 2010). Where the pilot statute admits enterprises in waves, the staggered design also applies at the level of the firm within the jurisdiction.

Two limits apply to every design. Early pilots will hold few companies, so the first estimates will be imprecise, and the plan reports their uncertainty in full. No design fully removes selection into a voluntary scheme, and the evaluator's report states how far the comparisons are likely to fall short.

Independence of the evaluator

The evaluating university owns the plan and the publication and controls the analysis data under a data-use agreement with the companies and funds that supply it. The SAVI Group and any adopting manager may comment on the design before registration and may point out factual errors about their own terms in a draft, but they hold no right to edit, delay, or withhold any finding. Funding for the evaluation, from whatever source, is disclosed in every output, and the evaluator's contract states that no payment depends on the results. The plan is registered in a public registry before the first year of outcome data exists, and any later change is logged with its date and its reason.

Access to data

The design requires adopting companies and funds to give the evaluator the records the outcomes need: audited accounts, payroll records sufficient to compute FTE Shares and the pay ratio, Pool payments, hiring and departures, capital expenditure, and transaction values at entry and exit. The annual Tenet Report, checked by its verifier, is public in any case under B12. Comparison firms supply data under the same confidentiality terms, or the evaluator draws on public and administrative sources where they exist. Individual records stay with the evaluator under its own ethics review, appear in publications only in aggregate, and never return to the employer in a form that identifies an employee. For the Compact, the pilot statute is designed to give the evaluator access to tax and labour records under the host's law on statistical confidentiality.

The rule for publication

Results are published whatever they show. The evaluator publishes on a date fixed in the plan, null and unfavourable results included, and The SAVI Group commits in Part XII to publish them, favourable or not. A pilot showing that sharing half of profit harms investment or hiring is as useful to the readers of this paper as one showing the opposite, and the plan gives the two outcomes equal standing. Every registered outcome is reported, and any outcome added later is labelled exploratory.

Appendix F. Methodology and sources

The evidence behind this paper was assembled in two phases. A research phase inventoried the claims The SAVI Group has published or relied on, and a verification phase checked each figure the paper uses. The research and drafting were assisted by AI tools. Every figure and quotation was checked against its source, the primary text wherever it was accessible, and where only an abstract, a summary, or a secondary reading was available the facts record says so.

The verification phase read primary texts in four groups: the legal and policy instruments behind Parts IX and X, the canonical works the paper relies on, the official Argentine series assembled for Appendix D, and the counter-evidence and supporting literature the paper weighs. Where a source supports a claim only with qualification, the text states the qualification. Nothing from The SAVI Group's confidential internal files is cited, quoted, or described in this paper.

References

Abadie, Alberto, Alexis Diamond, and Jens Hainmueller. 2010. "Synthetic Control Methods for Comparative Case Studies: Estimating the Effect of California's Tobacco Control Program." *Journal of the American Statistical Association* 105 (490): 493-505. https://doi.org/10.1198/jasa.2009.ap08746.

Acemoglu, Daron, and James A. Robinson. 2012. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown.

Acemoglu, Daron, and Pascual Restrepo. 2021. "Tasks, Automation, and the Rise in US Wage Inequality." NBER Working Paper 28920. Cambridge, MA: National Bureau of Economic Research. https://www.nber.org/papers/w28920.

AFL-CIO. 2026. *Executive Paywatch*. https://aflcio.org/paywatch.

Afzali, Aaron, Lars Oxelheim, Trond Randøy, and João Paulo Vieito. 2023. "The Impact of Relative CEO Pay on Employee Productivity." IFN Working Paper 1458. Stockholm: Research Institute of Industrial Economics. https://ideas.repec.org/p/hhs/iuiwop/1458.html. Accessed October 1, 2026.

Aiyar, Shekhar, Jiaqian Chen, Christian H. Ebeke, Roberto Garcia-Saltos, Tryggvi Gudmundsson, Anna Ilyina, Alvar Kangur, Tansaya Kunaratskul, Sergio L. Rodriguez, Michele Ruta, Tatjana Schulze, Gabriel Soderberg, and Juan P. Trevino. 2023. *Geoeconomic Fragmentation and the Future of Multilateralism*. IMF Staff Discussion Note SDN/2023/001. Washington, DC: International Monetary Fund.

Alesina, Alberto, and Roberto Perotti. 1996. "Income Distribution, Political Instability, and Investment." *European Economic Review* 40 (6): 1203-28. https://doi.org/10.1016/0014-2921(95)00030-5.

André, Christophe, Peter Gal, and Matthias Schief. 2024. "Enhancing Productivity and Growth in an Ageing Society: Key Mechanisms and Policy Options." OECD Economics Department Working Paper 1807. Paris: OECD Publishing. https://doi.org/10.1787/605b0787-en.

ARCA (Agencia de Recaudación y Control Aduanero). 2026a. "Deducciones personales, art. 30, liquidación anual 2026." Buenos Aires: ARCA. https://www.afip.gob.ar/gananciasYBienes/ganancias/personas-humanas-sucesiones-indivisas/deducciones/documentos/Deducciones-personales-art-30-liq-anual-2026.pdf. Accessed October 1, 2026.

ARCA (Agencia de Recaudación y Control Aduanero). 2026b. "Tabla art. 94 LIG, período julio a diciembre de 2026." Buenos Aires: ARCA. https://www.afip.gob.ar/gananciasYBienes/ganancias/personas-humanas-sucesiones-indivisas/declaracion-jurada/documentos/Tabla-Art-94-LIG-per-jul-a-dic-2026.pdf. Accessed October 1, 2026.

ARCA (Agencia de Recaudación y Control Aduanero). 2026c. *Estadísticas Tributarias 2025*, table 2.6.2.2.1, "Empleadores, empleados, remuneraciones, aportes y contribuciones por sector." Buenos Aires:

ARCA. https://contenidos.afip.gob.ar/institucional/estudios/archivos/estadisticasTributarias/Estadisticas-Tributarias-2025.zip. Accessed October 1, 2026.

