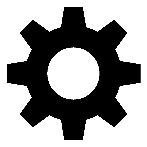
**The Pragmatist’s**

**Guide to Governance**

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From high school cliques to boards,   
family offices, and nations:   
A guide to optimizing governance models

By Simone & Malcolm Collins



[http://Pragmatist.Guide](http://pragmatist.guide)

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# Juicier than Sex

So far, we have written Pragmatist’s Guides to life, sex, relationships, and crafting religion⁠—yet no topic has gotten us half as excited as governing structures. You might be thinking: “Wait, *what?* How could governing structures be such a juicy topic?”

This will be doubly true if you have read our previous books and know the types of topics that get us excited. How could governing structures be offensive and controversial enough to get these two fired up? Well, buckle up.

Unique and interesting governing structures exist at every level of society, from companies to family offices, religions, online forums, middle school cliques, and family units. Once you start scrutinizing common types of governing structures, you’ll be astounded by the proliferation of horrible design and adverse incentives. By understanding these flaws, not only can you build better governing structures and more aptly navigate those that are already in place—and we say this with an entirely straight face—you could create something of a “Governance Bomb” and take over the world in just a couple centuries, starting with something as trivial as a family office.

There is nothing dry about governance theory. By delivering essential (but boring) fundamentals with ruthless succinctness, we will spare you from the tedium of academic polemicizing and spend the lion’s share of this book exploring the scintillating, fascinating, and messy parts of governance theory.

In this book, we aim to help you understand why governing structures exist as they do, show you how to navigate governing structures, and—perhaps most interesting—empower you to construct optimal governing structures for specific environments. Smart governance is not just for companies, but also for family offices, countries, nonprofits, and even friend groups.

*If you would prefer to consume this book in audio format, visit http://pragmatist.guide/GovernanceAudio to request a free audiobook copy.*

## As Critical as Communication

Any group of people expected to work in a synergistic fashion needs a system that structures their interactions. That system is “governance.”

Governance is not a new concept; it existed from the moment Crog, our pre-verbal, mammoth-hunting ancestor, signaled to his hunting buddy Lud to move around it into a more favorable position, which Lud did without complaint because he understood Crog to be dominant to him in their tribal structure. While communication allows us to transfer an idea from one mind to another, governance allows people who may not have the same ideas to work as a group. Without governance, communication is rendered largely irrelevant.

Consider the radical advancements in communication humankind has made over the past 150 years. We have leapt from the invention of the telegraph to an age in which people in developing countries walk around with devices in their pockets that grant access to all human knowledge at the tap of a button. As other domains have made leaps and bounds, governance has only managed to inch forward a few centimeters. Though a few brave souls have experimented with novel governance models, today’s average organization is still governed by structures nearly identical to those which dominated a century ago. Almost no single innovation would have as much impact on human output as a large update in governance, yet the resources devoted to governance research are trivial in comparison to its potential impact.

An optimal governance system achieves a set of goals for a collective of individuals while combating sources of waste, such as resource misallocation or a failure to check damaging and exploitative behaviors. Think of a governing structure like a machine: In a machine, “waste energy”—energy that enters the machine but fails to directly contribute to its end goal—is released in the form of heat (e.g., heat generated from friction or the heat of an energy-inefficient light bulb).

In a state-level governing structure, heat that arises from friction takes the form of wasted money, which can be used as a very rough proxy for lost productivity. In an inefficient governing structure, we see money burning off the system in the form of lawyers (due to laws needing paid interpretation and implementation), corruption (due to a misalignment of the government's participants and the government itself), due diligence costs (created by the difficulty to ascertain the value of a thing), etc.

In a large corporate bureaucracy, this friction may manifest as forms filled in triplicate, unnecessary positions, time spent generating reports that nobody really reviews, work and institutional knowledge gains not being communicated between teams, and so on. Money that burns off a poorly governed system is just a proxy for productivity, man hours, and brain power that could have been applied to productive efforts serving the group’s mission. Optimal governance reduces friction within the system, increasing groups’ wealth and productivity.

In other words, governance determines how the work of 10 people is transformed into the work of a single unit. Bad governance—*normal* governance today—turns work that could be achieved by four people into work that requires a team of 10, whereas spectacular governance can empower a team of four to achieve the typical output of a team of 20. The quality of governance within a system is the factor by which all other effort within that system is multiplied. Here’s the beautiful thing: At least within small case models, that factor is objectively measurable (though governance structures should also be judged based on their longevity and their fidelity to their mission statements and purpose).

# Failure

We have been told we should start our books with little vignettes. Personally, we find them distastefully decorative and think they risk calling out specific groups too much. That said, we ain't no George R. R. Martin—we listen to our fans—so we’ll give it a shot and you can let us know if it works out.

Let's go over a few ways governance can fail.

## The Immortality of a Vision

Throughout history, more people have fought and died on behalf of governance structures than about anything else. They often made this choice because they believed in the vision their governance structure claimed to represent—but what ensures that vision does not drift?

Throughout his life, despite being wealthy, Jonathan Holdeen went without. Until his death in 1967, he cooked in tin cans instead of pots, broke up produce crates to be burned as fuel in the winter, and even trimmed the hole-ridden sleeves from old sweaters, converting them into vests he would defiantly wear until they, too, fell apart.[[1]](#footnote-1)

Holdeen saved so fastidiously in order to execute a visionary plan. He created a fund designed to grow forever until it reached a size capable of covering all the government expenses of the state of Pennsylvania, making Pennsylvania the first tax-free state. He had never lived in Pennsylvania, but picked the state as an homage to Benjamin Franklin, who had had a similar idea.[[2]](#footnote-2)

Holdeen discussed this plan with the Unitarian Universalist Church of Boston, which agreed to support it. In exchange for being the conservator of this plan, they would even receive a portion of the fund’s income every year. Given the Unitarian Universalist Church’s reputation and the legal protections he put in place, Holdeen believed his legacy was in good hands.[[3]](#footnote-3)