Argentina. 1971. Ley 19.032, art. 8. Buenos Aires: Infoleg. https://servicios.infoleg.gob.ar/infolegInternet/anexos/15000-19999/16081/texact.htm.

Argentina. 1989. Ley 23.660, art. 16 (as amended by Ley 25.565, art. 80). Buenos Aires: Infoleg. https://servicios.infoleg.gob.ar/infolegInternet/anexos/0-4999/62/texact.htm.

Argentina. 1993. Ley 24.241, art. 11. Buenos Aires: Infoleg. https://servicios.infoleg.gob.ar/infolegInternet/anexos/0-4999/639/texact.htm.

Argentina. 1994. *Constitución de la Nación Argentina*, art. 16. Buenos Aires: Infoleg. https://servicios.infoleg.gob.ar/infolegInternet/anexos/0-4999/804/norma.htm.

Argentina. 2019. Ley 27.541 de Solidaridad Social y Reactivación Productiva, art. 19. *Boletín Oficial*, December 23, 2019. https://servicios.infoleg.gob.ar/infolegInternet/anexos/330000-334999/333564/texact.htm.

Argentina. 2024. Ley 27.742 de Bases y Puntos de Partida para la Libertad de los Argentinos, Título VII (RIGI), arts. 173, 178, 183. *Boletín Oficial*, July 8, 2024. https://www.boletinoficial.gob.ar/detalleAviso/primera/310189/20240708.

Argentina. 2026. Ley 27.802 de Modernización Laboral, arts. 60, 76, 159, 165, 167. *Boletín Oficial*, March 6, 2026. https://www.boletinoficial.gob.ar/detalleAviso/primera/339128/20260306.

Auten, Gerald, and David Splinter. 2024. "Income Inequality in the United States: Using Tax Data to Measure Long-Term Trends." *Journal of Political Economy* 132 (7): 2179-2227. https://doi.org/10.1086/728741.

Autor, David, David Dorn, Lawrence F. Katz, Christina Patterson, and John Van Reenen. 2020. "The Fall of the Labor Share and the Rise of Superstar Firms." *Quarterly Journal of Economics* 135 (2): 645-709. https://doi.org/10.1093/qje/qjaa004.

Autor, David H., David Dorn, and Gordon H. Hanson. 2013. "The China Syndrome: Local Labor Market Effects of Import Competition in the United States." *American Economic Review* 103 (6): 2121-68. https://doi.org/10.1257/aer.103.6.2121.

Axelson, Ulf, Tim Jenkinson, Per Strömberg, and Michael S. Weisbach. 2010. "Borrow Cheap, Buy High? The Determinants of Leverage and Pricing in Buyouts." NBER Working Paper 15952. https://www.nber.org/papers/w15952. Accessed October 1, 2026.

Axelson, Ulf, Tim Jenkinson, Per Strömberg, and Michael S. Weisbach. 2013. "Borrow Cheap, Buy High? The Determinants of Leverage and Pricing in Buyouts." *Journal of Finance* 68 (6): 2223-67. Published version as listed on https://www.nber.org/papers/w15952, accessed October 1, 2026.

Bain & Company. 2026. *Global Private Equity Report 2026*. https://www.bain.com/insights/topics/global-private-equity-report/. Accessed October 1, 2026.

Barber, Brad M., Adair Morse, and Ayako Yasuda. 2021. "Impact Investing." *Journal of Financial Economics* 139 (1): 162-85. https://doi.org/10.1016/j.jfineco.2020.07.008. (Working paper: NBER Working Paper 26582, 2019.)

Barro, Robert J. 2000. "Inequality and Growth in a Panel of Countries." *Journal of Economic Growth* 5 (1): 5-32. https://doi.org/10.1023/A:1009850119329.

Berg, Andrew G., and Jonathan D. Ostry. 2011. *Inequality and Unsustainable Growth: Two Sides of the Same Coin?* IMF Staff Discussion Note SDN/11/08. Washington, DC: International Monetary Fund.

Berg, Florian, Julian F. Kölbel, and Roberto Rigobon. 2022. "Aggregate Confusion: The Divergence of ESG Ratings." *Review of Finance* 26 (6): 1315-44. https://doi.org/10.1093/rof/rfac033.

Bivens, Josh, Elise Gould, and Jori Kandra. 2024. "CEO Pay Declined in 2023." Economic Policy Institute, September 19, 2024. https://www.epi.org/publication/ceo-pay-in-2023/.

Blanchard, Olivier. 2019. "Public Debt and Low Interest Rates." *American Economic Review* 109 (4): 1197-1229. https://doi.org/10.1257/aer.109.4.1197.

Blanchet, Thomas, Léon Mouillet, Emmanuel Saez, and Gabriel Zucman. 2022. "Real-Time Inequality." NBER Working Paper 30229. Cambridge, MA: National Bureau of Economic Research. https://www.nber.org/papers/w30229. Accessed October 1, 2026.

Blasi, Joseph R., Richard B. Freeman, Chris Mackin, and Douglas L. Kruse. 2008. "Creating a Bigger Pie? The Effects of Employee Ownership, Profit Sharing, and Stock Options on Workplace Performance." NBER Working Paper 14230. Cambridge, MA: National Bureau of Economic Research. https://doi.org/10.3386/w14230.

Board of Governors of the Federal Reserve System. 2026. "Open Market Operations." https://www.federalreserve.gov/monetarypolicy/openmarket.htm. Accessed October 1, 2026.

Bordo, Michael D., and Christopher M. Meissner. 2012. "Does Inequality Lead to a Financial Crisis?" *Journal of International Money and Finance* 31 (8): 2147-61. https://doi.org/10.1016/j.jimonfin.2012.05.006.

Bräuning, Falk, Victoria Ivashina, and Ali Ozdagli. 2022. "High-Yield Debt Covenants and Their Real Effects." NBER Working Paper 29888. https://www.nber.org/papers/w29888. Accessed October 1, 2026.

Brunt, P. A. 1971. *Italian Manpower, 225 B.C.–A.D. 14*. Oxford: Clarendon Press.

Bryson, Alex, and Richard B. Freeman. 2008. "How Does Shared Capitalism Affect Economic Performance in the UK?" NBER Working Paper 14235. https://www.nber.org/papers/w14235. Accessed October 1, 2026.

Callaway, Brantly, and Pedro H. C. Sant'Anna. 2021. "Difference-in-Differences with Multiple Time Periods." *Journal of Econometrics* 225 (2): 200-230. https://doi.org/10.1016/j.jeconom.2020.12.001.

Cambridge Associates. 2025. "US PE/VC Benchmark Commentary: Calendar Year 2024." August 4, 2025. https://www.cambridgeassociates.com/insight/us-pe-vc-benchmark-commentary-calendar-year-2024/. Accessed October 1, 2026.

Casa Rosada. 2024. "Se firmó el Pacto de Mayo." Presidencia de la Nación Argentina, July 9, 2024. https://www.casarosada.gob.ar/slider-principal/50570-se-firmo-el-pacto-de-mayo.

Cazzaniga, Mauro, Florence Jaumotte, Longji Li, Giovanni Melina, Augustus J. Panton, Carlo Pizzinelli, Emma Rockall, and Marina M. Tavares. 2024. *Gen-AI: Artificial Intelligence and the Future of Work*. IMF Staff Discussion Note SDN/2024/001. Washington, DC: International Monetary Fund.

Chancel, Lucas, Ricardo Gómez-Carrera, Rowaida Moshrif, and Thomas Piketty, coords. 2026. *World Inequality Report 2026*. World Inequality Lab. Executive summary, November 2025. https://wir2026.wid.world/. Accessed October 1, 2026.

Chile. 1980. Decreto Ley N° 3.500, arts. 1, 3, and 9 transitorios. Santiago: Biblioteca del Congreso Nacional, LeyChile. https://www.leychile.cl/Consulta/obtxml?opt=7&idNorma=7147.

Chile. 2008. Ley N° 20.255, Establece Reforma Previsional. *Diario Oficial*, March 17, 2008. Santiago: Biblioteca del Congreso Nacional, LeyChile. https://www.leychile.cl/Consulta/obtxml?opt=7&idNorma=269892.

Chile. 2022. Ley N° 21.419, crea la Pensión Garantizada Universal. Promulgated January 26, 2022; *Diario Oficial* no. 43165, January 29, 2022. Santiago: Biblioteca del Congreso Nacional, LeyChile. https://www.bcn.cl/leychile/navegar?idNorma=1171923.

Code du travail (France). Art. L3322-2, Livre III, Titre II, "Participation aux résultats de l'entreprise." Légifrance. https://www.legifrance.gouv.fr/codes/section_lc/LEGITEXT000006072050/LEGISCTA000006160767/. Accessed October 1, 2026.

Coibion, Olivier, Yuriy Gorodnichenko, Marianna Kudlyak, and John Mondragon. 2020. "Greater Inequality and Household Borrowing: New Evidence from Household Data." *Journal of the European Economic Association* 18 (6): 2922-71. https://doi.org/10.1093/jeea/jvz076.

Committee for a Responsible Federal Budget. 2025. "Trillion-Dollar Interest Payments Are the New Norm." December 16, 2025. https://www.crfb.org/blogs/trillion-dollar-interest-payments-are-new-norm.

Congressional Budget Office. 2026. *The Budget and Economic Outlook: 2026 to 2036*. February 11, 2026. https://www.cbo.gov/publication/61882.

Dabla-Norris, Era, Kalpana Kochhar, Nujin Suphaphiphat, Frantisek Ricka, and Evridiki Tsounta. 2015. *Causes and Consequences of Income Inequality: A Global Perspective*. IMF Staff Discussion Note SDN/15/13. Washington, DC: International Monetary Fund.

Dalton, Michael, Jeffrey A. Groen, Mark A. Loewenstein, David S. Piccone Jr., and Anne E. Polivka. 2021. "The K-Shaped Recovery: Examining the Diverging Fortunes of Workers in the Recovery from the COVID-19 Pandemic Using Business and Household Survey Microdata." *Journal of Economic Inequality* 19 (3): 527-50. https://doi.org/10.1007/s10888-021-09506-6. Correction: *Journal of Economic Inequality* 19 (4): 895-96, https://doi.org/10.1007/s10888-021-09513-7. Also issued as BLS Working Paper 536, US Bureau of Labor Statistics, July 2021, https://www.bls.gov/osmr/research-papers/2021/pdf/ec210020.pdf.

Davis, Steven J., John C. Haltiwanger, Kyle Handley, Ben Lipsius, Josh Lerner, and Javier Miranda. 2019. "The (Heterogenous) Economic Effects of Private Equity Buyouts." NBER Working Paper 26371. Cambridge, MA: National Bureau of Economic Research. https://doi.org/10.3386/w26371.

Deloitte. 2025. "Deloitte Global's 2025 Gen Z and Millennial Survey Finds These Generations Focused on Growth as They Seek Money, Meaning, and Well-Being." Press release, New York, May 14, 2025. https://www.deloitte.com/global/en/about/press-room/deloitte-2025-gen-z-and-millennial-survey.html. Accessed October 1, 2026.

DNAP (Dirección Nacional de Asuntos Provinciales, Ministerio de Economía). 2026. *Tributos de origen provincial, 1984-2025*. Buenos Aires. https://www.argentina.gob.ar/sites/default/files/serie_top_1984_2025_0.xlsx. Accessed October 1, 2026.

DNIAF (Dirección Nacional de Investigaciones y Análisis Fiscal, Ministerio de Economía). 2026. *Presión tributaria, 2004-2025*. Buenos Aires. https://www.argentina.gob.ar/sites/default/files/presion_tributaria_pbi_2004-2025_1.xlsx. Accessed October 1, 2026.