Of course, good men don’t matter in an organization run by governing structures in which leadership can change. The Unitarian Church eventually decided the amount the fund was paying them every year wasn’t enough—they wanted *all* its income—so they used the courts to take it. They presented the ridiculous argument that the fund would otherwise grow so large it would pose a danger to global stability.[[4]](#footnote-4) The courts agreed to give the church $1,000,000 of the $20,000,000 fund annually.[[5]](#footnote-5) While it could have ended right there, even *that* wasn’t enough for them: They went so far as to attack Holdeen’s daughter, who had managed the trust (and in whose hands the trust outperformed the Dow Jones and Standard & Poor's stock averages),[[6]](#footnote-6) suing her for mismanagement, self-dealing, and fraud in an attempt to get even more money ($12,000,000 more). They kept suing her until she was 84 years old—almost 30 years after Holdeen's death. The lawsuits were so regular she made a point of attending the Philadelphia flower show on her regular court visits and was able to brighten up her legal trips with visits to the floral extravaganza about eight times (early on, she would bring a friend, but then the Unitarian Church “got snotty about it” and she had to go alone).[[7]](#footnote-7)

Jonathan Holdeen had created a similar fund for Hartwick College. This story has a slightly happier ending. Hartwick College didn’t liquidate the money at least—or sue his children; they just kind of forgot about it. If you go to the school’s website today, there is no mention of Mr. Holdeen, no building named after him, no scholarship named after him, no park bench—not even a luncheon despite his fund paying the college around half a million dollars a year. The money now just goes to pay “annual expenditures related to our physical plant”— essentially things like water bills and groundskeeper carts.[[8]](#footnote-8)

Despite his long suffering, lofty goals, and lawyers’ hand wringing about his plan destroying society, Jonathan Holdeen now lies dead, almost completely forgotten, with dashed ambitions.

The moral of this story is that no matter what an organization tells you, no matter what they claim to believe, it can only be trusted as far as its organizational structure. This story is critical to remember whether you are designing the governing structure of a family office, a country, nonprofit, or a religion. If you have long-term plans that extend past your death, understanding governance is critical. The fidelity of your dreams cannot be defended by a trustworthy person or clear mission statement—only your governance structure has the power to shield and perpetuate a legacy.

Even if you merely want to live a peaceful, happy, moderately productive life, you had better learn to navigate the hectic world of governance, within which we have no choice but to live.

## The Competence Paradox

At family wealth conferences, you’ll occasionally hear people joke that “there is no such thing as fourth generation money.” The implication of this joke is that if family money is managed well enough to make it to a fourth generation, it is almost never kept in a structure that gives family members agency over it or access to it. This joke is not an absolute rule—and things like generational dilution and taxes also play a big role in dispersing intergenerational wealth—but it does hold some truth. For wealth to make it to a fourth generation, a family must either have an extremely intentionally constructed governance structure or a system in place for training future generations to replenish the family’s fortunes every three generations or so.

A competency paradox lies at the center of many, many failed attempts at enduring intergenerational wealth. In these cases, the most competent members of the family are intrinsically also those who least need family money, meaning they don’t bother with the drama of family office politics. This frequently enables each generation’s least competent family members to exercise a disproportionate level of control over the family’s wealth.

Families may try to solve the competency paradox by tying power in the family office to impact on the outside world, but often botch how they define “impact,” making it something easy to achieve and thus exacerbating the problem. In addition to sorting for low competence in family finance leadership, such mistakes put unethical relatives who are most willing to cheese metrics in control of family finances.

It is common for a family office creator who has not put a lot of thought into how future generations will distribute money to create a governance structure composed of the most charitable and philanthropic family members. This structure is categorically doomed in any family that has more than two kids per generation. Specifically, what this system actually creates is the potential for a life path in which an individual does not have to work and can still have access to large amounts of money. Even if the money is earmarked to only go to charities, there are all sorts of ways charitable donations can be turned into income streams, such as leveraging charity board positions gained through donations to secure additional paid positions on for-profit corporate boards. This, in combination with a family-wide voting system, creates coalitions of family members who vote in blocks to maintain control and do everything in their power to make life miserable to those outside the group whenever it looks like they might try to assert any control over the system—and why wouldn’t they? If they lose their power over family wealth, they lose their only source of employment.

The above structure differentially rewards the least competent and least moral family members. Individuals who have no trouble making money by their own merits have dramatically less motivation to play the family politics game than parasites who leverage family wealth to pretend they have a real job. Having built their own successful careers, competent family members will expend less effort to be involved with the family office. In stark contrast, when the family office provides a source of income, anyone who is too lazy or incompetent to make money on their own will defend control of family resources with their lives, inevitably turning family office politics into a full-time career.

Whether or not to engage in family politics can quickly become a binary career decision for every family member when winning the family politics game becomes a full-time job. In these scenarios, getting access to family funds means abandoning all other life goals. Essentially, such systems filter out individuals with the competence and work ethic to build fortunes on their own.

In families like these, every new child and spouse becomes an existential threat to the income streams of extant members and their immediate families. When you have given up on trying to become a productive member of society and have kids of your own, it becomes easy to justify atrocious, slimy actions in an effort to ensure your own kids get a cut of the pie—especially when the pie’s division is determined by family politics instead of external measures of success.

In addition, governance systems that give equal weight to the votes of all family members encourage coalition building and the formation of voting blocks that freeze out other parts of the family and turn parents against their own children. If sliminess and an absence of ethics facilitate a rise to power within a governance structure, those “winning” traits become imprinted on future generations as a core aspect of family culture. Worse, if you try to build a family office that selects for ethics in its leadership, what you often end up accidentally rewarding is dedication to a specific religious tradition or the ability to virtue signal (this is why so many family offices go off the rails with self indulgent virtue signaling that is utterly divorced from the values of their industrious founders).

Should you blindly promote equality among your children regardless of their talent and reward virtue signaling over measurable impact and wealth accumulation, you bequeath future generations with an unfortunate choice: Fight a pack of starving dogs for a slab of meat from a corpse or learn to hunt yourself.

## Navigating the Machine

In our other books, my (Malcolm’s) story begins when I meet Simone and our history is told through her eyes. This is because it is hard for me to talk about my “backstory” without sounding like I am telling some sort of contrived rags-to-riches narrative (an inaccurate narrative I loathe). I had every advantage in life and escaped my negative circumstances only because of privilege.

That said, continuing this book without disclosing more about my background would be dishonest, as it heavily affects my perspective on governance. When I was in elementary school I was placed in the private prison system—a series of prison alternatives for minors (think: Holes)[[9]](#footnote-9)—and spent my life from that point onward living largely outside a family home. In fact, now that I think about it, elementary school was the last time I lived with my family full time. Essentially, I spent all my formative years navigating corrupt governance structures as my only source of basic necessities like housing, food, etc.

It is hard for me to know the real reasons why I was sent to these facilities in the first place because I was in elementary school at the time. All I know for certain is that I was sent by court order. Perhaps I was sent away due to some equivalent to Kids for Cash, as the first prison-alternative camp I attended may have been giving kickbacks to judges who referred families to them.[[10]](#footnote-10) Maybe family politics were at play. It could be that my parents thought they could get better terms in a highly contentious and litigious divorce if they could convince a judge that I had behavioral problems caused by the other parent. Perhaps a mix of these factors led my parents to believe it was just easier to have me out of the picture for a while.

Whatever the case, things turned out fine for me, in no small part because of my privilege. I ended up getting my MBA at Stanford and the last company I have run has so far pulled in $70 million a year. Had I grown up around my family, beholden to them, I would never have had the privilege of being uncompromising in my morals without being forced to make enormous sacrifices that, if I am being honest with myself, I probably would not have made. This is not a sob story; it is only relevant to my take on governance structures because I spent my formative years being raised within a variety of bureaucracies. Throughout my childhood, my wellbeing depended on my ability to intuitively understand how they *actually* functioned—not just how they *claimed* to function—and this experience yielded many of the insights shared in this book.

One of the most pivotal moments of my life involved one of the staff members at a prison-alternative camp to which I had been sent pulling me aside and explaining how futile it was for me to fight the system. All of the letters I wrote and tried to send to people outside the facility were either not sent out or redacted—after all, he pointed out, did I really think they are so stupid as to allow themselves to be implicated in anything? The letters only served to demonstrate to the camp’s management that I was motivated to try to financially hurt the facility. No one outside was going to help me. In trying to recruit outside help, I was incentivizing the system’s bureaucracy to prevent me from leaving—something that was trivial for them, as they could instantly fabricate new misdeeds given that no one from outside the facility could interact with me without their permission. I was only a child and they were a large, well-funded company.

After that, he pointed out something that genuinely shook me: From their perspective, regardless of the time we actually had on our sentences, every child in the system was an annuity. They could easily fabricate events to keep us in as long as they wanted—though it wasn’t like they needed to. They had created an environment in which, to survive, you had to break so many rules that they always had something on you.

For example, one day another kid said he would try to kill me that night. We slept in plastic sheets we rolled around ourselves, so I stuffed mine and hid somewhere else (we were in the desert, so the plastic would freeze closed at night so there was no chance of him checking inside). He smacked it a few times with a shovel late that night and I thought, “glad *that's* out of the way,” until the staff heard the noise and found I was not in my dedicated sleeping spot.

Because each of us was a guaranteed source of perpetual income, we could be sold to other behavioral health facilities for referral fees that were priced similarly to how one would price an annuity. At the time, I had lost over 60% of my body weight. The staff member who had pulled me aside thought I was starving myself (I wasn’t; I was having a reaction to the food and felt so desperate for sustenance, I had learned what local insects and plants I could eat without getting sick). He explained that they didn’t want another kid’s death on their record and if I didn’t find a way to get healthier quickly, they would “sell me” to another, even-more-draconian institution. Given that being transferred between these camps, behavioral correction facilities, and “therapeutic correctional schools” was a common practice, I had heard enough from the other kids to know it could be worse. At least the place I was at didn’t shoot us up with a drug cocktail every morning to keep those under its care in a mentally-addled state.

Being reduced to a line item in a broken bureaucracy and accepting that I was the only one who could get me out of the system helped me better contextualize where I—and really all of us—stand in the world.

Was this camp’s staff member bluffing? How much of what he told me was real? How much am I misremembering due to being in grade school at the time, dehydrated, and starving? It’s hard for me to piece this together as an adult. There was a time in my life when I thought this conversation was a delusion because it sounded too insane to be a real memory—then Kids for Cash became public and I realized It probably really happened. This was further reinforced when the private equity company Simone and I ran looked into buying a company in the troubled teen industry and we got an industry insider’s perspective of some of the facilities where I had been sent (many of which have since been shut down)

I was a product in a larger system. To escape, I needed to understand the rules of the system and—rather than “fight the man”—bend the system itself to my will. Bureaucracies are like a colloid, that weird cornstarch slime you made in grade school: If you hit them, they become solid, but if you work with them, they become putty. First, I engineered a transfer to a correctional school (at least I would be allowed books there) and through a series of similar trades, I gradually improved my living conditions. As it was made clear I was not welcome back home, I had to find a way to house and feed myself once I got out of government subsidized facilities. This was made possible by an educational trust set up by a previous generation of my family, which covered my boarding school expenses.

By halfway through middle school, I had gotten myself transferred to a fairly normal boarding school. I was able to use the same trust to pay for summer camps I could argue were educational, which gave me a place to stay outside of the school year. (Here I need to emphasize how screwed I would be had I not been born privileged—I was incredibly lucky.)

I made money for stuff I couldn't get from the school by selling restricted supplies, like soda. My rich classmates were highly price insensitive in the face of coveted-but-restricted goods—there was significant profit to be made by setting up an operation to smuggle them on campus at scale. This taught me how governments can affect the value of goods being traded within them. By high school, my life was pretty much that of any other boarding school kid outside of my side hustles and the fact that most of my friends were online.