Economic Policy Institute. 2026. "The Productivity-Pay Gap." Updated September 14, 2026. https://www.epi.org/productivity-pay-gap/. Accessed October 1, 2026.

Edelman. 2026. *2026 Edelman Trust Barometer*. https://www.edelman.com/trust/2026/trust-barometer. Accessed October 1, 2026.

El Ghoul, Sadok, Omrane Guedhami, Chuck C. Y. Kwok, and Dev R. Mishra. 2011. "Does Corporate Social Responsibility Affect the Cost of Capital?" *Journal of Banking & Finance* 35 (9): 2388-2406. https://doi.org/10.1016/j.jbankfin.2011.02.007.

Fama, Eugene F., and Michael C. Jensen. 1983. "Agency Problems and Residual Claims." *Journal of Law and Economics* 26 (2): 327-49. https://doi.org/10.1086/467038.

Federal Open Market Committee. 2026. "Federal Reserve Issues FOMC Statement." Press release, Board of Governors of the Federal Reserve System, September 16, 2026. https://www.federalreserve.gov/newsevents/pressreleases/monetary20260916a.htm.

Federal Reserve Board. 2026. *Distributional Financial Accounts*. https://www.federalreserve.gov/releases/z1/dataviz/dfa/. Accessed October 1, 2026.

Forbes, Kristin J. 2000. "A Reassessment of the Relationship between Inequality and Growth." *American Economic Review* 90 (4): 869-87. https://doi.org/10.1257/aer.90.4.869.

FRC (Financial Reporting Council). 2026. *The UK Stewardship Code 2026*. https://www.frc.org.uk/investors/uk-stewardship-code. Accessed October 1, 2026.

Friedman, Milton. 1962. *Capitalism and Freedom*. Chicago: University of Chicago Press. Chap. 12, "The Alleviation of Poverty," 190-95 (negative income tax, 191-92).

Funke, Manuel, Moritz Schularick, and Christoph Trebesch. 2016. "Going to Extremes: Politics after Financial Crises, 1870-2014." *European Economic Review* 88: 227-60. https://doi.org/10.1016/j.euroecorev.2016.03.006.

Gilens, Martin, and Benjamin I. Page. 2014. "Testing Theories of American Politics: Elites, Interest Groups, and Average Citizens." *Perspectives on Politics* 12 (3): 564-81. https://doi.org/10.1017/S1537592714001595.

Goldin, Claudia, and Lawrence F. Katz. 2008. *The Race between Education and Technology*. Cambridge, MA: Belknap Press of Harvard University Press.

Goldin, Claudia, and Robert A. Margo. 1991. "The Great Compression: The Wage Structure in the United States at Mid-Century." NBER Working Paper 3817. Cambridge, MA: National Bureau of Economic Research. https://www.nber.org/papers/w3817.

Goldin, Claudia, and Robert A. Margo. 1992. "The Great Compression: The Wage Structure in the United States at Mid-Century." *Quarterly Journal of Economics* 107 (1): 1-34. https://doi.org/10.2307/2118322.

Goldstone, Jack A. 1991. *Revolution and Rebellion in the Early Modern World*. Berkeley: University of California Press.

Goodman-Bacon, Andrew. 2021. "Difference-in-Differences with Variation in Treatment Timing." *Journal of Econometrics* 225 (2): 254-77. https://doi.org/10.1016/j.jeconom.2021.03.014.

Graham, John R., Campbell R. Harvey, and Shiva Rajgopal. 2004. "The Economic Implications of Corporate Financial Reporting." NBER Working Paper 10550. https://www.nber.org/papers/w10550.

Greenwald, Daniel L., Martin Lettau, and Sydney C. Ludvigson. 2025. "How the Wealth Was Won: Factor Shares as Market Fundamentals." *Journal of Political Economy* 133 (4): 1083-1132. https://doi.org/10.1086/734089.

Guangdong Province. 1980. *Regulations on Special Economic Zones in Guangdong Province*. Approved by the Standing Committee of the Fifth National People's Congress, August 26, 1980, art. 14. English text in WTO accession documentation. https://www.wto.org/english/thewto_e/acc_e/chn_e/wtaccchn46_leg_8.pdf.

Hacker, Jacob S. 2011. "The Institutional Foundations of Middle-Class Democracy." Policy Network, May 6, 2011. https://web.archive.org/web/20181116113848/http://www.policy-network.net/pno_detail.aspx?ID=3998.

Haldon, John, Hugh Elton, Sabine R. Huebner, Adam Izdebski, Lee Mordechai, and Timothy P. Newfield. 2018. "Plagues, Climate Change, and the End of an Empire: A Response to Kyle Harper's *The Fate of Rome*." *History Compass* 16 (12): e12506. https://doi.org/10.1111/hic3.12506.

Harper, Kyle. 2017. *The Fate of Rome: Climate, Disease, and the End of an Empire*. Princeton, NJ: Princeton University Press.

Harris, Robert S., Tim Jenkinson, and Steven N. Kaplan. 2012. "Private Equity Performance: What Do We Know?" NBER Working Paper 17874. https://www.nber.org/papers/w17874.

Hawley, James P., and Andrew T. Williams. 2000. *The Rise of Fiduciary Capitalism: How Institutional Investors Can Make Corporate America More Democratic*. Philadelphia: University of Pennsylvania Press.

Hornuf, Lars, and Gül Yüksel. 2022. "The Performance of Socially Responsible Investments: A Meta-Analysis." CESifo Working Paper 9724. https://ideas.repec.org/p/ces/ceswps/_9724.html. (Published online 2023; *European Financial Management* 30 (2): 1012-61, 2024. https://doi.org/10.1111/eufm.12439.)

IAASB (International Auditing and Assurance Standards Board). 2013. *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. New York: International Federation of Accountants. Effective for assurance reports dated on or after December 15, 2015. https://www.iaasb.org/publications/international-standard-assurance-engagements-isae-3000-revised-assurance-engagements-other-audits-or. Accessed October 1, 2026.