In a bureaucracy, there are no bad guys: Just hundreds of people acting in a self-interested fashion. Evil is rarely a choice—rather, it’s an emergent property of a set of rules. Bureaucracies and governance structures are not good or evil; they are wind-up AIs often put in place with good intentions that play out mechanistically. I was fortunate to be placed in a position to understand my place in society at a young age: As a line item on someone else's balance sheet. This knowledge has made my life easier than it has any right to be. **Instead of fighting the system, I have been able to improve my lot by increasing my value to that system. Hopefully this book can help you develop your own ways of taming bureaucracy and saddling it to your aims.**

*Note: One of our test readers commented that the narrative here made him really hate my parents, which I fear means I misarticulated part of the point. I live a great life—a better life than either of them had. How else do you define success as a parent other than giving your kids a better life than you? Honestly, one of my biggest fears is accidentally making my kids' childhood too easy, leading to them having worse adulthoods as a result.*

*People are almost never “bad or good” and certainly never worthy of hate. Bad actions are usually the result o*f *complicated people operating within systems set up by other well-meaning individuals. And that is why a book like this is so critically important.*

***The intentions of a system are almost completely untethered from its outcomes****. A government intende*d *to increase economic equality can mass murder more people than any governing entity in history.[[11]](#footnote-11) Policies created to save the environment can be corrupted to undermine sustainability.[[12]](#footnote-12) A family office designed to protect descendants can turn relatives against each other. Tools designed to improve the world can be corrupted into levers for self-aggrandizement. Designing a government is like wishing on a monkey's paw. Approach it with care and precision because it will do everything in its power to twist your desires into an evil mockery of your intentions.*

*When you set up a governing system, it's not just others you put at risk but yourself—the core of who you are. You could start your life as humble librarian Mao Zedong, who was by all reports a pretty nice guy keen to make life better for other people, and in the process of trying to create a better society, you could end up allowing the very government you created—something you risked your life to build—to twist you into one of history's most monstrous humans (we cover Mao later in the book, but i*f *you only know that “a lot of people died,” then you don’t have a full picture of how irredeemably evil he became). Poorly-thought-through incentives and governing systems have opened this world to more evil than any amount of selfishness, greed, or any other human vice.*

# Humans as a Medium

Now to the meat of the book!

If one were to write a book on building water storage containers, one should first investigate the properties of water. What happens when it freezes? Through which sorts of materials can it pass? What would the water do if it did not have a container? Jumping straight into a discussion of container manufacturing might help a person *replicate* an existing container type, but it would put them in the wrong mindset to *build a better container*.

The first few chapters of this book will explore how humans innately interact in group settings and highlight behavior patterns that must be considered in order to structure governing systems that remain true to their missions and purposes.

## Human Dominance Hierarchies

Before diving into the nuances of governance structures, we must explore humanity’s default governance system: The dominance hierarchy. This is the system humans instinctively use when another governing system is not intentionally constructed and agreed upon. This system is core to understanding all other human governance systems, as to some extent it is the default system with which they must compete.

Humans evolved a de facto governance system that shares much in common with the way our closest relatives—chimps and bonobos—organize their troops. This system comes complete with rules for how to choose a leader, how to rise to power, and how to make decisions. That said, the system is so ubiquitous it is practically invisible to us. It is easy to look at your group of friends and not realize that an unwritten governing structure rules your small tribe and comes into effect every time you make a group decision, like where to eat dinner. If you haven't agreed on another system, such decisions are almost certainly made using a dominance hierarchy.

It is crucial to understand this system not just because it is the single most common governance system you will encounter, but because all governing systems have to build mechanisms to fight against the instinctual impulses this system has bred into the human mind. Unless one puts mechanisms in place to prevent it, a dominance hierarchy governing structure will form on top of other governing structures as a sort of shadow governance that ends up being the real driving force behind the organization’s decisions. This can take place anywhere from a board room to a town council, Congress, or office floor. When dominance hierarchies kick in, you end up adopting the same governing structure chimps use. In such scenarios, all the effort put into constructing an “advanced” governing structure, like a board, is for nothing.

Even if you place the best mechanisms you can conceive to prevent simple dominance hierarchies from overtaking your workplace, family office, or governing structure, they will *still* bubble up in the background of family politics, office drama, and lunches between politicians. Regardless of whether you, personally, would rather opt out of brute dominance hierarchies, understanding this simplest of governing structures—one used by apes and children—is key to unlocking increased effectiveness in intentionally designed governing structures.

## How Dominance Hierarchies Work

How do dominance hierarchies, as governing structures, function? What does a governing structure ruled by dominance hierarchies look like? To investigate it in its purest form, a form we are all familiar with to some extent, let's look to a middle school clique. Dominance-hierarchy-based decision-making manifests with unique purity in this setting, as the participants have yet to develop the life experience and myelination of their frontal lobes necessary to muffle the more toxic aspects of dominance hierarchies.[[13]](#footnote-13)

Members of middle school cliques commonly sort themselves by an unseen metric we will call their “social rank”—essentially, their position within their local dominance hierarchy. The preferences and opinions of those with a higher social rank are weighted more heavily when the group is making a decision⁠—thus when the group needs to decide on something, all individuals willing to voice an opinion will voice it and a final decision will be made by the individual with highest social rank who is willing to voice an opinion. This social rank is specific to every tribal group, so a girl may have one social rank among the goths and another among the cheerleaders, but more on that later.

What happens when an individual of a lower social rank refuses to follow the individual with the highest social rank? What if they try to get others in the group to go with *their* choice instead? This creates a dominance challenge—one of the core ways an individual can move up within the hierarchy and attain a higher social rank. If the challenged individual stands down and defers to the influence of the lower-status challenger their social rank will decrease while the challenger's social rank will increase. (It should be already obvious why this form of governance is toxic—even if a higher-status individual realizes they made a suboptimal judgment, they can still lose social status by conceding that point.)

Because humans who maintained a higher social rank could secure higher quality mates and have more kids, strong evolutionary pressures now lead the average person to act in a way that keeps their social rank as high as possible. These pressures mean that when a person of high social rank feels their authority is challenged, they will experience an unconscious, instinctive impulse to socially punish the individual who challenged them. In so doing, they make threats to their dominance costlier in the future and shore up their social rank. They will punish the individual even when they don’t care that much about the opinion the individual voiced because the point isn’t about getting their way on that particular issue, it’s about defending social rank.

The hazards of challenging a dominance hierarchy do not end there. Challengers will be met with punishment not just from the dominant member challenged, but also from supporters of the status quo. Supporters strengthen their bonds with the challenged individual through this behavior. While they could theoretically support the challenger instead, treason is rare because one gains more by ingratiating oneself with higher-status individuals. If you supported me today, I will remember that and support you tomorrow—this sort of reciprocity is critical even within the dominance hierarchy of chimp tribes.