IAASB (International Auditing and Assurance Standards Board). n.d. *International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements*. Effective for periods beginning on or after December 15, 2026. https://www.iaasb.org/ISSA5000. Accessed October 8, 2026.

ICGN (International Corporate Governance Network). 2024. *ICGN Global Stewardship Principles*. https://www.icgn.org/global-stewardship-principles. Accessed October 1, 2026.

ILPA (Institutional Limited Partners Association). 2019. *ILPA Principles 3.0: Fostering Transparency, Governance and Alignment of Interests for General and Limited Partners*. https://ilpa.org/wp-content/uploads/2019/06/ILPA-Principles-3.0_2019.pdf. Accessed October 1, 2026.

Impact Principles. 2019. *Operating Principles for Impact Management: The 9 Principles*. https://www.impactprinciples.org/9-principles/. Accessed October 1, 2026.

INDEC (Instituto Nacional de Estadística y Censos). 2024a. *Índice de precios al consumidor (IPC): Diciembre de 2023*. Informes técnicos 8 (7). Buenos Aires: INDEC, January 2024. https://www.indec.gob.ar/uploads/informesdeprensa/ipc_01_24DBD5D8158C.pdf.

INDEC (Instituto Nacional de Estadística y Censos). 2024b. *Incidencia de la pobreza y la indigencia en 31 aglomerados urbanos: Primer semestre de 2024*. Informes técnicos. Buenos Aires: INDEC.

INDEC (Instituto Nacional de Estadística y Censos). 2026. *Mercado de trabajo. Tasas e indicadores socioeconómicos (EPH), segundo trimestre de 2026*. Buenos Aires: INDEC, September 17, 2026. https://www.indec.gob.ar/uploads/informesdeprensa/mercado_trabajo_eph_2trim26433FCBC5A8.pdf.

India. 2013. *Companies Act, 2013* (Act No. 18 of 2013), s. 135, as amended to 2020. New Delhi: Legislative Department, India Code. https://www.indiacode.nic.in/bitstream/123456789/2114/5/A2013-18.pdf.

International Energy Agency. 2025. *World Energy Outlook 2025*. Paris: IEA, November 12, 2025. https://www.iea.org/reports/world-energy-outlook-2025.

International Monetary Fund. 2013. "Statement by the IMF Executive Board on Argentina." Press Release No. 13/33, February 1, 2013. https://www.imf.org/external/np/sec/pr/2013/pr1333.htm.

International Monetary Fund. 2016. "IMF Executive Board Removes Declaration of Censure on Argentina." Press Release No. 16/497, November 9, 2016. https://www.imf.org/en/news/articles/2016/11/09/pr16497-argentina-imf-executive-board-removes-declaration-of-censure.

International Monetary Fund. 2026. *Currency Composition of Official Foreign Exchange Reserves (COFER)*. https://data.imf.org/en/datasets/IMF.STA:COFER. Accessed October 1, 2026.

Karabarbounis, Loukas, and Brent Neiman. 2014. "The Global Decline of the Labor Share." *Quarterly Journal of Economics* 129 (1): 61-103. https://doi.org/10.1093/qje/qjt032.

Kearney, Melissa S. 2014. "Income Inequality in the United States." Testimony before the Joint Economic Committee of the US Congress, January 16, 2014. Brookings Institution. https://www.brookings.edu/articles/income-inequality-in-the-united-states/.

Kruse, Douglas L. 1993. "Does Profit Sharing Affect Productivity?" NBER Working Paper 4542. https://www.nber.org/papers/w4542. Accessed October 1, 2026.

Kruse, Douglas L., Richard B. Freeman, and Joseph R. Blasi, eds. 2010. *Shared Capitalism at Work: Employee Ownership, Profit and Gain Sharing, and Broad-based Stock Options*. Chicago: University of Chicago Press, for the National Bureau of Economic Research. Chapter 4, 139-65 (NBER Working Paper 14230).

Kumhof, Michael, Romain Rancière, and Pablo Winant. 2015. "Inequality, Leverage, and Crises." *American Economic Review* 105 (3): 1217-45. https://doi.org/10.1257/aer.20110683.

Kurtulus, Fidan Ana, Eric Hoyt, Paige Ouimet, Joseph Blasi, Douglas Kruse, Richard B. Freeman, and William Castellano. 2026. "Employee Share Ownership, Management Practices, and Labor Productivity: An Analysis Using Establishment Level Micro-Data from the U.S. Census." SSRN Working Paper 6490798, March 29, 2026. https://doi.org/10.2139/ssrn.6490798.

Machen, Ronald C., Matthew T. Jones, George P. Varghese, and Emily L. Stark. 2021. *Investigation of Data Irregularities in Doing Business 2018 and Doing Business 2020: Investigation Findings and Report to the Board of Executive Directors*. Washington, DC: World Bank, September 15, 2021. https://thedocs.worldbank.org/en/doc/84a922cc9273b7b120d49ad3b9e9d3f9-0090012021/original/DB-Investigation-Findings-and-Report-to-the-Board-of-Executive-Directors-September-15-2021.pdf.

Metrick, Andrew, and Ayako Yasuda. 2010. "The Economics of Private Equity Funds." *Review of Financial Studies* 23 (6): 2303-41. https://doi.org/10.1093/rfs/hhq020.

Mian, Atif, Ludwig Straub, and Amir Sufi. 2020. "The Saving Glut of the Rich." NBER Working Paper 26941, revised July 2025. Cambridge, MA: National Bureau of Economic Research. https://doi.org/10.3386/w26941.

Mian, Atif, Ludwig Straub, and Amir Sufi. 2021. "Indebted Demand." *Quarterly Journal of Economics* 136 (4): 2243-2307. https://doi.org/10.1093/qje/qjab007.

Myers, Gordon, and Martin Steindl. 2013. "Alignment of General and Limited Partner Interests in PE Funds." Harvard Law School Forum on Corporate Governance, March 11, 2013. https://corpgov.law.harvard.edu/2013/03/11/alignment-of-general-and-limited-partner-interests-in-pe-funds/. Accessed October 1, 2026.