By supporting the challenged individual, supporters also ensure that such attempts do not happen as frequently in the future, which reinforces their own status within the hierarchy (a smart thing to do when you have a high social rank yourself). This is why individuals that are slightly senior to the challenged individual in a hierarchy are those most likely to execute socially punishing behavior upon a challenger.

These behavioral impulses fuel much of what is perceived as bullying behavior in both humans and great apes. These instincts also explain in part why studies have consistently shown that bullying behavior happens more within friend groups than between them.[[14]](#footnote-14)

Let’s explore a brief example to demonstrate how this plays out: A group of middle school girls is trying to decide where to eat. Becky, social rank 90, has suggested Mexican food, after which Olivia, social rank 30, suggests Old Man's Crab Shack. By floating this suggestion after the higher status individual made her preference known, Olivia has issued a challenge to Becky's position within the hierarchy. If the group follows Olivia’s suggestion, Olivia’s social rank within that group will increase while Becky’s will decrease.

Generally speaking, the higher someone’s social rank is within a group, the less they want to see the positions of people within said group disrupted, as normalizing disruption in the social hierarchy puts them at risk, so Brenda (social rank 100) may respond to Olivia with a socially punishing comments like, “only fat people eat at Old Man’s Crab Shack—it’s disgusting.” Now that the rest of the group sees Becky and Brenda form this alliance against the weaker party, they may jump in as well in an attempt to further diminish Olivia’s social rank and bolster their own relative position within the group. The group will not want to go so far that Olivia leaves over something small like this, as the more members they have in the group, the more powerful the group becomes overall—so the extent of the social punishment (bullying) is often moderated.

In other great apes, such disputes, in which a low-ranking individual challenges a high-ranking individual, are often resolved through dominance displays like puffing one's self up or “getting in someone's face”—and when those fail, violence. To see this behavior in humans, imagine a drunk guy at a bar adopting “the stance” after a perceived slight, saying “What, you think you are better than me?!” and getting in his perceived opponent’s personal space. It is difficult to find a more perfect example of a great ape dominance challenge. Not only is he literally puffing himself up to look larger; he is explicitly stating he is doing this because the other person may believe they are “better” than him (a surprisingly articulate expression of the impulse created by such an ancient part of his brain). While we may default to these ape-like strategies when our brains are impaired, most humans prefer to carry out hierarchy battles through social challenges.

When people are young, inexperienced, or otherwise cognitively impaired, these dominance challenges often look like those delineated above. However, as people get older and more socially experienced, dominance challenges can be as subtle as a pause between words during a board meeting.

Individuals who feel confident in their position within a hierarchy are more likely to express their dominance by making decisions on behalf of the group. When an individual makes a decision on behalf of a group and no one objects, their social rank increases slightly, but in every decision they make, they risk being challenged and having their social rank drop dramatically. Conversely, an individual who is uncertain of their place within a dominance hierarchy will be much less likely to push for things they themselves want, while being more likely to “bully” individuals who challenge the existing dominance structure.

Essentially, every time an individual asserts their dominance within a group, they are making a calculated bet that no one will challenge them or that if someone does most of the group will back them. Individuals are less likely to make this bet if they are unsure about the dominance order of the group. In such unclear scenarios, people are more likely to expend social capital to establish a predictable chain of dominance through choosing sides in other individuals' dominance battles.

An inability to recognize these hierarchies is the core cause of habitual bullying. A low-ranking individual issues a challenge to higher status individuals when they ignore their requests or fail to signal deference. Whether the low-ranking individual wants this to be taken as a challenge or not is beside the point. The higher-status individual is essentially left with no choice but to socially punish the low-ranking individual or compromise their own position within the hierarchy (especially if they are insecure in their position). This can create a cycle, lowering an individual's social rank to almost nothing and in so doing making smaller and smaller failures to display deference worth punishing (the wider the difference in social rank between challengers, the more damage can be done).

This is why, “stand up for yourself” and “just ignore them” are two of the dumbest pieces of advice you can give to an individual being bullied. The proliferation of this advice likely contributes significantly to the current bullying epidemic. Ignoring the request of a high-ranking individual presents a direct challenge to their authority in that it suggests a failure to recognize their social rank, and challenges to high-ranking individuals are likely to fail due to the social support they typically receive. Instead, if a child is being habitually bullied, they should either be coached to learn their place within the existing social hierarchy and work their way out of it incrementally or join an alternate social hierarchy⁠—like the goth kids.

Why do we say: “Become a goth?” When a goth kid ignores a preppy kid's orders, he is not challenging that individual's dominance within the preppy group. Social challenges are less necessary between individuals competing in different hierarchies, as a goth kid ignoring a preppy kid is more of a “tribal group challenge” than an individual dominance challenge. A preppy kid claiming authority over a goth kid can be interpreted as claiming that his group, preppies in this case, maintains authority over goths. This kind of challenge is one even fairly high-ranking people within most groups won't risk aggressively making, as it challenges *every* individual of the other group and in this case might lead to all of the goths building animosity towards the preppy group. Moreover, instigating needless group conflict puts the aggressor at risk of losing status within their own group.

While we are discussing social rank in the context of middle school, remember that this method of group decision making exists as the shadow governing structure of almost any setting you’ll need to navigate, be it an office, family office board, or town council. Its existence is masked as people mature and engage in dominance challenges with more competence and guile. Groups just like this exist in the congressional cafeteria and among the President's advisors. The ways these groups interact through pre-programmed dominance challenges has a massive impact on the national policy of every country in the world.

For example, presidential advisors’ decisions over where to eat or who to date may affect their social status in a way that alters their relative social rank, which in turn affects national policy. The monkey part of our brain does not understand the difference between a social battle over lunch and one over fiscal policy and will weigh them not based on their absolute importance but on emotional states associated with them.

## Tribal Groups

Simply put, we did not evolve in conditions in which the way we interact could be optimized for large groups. As a result, we are unable to mentally process dominance hierarchies of groups over around 25 people (with some big caveats).[[15]](#footnote-15) To fix this, our brains often categorize people into groups, or “tribes.” While most people do have a social rank within every group that identifies them as a member, these social ranks can be quite different from each other and group affiliation can dramatically affect how individuals interact.

Imagine four scenarios involving a meeting between three kids tasked with completing a group project who must decide how they will make decisions.

Scenario I

In the first scenario, three kids who have never met each other have been assigned to a group project or team-building exercise⁠. In this scenario, decisions are likely to be made through delicate, low-aggression-low-risk-but-still-emotionally-taxing prodding to try to determine their status relative to each other. Once this prodding has resolved enough uncertainty to reveal a clear status hierarchy, decisions will follow a normal dominance hierarchy method of governance.

Scenario II

In this scenario, three kids from *the same social group* choose to complete a group project together. In this scenario, their methodology of self-governance will be minimally emotionally taxing, as they know their social rank within their clique, making it easy to know how this new temporary group's internal governance will work.

Scenario III

In this scenario, two students from one social group are assigned to complete a group project with an outsider to their group. This group will have a low emotional tax unless there is animosity between these two groups, with the more dominant member of the more populous group leading the new group, followed in dominance by their compatriot. The outnumbered student from a different clique will be largely marginalized and likely bullied if they challenge this outcome.

Scenario IV

In this scenario, three kids who all know each other are assigned to a group project, and each strongly identifies with a different clique. Now we have a problem: This group of individuals will not have a shared social rank hierarchy. What happens here?

This fourth scenario typically sorts into one of three outcomes:

Outcome 1

The students act as if they don’t have any tribal affiliations and create a social rank among the members of the group for this temporary interaction⁠, just as they would if they were strangers.

Outcome 2

The individuals act as representatives of their tribes and a dominance hierarchy forms based on tribal alliances. If Groups A and B are in conflict, but Groups B and C get along and everyone is neutral to Group C, then the student from Group C will assume the dominant position, with the group's decisions heavily aligning with their inclinations.

Despite stereotypes to the contrary, tribes don’t have social ranks of their own. It’s not as though tribes of “cool cheerleaders” have dominance over other tribes and cheerleaders get treated as if they are of higher social rank by default, as is often depicted in movies.[[16]](#footnote-16) Instead, tribes with the most power within a network of tribes are those with the most strong inter-tribal relations (and the least disfavor from other tribes). Individuals who identify with tribes that see themselves as higher status than others may have very little power when interacting with other tribes. For example, the classic “cool girls” whose tribal identity is based around a sense of superiority will typically have a lot less intertribal negotiating and governance power when contrasted with a more welcoming and inter-tribally useful group like the “stoners.” The perception that some tribes enjoy higher “status” or are “cooler” than other groups is typically related to the desirability of the average member as a romantic partner and not an accurate reflection of the average member’s authority within the larger social system.

Outcome 3

It may also be that no real governance forms around this group project and the students stay antagonistic toward each other. This may seem like a very costly decision for those involved, but there is a method to this madness. In addition to the approaches outlined above, an individual can improve their social rank within a group by demonstrating dedication to that group, which can be signaled through actions ranging from wearing outfits unique to the tribe to expressing extreme opinions or merely showing animosity toward other tribes. Tribes commonly discuss what makes them different from other tribes and what makes outsiders inferior in comparison to them.

### Culture Drift

This third outcome is revealing when we consider how tribal affiliations affect larger governing structures, as it contributes to something called “culture drift.” Because an individual can augment their social rank by signaling commitment to a tribe, unique features of the tribe, be they ideological positions or outfits, tend to become exaggerated over time.

For example, if a person gets a piercing that leads them to be rejected by mainstream culture but signals dedication to a specific group, they will rise in rank within that group. However, to get the same social rank boost in the future, other individuals within this group must get increasingly visible iterations of that piercing. If one person gets a piercing and then another gets the exact same piercing, they will benefit less from it in regards to their group status than the first person who got it. Earrings evolving into giant gauges may seem innocuous, but cultural drift becomes quite troublesome when a group has a unique ideology and group traits like mild racism or hostility toward one’s boss evolve into mandates for genocide or outright support of communism.

New tribes form—and old tribes die—by cultural drift. As the practices that identify a community become more regional, extreme groups within the community splinter off, creating new tribal groups (e.g., cyber goths splitting from the larger goth tribe).

How do tribes die? Eventually the core of a tribe’s subculture can become so radical, it ceases to be palatable to new entrants, at which point it “bubbles up” and slowly dies out. For examples of this happening historically, research how dandy culture became macaroni culture and then died out. Tribes rarely die because their existing members leave them; they die because existing members become so radicalized that new members have no interest in joining. While we are currently using cultural subgroups as examples, the same rules apply to political parties and factions within political parties.

### Dominance in Broader Society

How do large tribes that exist across multiple geographies interact? As we said, people rarely participate in dominance hierarchies larger than 25 people, so how do people know who is on top when a person within your school’s marching band clique meets someone from that same clique from another school? What happens when a criminal gang member from one city meets one from another city?

Determining factors vary from group to group, but primarily individuals look for group dedication. This may be signaled by anything from body composition to the inflection and lilt of spoken words or knowledge of nuanced trivia. Should you go to an anime convention and encounter someone who starts quizzing you on obscure anime trivia, they are (ineptly and subconsciously) attempting to demonstrate they are of higher social rank than you within that community so that you know to regard them as dominant.

*Side point: In* The Pragmatist’s Guide to Crafting Religion *we theorize that anger results when one is treated in a manner that doesn’t align with their expectations around how they should be treated or when one undertakes an action and the expected outcome does not result (basically, any time reality does not conform to the way a person thinks it is supposed to work). This explains the classic tale of the boy at an anime convention who tries to challenge a girl to trivia knowledge and then gets mad when she won’t engage with this ploy or knows more than him. His expectation is that he should be higher status than her based either on his knowledge or his gender and her unwillingness to recognize that leads to anger.*

There is a clear connection between local tribe affiliation and the wider tribal network, as the wider tribe will see members of other local tribes as “allies.” Conversely, those with animosity toward a tribe will see all members of that tribe as “enemies” regardless of geography. It is important to remember that we have instincts related to these types of behaviors over which we don’t have full conscious control. We receive positive emotional rewards when we give money to groups with which we identify (such as an alma mater), when “our” team wins a game, or when we needlessly trash on groups we see as being antagonistic to ours (be they anti-vaxxers or immigrants). No matter how emotionally enlightened a person sees themselves as being, as long as they aren't a sociopath, this stuff will affect them at an emotional impulse level.