National Association of Private Fund Managers v. Securities and Exchange Commission, 103 F.4th 1097 (5th Cir. 2024).

NCEO (National Center for Employee Ownership). 2018. *S Corporation ESOPs and Retirement Security*. December 2018. https://www.nceo.org/hubfs/assets/pdf/misc/NCEO-S-ESOPs-Retirement-2018.pdf.

NCEO (National Center for Employee Ownership). 2026. "Employee Ownership by the Numbers." Updated January 2026. https://www.nceo.org/articles/employee-ownership-by-the-numbers. Accessed October 1, 2026.

NCEO (National Center for Employee Ownership). n.d. "Research Findings on Employee Ownership." https://www.nceo.org/research/research-findings-on-employee-ownership. Accessed October 1, 2026.

Nimier-David, Elio, David Sraer, and David Thesmar. 2023. "The Effects of Mandatory Profit-Sharing on Workers and Firms: Evidence from France." NBER Working Paper 31804, October 2023, revised August 2025. Cambridge, MA: National Bureau of Economic Research. https://doi.org/10.3386/w31804. Accessed October 1, 2026.

Nimier-David, Elio, David Sraer, and David Thesmar. 2026. "The Effects of Mandatory Profit-Sharing on Workers and Firms: Evidence from France." *Quarterly Journal of Economics* 141 (3): 2205-67. https://doi.org/10.1093/qje/qjag022. Published abstract read via the publisher's Crossref deposit, accessed October 1, 2026; full text not opened.

Norton, Michael I., and Dan Ariely. 2011. "Building a Better America: One Wealth Quintile at a Time." *Perspectives on Psychological Science* 6 (1): 9-12. https://doi.org/10.1177/1745691610393524.

O'Boyle, Ernest H., Pankaj C. Patel, and Erik Gonzalez-Mulé. 2016. "Employee Ownership and Firm Performance: A Meta-Analysis." *Human Resource Management Journal* 26 (4): 425-48. https://doi.org/10.1111/1748-8583.12115.

OECD. 2021. *Tax Challenges Arising from the Digitalisation of the Economy: Global Anti-Base Erosion Model Rules (Pillar Two)*. Paris: OECD Publishing. Arts. 1.1.1, 4.2, 5.2.3, 10.1.

OECD. 2023a. *G20/OECD Principles of Corporate Governance 2023*. Paris: OECD Publishing. https://www.oecd.org/en/publications/g20-oecd-principles-of-corporate-governance-2023_ed750b30-en.html. Accessed October 1, 2026.

OECD. 2023b. *Tax Challenges Arising from the Digitalisation of the Economy: Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), July 2023*. Paris: OECD/G20 Inclusive Framework on BEPS. Section 5.1.

OECD, Inter-American Center of Tax Administrations, Economic Commission for Latin America and the Caribbean, and Inter-American Development Bank. 2026. *Revenue Statistics in Latin America and*

the Caribbean 2026: Argentina. Country note. Paris: OECD Publishing. https://www.oecd.org/content/dam/oecd/en/publications/reports/2026/04/revenue-statistics-in-latin-america-and-the-caribbean-2026-country-notes_968b866c/argentina_8138371a/b7329c0d-en.pdf.

Olken, Benjamin A. 2015. "Promises and Perils of Pre-Analysis Plans." *Journal of Economic Perspectives* 29 (3): 61-80. https://doi.org/10.1257/jep.29.3.61.

Ostry, Jonathan D., Andrew Berg, and Charalambos G. Tsangarides. 2014. *Redistribution, Inequality, and Growth*. IMF Staff Discussion Note SDN/14/02. Washington, DC: International Monetary Fund.

Paraguay. 2019. Ley N° 6380/2019 de Modernización y Simplificación del Sistema Tributario Nacional, art. 21. Asunción: Dirección Nacional de Ingresos Tributarios. https://www.dnit.gov.py/documents/20123/399318/LEY+6380-2019.pdf.

People's Republic of China. 1980. Income Tax Law of the People's Republic of China Concerning Joint Ventures with Chinese and Foreign Investment. Adopted by the National People's Congress, September 10, 1980, art. 3 (text read through the PRC Consulate-General, Cape Town, and reformdata.org).

Phalippou, Ludovic. 2020. "An Inconvenient Fact: Private Equity Returns and the Billionaire Factory." *Journal of Investing* 30 (1): 11-39. https://doi.org/10.3905/joi.2020.1.153.

Piketty, Thomas. 2014. *Capital in the Twenty-First Century*. Cambridge, MA: Belknap Press of Harvard University Press. https://doi.org/10.4159/9780674369542.

Piketty, Thomas. 2015. "Putting Distribution Back at the Center of Economics: Reflections on *Capital in the Twenty-First Century*." *Journal of Economic Perspectives* 29 (1): 67-88. https://doi.org/10.1257/jep.29.1.67.

Preqin. 2017. *Preqin Special Report: Private Capital Fund Terms*. October 2017. https://docs.preqin.com/reports/Preqin-Special-Report-Private-Capital-Fund-Terms-October-2017.pdf. Accessed October 1, 2026.

Pástor, Ľuboš, and Pietro Veronesi. 2013. "Political Uncertainty and Risk Premia." *Journal of Financial Economics* 110 (3): 520-45. https://doi.org/10.1016/j.jfineco.2013.08.007. (Read as NBER Working Paper 17464, revised April 2013.)

PwC. 2026. *Pillar Two Country Tracker: Summary*, version 2, last updated March 20, 2026. https://www.pwc.com/gx/en/tax/international-tax-planning/pillar-two/pwc-pillar-two-country-tracker-summary-v2.pdf. Internet Archive capture of April 19, 2026, read October 1, 2026.

Realtime Inequality. 2026. "Wealth," real-time estimates by Thomas Blanchet, Léon Mouillet, Emmanuel Saez, and Gabriel Zucman, update of September 29, 2026, households as defined for income-tax filing. https://realtimeinequality.org. Data file accessed October 1, 2026.

Ritter, Jay R. 2005. "Economic Growth and Equity Returns." *Pacific-Basin Finance Journal* 13 (5): 489-503. https://doi.org/10.1016/j.pacfin.2005.07.001.

Roselaar, Saskia T. 2010. *Public Land in the Roman Republic: A Social and Economic History of Ager Publicus in Italy, 396-89 BC*. Oxford: Oxford University Press. https://doi.org/10.1093/acprof:oso/9780199577231.001.0001.

Rosenstein, Nathan. 2004. *Rome at War: Farms, Families, and Death in the Middle Republic*. Chapel Hill: University of North Carolina Press.

Saez, Emmanuel, and Gabriel Zucman. 2014. "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data." NBER Working Paper 20625. https://www.nber.org/papers/w20625.

Saez, Emmanuel, and Gabriel Zucman. 2020. "The Rise of Income and Wealth Inequality in America: Evidence from Distributional Macroeconomic Accounts." *Journal of Economic Perspectives* 34 (4): 3-26. https://doi.org/10.1257/jep.34.4.3.

Sargent, Thomas J., and François R. Velde. 1995. "Macroeconomic Features of the French Revolution." *Journal of Political Economy* 103 (3): 474-518. https://doi.org/10.1086/261992.

Scheidel, Walter. 2017. *The Great Leveler: Violence and the History of Inequality from the Stone Age to the Twenty-First Century*. Princeton, NJ: Princeton University Press.

Scheidel, Walter. 2024. "Inequality Reduction Between Tragedy and Progress: The Great Leveler and Recent Scholarship, 2017-2024." SSRN. https://doi.org/10.2139/ssrn.4939891.

Scheidel, Walter, and Steven J. Friesen. 2009. "The Size of the Economy and the Distribution of Income in the Roman Empire." *Journal of Roman Studies* 99: 61-91. https://doi.org/10.3815/007543509789745223.

Secretaría de Política Económica. 2026. "GPN en Jubilaciones y Pensiones del SIPA" (annual series, accrual basis). datos.gob.ar, dataset 186, distribution 186.1. https://infra.datos.gob.ar/catalog/sspm/dataset/186/distribution/186.1/download/gasto-publico-programas-segurida-anual.csv. Accessed October 1, 2026.

Secretaría de Seguridad Social. 2026. "Indicadores Monetarios," May 2026: maximum contributory base under Ley 24.241, art. 9, set by Resolución ANSES 110/2026. Buenos Aires.

Secretaría de Trabajo, Empleo y Seguridad Social. 2026a. "Remuneración bruta de asalariados registrados del sector privado, mediana y promedio mensual (base 2009)." datos.gob.ar series 153.1. https://infra.datos.gob.ar/catalog/sspm/dataset/153/distribution/153.1/download/remuneracion-bruta-asalariados-registrados-sector-privado-mensual-pesos-base-2009.csv. Accessed October 1, 2026.

Secretaría de Trabajo, Empleo y Seguridad Social, Dirección Nacional de Políticas de la Seguridad Social. 2026b. *Boletín Estadístico de la Seguridad Social: Indicadores, junio de 2026*, cuadro 4.1.1.1. https://www.argentina.gob.ar/sites/default/files/estadisticas_de_seguridad_social_indicadores_06-2026.xlsx. Accessed October 1, 2026.

Secretaría de Trabajo, Empleo y Seguridad Social, Dirección Nacional de Políticas de la Seguridad Social. 2026c. *Boletín Estadístico de la Seguridad Social: Activos, marzo de 2026*, cuadros 1.1.2.d and 1.1.2.f. https://www.argentina.gob.ar/sites/default/files/estadisticas_de_seguridad_social_activos_03-2026.xlsx. Accessed October 1, 2026.

Securities and Exchange Commission (SEC). 2015. "SEC Adopts Rule for Pay Ratio Disclosure." Press release 2015-160, August 5, 2015. https://www.sec.gov/news/press-release/2015-160. Accessed October 1, 2026.

Securities and Exchange Commission (SEC). 2019. "Commission Interpretation Regarding Standard of Conduct for Investment Advisers." Release No. IA-5248. *Federal Register* 84 (134): 33669-81, July 12, 2019. https://www.govinfo.gov/content/pkg/FR-2019-07-12/html/2019-12208.htm. Accessed October 1, 2026.

Smith, Matthew, Owen Zidar, and Eric Zwick. 2023. "Top Wealth in America: New Estimates under Heterogeneous Returns." *Quarterly Journal of Economics* 138 (1): 515-73. https://doi.org/10.1093/qje/qjac033.

Spain. 1990. Ley 20/1990, de 19 de diciembre, sobre Régimen Fiscal de las Cooperativas. *Boletín Oficial del Estado*, December 20, 1990. https://www.boe.es/buscar/doc.php?id=BOE-A-1990-30735. Arts. 6, 7(a), 8, 33.2(a), 34.2.

Stansbury, Anna, and Lawrence H. Summers. 2019. "Productivity and Pay: Is the Link Broken?" In *Facing Up to Low Productivity Growth*, edited by Adam S. Posen and Jeromin Zettelmeyer, 207-43. Washington, DC: Peterson Institute for International Economics.

Stansbury, Anna, and Lawrence H. Summers. 2020. "The Declining Worker Power Hypothesis: An Explanation for the Recent Evolution of the American Economy." *Brookings Papers on Economic Activity*, Spring: 1-77. Also NBER Working Paper 27193.

Subramanian, Arvind, Martin Kessler, and Emanuele Properzi. 2023. "Trade Hyperglobalization Is Dead. Long Live…?" PIIE Working Paper 23-11. Washington, DC: Peterson Institute for International Economics, November 2023. https://www.piie.com/publications/working-papers/2023/trade-hyperglobalization-dead-long-live.

Summers, Lawrence H. 2014. "U.S. Economic Prospects: Secular Stagnation, Hysteresis, and the Zero Lower Bound." *Business Economics* 49 (2): 65-73. https://doi.org/10.1057/be.2014.13.