Your social rank will vary from one tribe to another (you may enjoy high social rank at your sports club while suffering from low social rank at work). Tribes themselves maintain loosely-enforced-but-widely-known alliances with some tribes and bear antagonism toward others. As such, a tribe does not have any inherently high or low social rank, only differential amounts of power (utility to its members) based on its relation with other local communities and access to resources. A large tribe may have different sub-groups with varying amounts of social power in different regions (e.g., a sorority might be powerful on one college campus and pathetic on another).

## Why Are We Talking About This?

You may be wondering at this point what any of this has to do with practical governance as it matters to you, your family office, your company department, your senate, etc.

The answer is⁠, in short, *everything*. When a group—be it a corporate board or a street gang—is not intentionally designed, a dominance hierarchy governs it by default. The impulses associated with our time lived as tribal apes even infect governing bodies intentionally designed to defeat these impulses. The concept of a board at your company that votes on decisions is rendered somewhat pointless if an internal hierarchy forms within the board in which a single individual ends up making almost all the decisions⁠. The same can be said for a senate sub-committee that devolves into intertribal conflict, or a family office in which an individual can amass power by tarnishing other family members’ reputations.

For this reason, we are far from finished exploring dominance hierarchies. While we use tropes associated with middle school cliques to illustrate dominance hierarchies, this fundamental governing structure is at play in most adult interactions. We default to childhood examples because they serve as a common reference point with which almost all of our readers are familiar and because these younger individuals have trouble with impulse control, which makes their struggles for dominance more transparent. When dominance hierarchies drive something like a senate sub-committee, there are 15 levels of subterfuge and metagames layered on top of them, making them harder to recognize.

Consider some of the real-world impacts of dominance hierarchy governance:

**U.S. Politics**

The phenomenon of cultural drift is currently fueling a profound polarization and radicalization of U.S. political parties. This book was published during the longest period of U.S. history in which each party has maintained a specific, unique, and constant identity, giving each party time to form an extreme echo chamber—an echo chamber that is amplified by social media. All the work our founding fathers put into the system may be rendered pointless by the instincts of apes.

**Criminal Gangs**

Gangs have fairly unsophisticated governing structures in that they typically lack intentionally designed checks and balances designed to curb dominance hierarchy rule. This means slights between members of different gangs in which an individual isn’t shown sufficient deference according to their rank can quickly boil over into group animosity, which in turn instigates gang wars that kill large numbers of individuals.

**Higher Academia**

Because academia is a large, world-spanning bureaucracy with organically-evolved governing mechanisms, and because it has far fewer positions than it has applicants (who have already dedicated years of their lives to moving up the chain), there is an extremely high tax on failures to adhere to tribal identity. This makes it very costly to present a new idea, way of doing things, or even political beliefs that don’t fit into a specific brand of liberalism.

Ironically, this causes academia to grow increasingly stagnant—not just in terms of participants, but in the generation of new ideas, which has caused corporations to lead the development of technological breakthroughs over the last few decades. We discuss the stats on this in more detail in *The Pragmatist’s Guide to Sexuality.* For example, more than 50% of sexual psychologists reported willingness to hide or otherwise obfuscate results that showed a biological basis for any mental sex differences.[[17]](#footnote-17) (Needless to say, developing a viable alternative to the transparent failure of the h-index and tenure system is one of our nonprofit’s core objectives.)

**Societies that Value “Face”**

When an individual does something for someone else, they perform a subtle act of dominance over them—this explains some fights to pay bills at restaurants. In government systems with large bureaucracies and a cultural tradition of “face” like that in China, this dynamic produces rampant corruption, with bribes being given out not just for their monetary value to those above you, but also to demonstrate dominance over those below you.

## Gender Differences in Dominance Hierarchies

Offensive as it may be, different genders subconsciously process dominance hierarchies in distinct ways. While each gender may not necessarily be born with these differences, the varied lived experiences of males and females create, on aggregate, differing average patterns in group hierarchy relation.

What’s more, the manner in which our society conceptualizes dominant males versus dominant females produces different optimal pathways to achieve higher status. This matters because almost every governance model used today is specifically designed to be gender blind, yet the dominance hierarchy overlay layer on top of them is at least moderately impacted by gender.

The two biggest differences:

* Men are more likely to settle dominance disputes with violence due to higher levels of testosterone, which means women are relatively more likely to resolve disputes with social shaming.
* High social status does more to benefit men on sexual marketplaces than women. In *The Pragmatists Guide to Sexuality,* we explore research demonstrating that women on average prefer a partner who has a high social rank while men are largely indifferent to women’s hierarchical social positions for short-term mate selection (though they do optimize for it in long-term mate selection).[[18]](#footnote-18) As one paper found, “a man’s sex appeal to women is bolstered insofar as he bests other men in sports, business, or art. In contrast, men’s mate choices are largely indifferent to which women outperform other women in those arenas."[[19]](#footnote-19) Because, in addition to gaining professional advantages, greater dominance also improves men’s status as a sexual partner, men on average have more motivation to take risky bets to move up a social hierarchy when contrasted with women.

How do these factors affect the unconscious dominance hierarchy impulses of men and women? The most immediately applicable takeaway (which has been backed by research—see: “Female Dominance Hierarchies: Are They Any Different from Males’?”[[20]](#footnote-20)) is that males assume a dominance hierarchy when they first interact with a group, whereas females regard all members of a group as equal until after they have witnessed the establishment of a dominance hierarchy.

If we were to guess why this difference exists, we would suppose that males are more likely to solve dominance disputes with violence, meaning that they can size up which male in a group would win one of these disputes just by looking at them. If a male walks into a room of males, he can quickly work out how they would sort themselves after a series of physical altercations⁠—taller, more muscular males would end up nearer to the top. On the other hand, female dominance hierarchies are sorted more frequently by social attacks, meaning women are likely to learn at a young age to wait and see how a group interacts before assuming who is where in a hierarchy.