The SAVI Group. 2025. "The Growth Equity Thesis: Why the Architecture of Capital Decides the Operating Horizon." Perspectives, November 6, 2025. https://thesavigroup.com/perspectives/the-growth-equity-thesis/.

The SAVI Group. 2026a. *Appendix C worked waterfall: The SAVI Capital Model vs a conventional fund*. Python script, models/appendix_c_waterfall.py, version of October 1, 2026, with results in models/appendix_c_results.csv.

The SAVI Group. 2026b. *Appendix D: The Fifteen Compact, worked case Argentina*. Python script, models/appendix_d_models.py, version of October 1, 2026, with results in models/appendix_d_results.txt.

The SAVI Group. n.d. "Glossary." https://thesavigroup.com/glossary/. Accessed October 1, 2026.

Turchin, Peter. 2010. "Political Instability May Be a Contributor in the Coming Decade." *Nature* 463 (7281): 608. https://doi.org/10.1038/463608a.

Turchin, Peter. 2012. "Dynamics of Political Instability in the United States, 1780-2010." *Journal of Peace Research* 49 (4): 577-91. https://doi.org/10.1177/0022343312442078.

Turchin, Peter. 2023. *End Times: Elites, Counter-Elites, and the Path of Political Disintegration*. New York: Penguin Press.

Turchin, Peter, and Sergey A. Nefedov. 2009. *Secular Cycles*. Princeton, NJ: Princeton University Press. https://doi.org/10.1515/9781400830688.

UBS. 2026. "UBS Global Family Office Report 2026." Press release, May 28, 2026. https://www.ubs.com/global/en/media/display-page-ndp/en-20260528-global-family-office-report-2026.html. Accessed October 1, 2026.

United States Bureau of Labor Statistics. 2026a. *Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, All Items, Not Seasonally Adjusted, 12-Month Percent Change*. https://www.bls.gov/cpi/. Accessed October 1, 2026.

United States Bureau of Labor Statistics. 2026b. "Usual Weekly Earnings of Wage and Salary Workers, Second Quarter 2026." News release USDL-26-1257, July 21, 2026. https://www.bls.gov/news.release/archives/wkyeng_07212026.htm.

United States Treasury. 2026a. *Debt to the Penny*. Fiscal Data. https://fiscaldata.treasury.gov/datasets/debt-to-the-penny/. Accessed October 1, 2026.

United States Treasury. 2026b. *Daily Treasury Par Yield Curve Rates*. https://home.treasury.gov/resource-center/data-chart-center/interest-rates/. Accessed October 1, 2026.

United States Treasury. 2026c. *Major Foreign Holders of Treasury Securities*. Treasury International Capital System. https://ticdata.treasury.gov/resource-center/data-chart-center/tic/Documents/mfhhis01.txt. Accessed October 1, 2026.

U.S. Code. Title 15, § 80a-2(a)(51). Investment Company Act of 1940, definition of "qualified purchaser". Ithaca, NY: Legal Information Institute, Cornell Law School. Accessed October 1, 2026.

U.S. Code. Title 26, §§ 401(a)(28)(B), 409(p), 512(e), 1361(c)(6), 1363(a), 1374, 1375. Ithaca, NY: Legal Information Institute, Cornell Law School. Accessed October 1, 2026.

White, Eugene Nelson. 1989. "Was There a Solution to the Ancien Régime's Financial Dilemma?" *Journal of Economic History* 49 (3): 545-68. https://doi.org/10.1017/S0022050700008755.

World Bank. 2020. *Doing Business 2020: Economy Profile, Argentina*. Washington, DC: World Bank. https://archive.doingbusiness.org/content/dam/doingBusiness/country/a/argentina/ARG.pdf.

World Bank. 2021. "World Bank Group to Discontinue Doing Business Report." Statement, September 16, 2021. https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report.

World Bank. 2026. *World Development Indicators*, indicator NY.GDP.DEFL.KD.ZG (GDP deflator, annual percentage change), Argentina. https://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG?locations=AR. Accessed October 1, 2026.

World Gold Council. 2025. *Gold Demand Trends: Full Year 2024*. February 5, 2025. https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2024.

World Gold Council. 2026. *Gold Demand Trends: Q4 and Full Year 2025*. January 29, 2026. https://www.gold.org/goldhub/research/gold-demand-trends/gold-demand-trends-full-year-2025.

Authorities cited in Appendix B (checked at search-summary level on October 1, 2026; licensed counsel confirms the current text before any adopter signs): *Elliott Associates, L.P. v. Avatex Corp.*, 715 A.2d 843 (Del. 1998), read in its published text; Delaware General Corporation Law, sections 102(a)(4), 151(a), 242(b)(2), 362 and 365, and subchapter XV as amended in 2020; 29 C.F.R. section 2510.3-2(c); Securities Act Rule 701; Dodd-Frank Wall Street Reform and Consumer Protection Act, section 953(b); United Kingdom, Finance Act 2014, Schedule 37; the Delaware third-party-beneficiary test as stated in *Madison Realty Partners v. Ag ISA*, 2001 WL 406268, at *5 (Del. Ch. Apr. 17, 2001), as cited in three Court of Chancery opinions (the opinion itself not opened). Authorities added in version 1.1, read in the primary text or an extract of it in the follow-on research of October 7, 2026 (lanes R1, R3, and R5), the Rule 701(c) list and the current text of section 363 re-read by the editor on October 8, 2026: 6 Del. C. section 17-211(g); 26 C.F.R. sections 1.404(b)-1T (Q&A-2) and 1.409A-1(b)(4); 26 U.S.C. sections 280G(b)(5) and 3401(d)(1);

17 C.F.R. section 230.701(c); 15 U.S.C. section 80a-3(c)(7)(A); 8 Del. C. sections 363 and 365(a) in their current text; Brazil, Lei 6.404 de 1976, article 109; Argentina, Ley 19.550, article 13; the IAASB's statement of the effective date of ISSA 5000.