While this dynamic only affects each gender toward the beginning of their interaction with a group, it means group hierarchies will sort themselves differently depending on whether they start with majority male or female participants. Short, physically weak men will perform worse in majority male environments.

Among chimps, males are typically higher in the dominance hierarchy than females whereas among bonobos, females are typically higher in the dominance hierarchy than males. We have reason to believe that humans fall into the chimp model of great ape behavior patterns. Studies have repeatedly demonstrated that more “male-like” females, or females who demonstrate more traits commonly associated with a male, are more prevalent in upper management than feminine females. This means that in systems with ineffective governance structures, talented, feminine females will, on average, be underutilized due to lower presumed social rank within decision-making bodies like boards and committees.

This is not something that can be avoided just by having participants in a governance structure not see each other, as the perceptions also extend to voice pitch, with more feminine voices being seen as less dominant. This is true even within genders—with lower-pitched-voice females being perceived as more dominant than women with higher-pitched voices on a linear scale. This judgment of voices and dominance also has a gendered component, with women being more sensitive to it than men.[[21]](#footnote-21) In other words, a governance structure that is primarily female will penalize a female with a high-pitched voice more than one that is predominantly male.

In adulthood, men still favor participating in single-gender dominance hierarchies at a much higher rate than women, who instead prefer dyadic relationships (those between just themselves and one other person). This is an interesting finding for us as it runs against our anecdotal observations, but it is what the data suggests.[[22]](#footnote-22)

Attempting to create governance structures that promote equality without taking these differences into account is as doomed to failure as trying to navigate the transatlantic passage without accounting for trade winds and currents. Yes, the currents and winds don’t always move in one direction, but they do so enough that if you were to ignore their patterns, you would have a hell of a time making the crossing with any precision.

## Cultural Differences in Dominance Hierarchies

Culture, in addition to gender, affects dominance hierarchies.

Some cultures have strict rules in which older individuals are to be regarded as higher within a dominance hierarchy relative to younger individuals. This is very common in Asian cultures and interacts with governing models they borrowed from the West in a manner that creates extreme friction, burning off a large amount of their potential productivity. Ironically, this friction hurts older individuals much more than younger ones.

Specifically, if older individuals are presumed to hold higher status and have whims that must be obeyed, then it is extremely awkward to have an older subordinate. Functionally, this means that if an older individual hasn’t risen to a senior enough position within a group by a certain age, they are pushed out. This is a major problem in nations like South Korea and Japan where it becomes extremely difficult to keep one's job in a corporate system after 50 if one hasn’t risen into management (this is part of the reason there are so many Korean-owned restaurants, as leaving the corporate world to start a restaurant is a common career path for older individuals who have been marginalized by this system).

Culture also influences dominance hierarchies through power distance. The presumed power someone of a higher social rank has over someone of a lower social rank varies between cultures. As people who have run teams and companies in South Korea, Peru, the U.K., and the U.S., we cannot stress enough how much power distance matters. One cannot simply take a model of governance from a low-power-distance region like North America and apply it in a high-power-distance region like the Middle East. Many more controls and stopgaps are needed to prevent high-power-distance environments from defaulting to dominance hierarchy methods of governance.

In addition, having a management position is seen as much more of a burden in high-power-distance cultures—something we learned the hard way. If someone at a U.S.-based company is doing a great job, you typically promote them, and they’re typically happy about it. It would never cross your mind that the person might rather quit than be promoted. In high-power-distance cultures, this is extremely common. In Peru, we found that about six out of seven employees would rather quit than be promoted to upper management. One of our employees suggested to us that in Peru, more people see management in the context of all the things the manager may be blamed for if someone they manage messes up—this stands in stark contrast to the way people contextualize management in the U.S., where people tend to think more about the advancement and greater power they’ll enjoy. This difference in contextualization radically affects the culture of management in said countries and how management interacts with employees.

*We eventually ended up addressing our Peruvian team’s dislike for management positions by encouraging our best performers to hire family members they could train and manage. This functionally broke our Peruvian teams into family-based siloes, which goes against literally everything they teach you at Stanford Business School. When you operate in a different culture, sometimes you need to learn to adapt to that culture rather than force your practices on them.*

## How Personal Social Rank Changes Behavior

The foundations of the dominance hierarchy system developed at least before our most recent ancestor split from chimps and bonobos, and probably as far back as our pre-simian ancestors, as many simian species utilize dominance hierarchies. The effect social rank has on our behavioral patterns is deeply baked into our unconscious.

Research has consistently shown an individual's self-perceived dominance in a situation alters everything from tone of voice to pheromones, risk-taking behavior, monogamy, posture, gate, and even arousal pathways (we discovered the arousal pathways effect through a study we conducted for *The Pragmatist’s Guide to Sexualit*y). We point this out to dispel any lingering hopes that this is a minor system that can be ignored or dismissed when navigating governing structures.

Consider that unemployed individuals have much lower testosterone levels and those lower testosterone levels will change both a person's behavior and body composition. Your biology will literally adapt to your position in society, which is kind of nuts.

## Self-Image Reinforcement and Leadership

Aside from dominance hierarchies’ influence on group interactions, there is one more “pre-installed system” in humans that must be considered in attempts to predict how people will react within the context of governing structures: The self-image-reinforcement system.

The self-image-reinforcement system is the part of our psyche dedicated to maintaining a specific image of ourselves. About a third of *The Pragmatist’s Guide to Life* is dedicated to understanding how this system functions and how it can be altered, as on an individual basis it drives most of a person's behavior.

How does this system work? When you have an imaginary argument with someone in your head long after the real argument ended, you are creating a model of that person in your brain. Your brain is emulating the way it thinks they will react to things using something called a “mental model.” Essentially, your brain separates out a part of itself and runs a predictive model of the other person's brain on that part of your consciousness in the same way a Mac computer can run a PC emulator on top of its operating system.

We don’t just create emulations of other people; we all have at least one emulation always running in the background of our psyche that models our perceived self. This emulation is used to drive your behavior when you are not really paying attention to life (about 98% of the time in even fairly lucid people).[[23]](#footnote-23) This social simulation program is also used by your brain to determine how to emotionally react to various scenarios.

All of this is relevant to governance because many governance structures rely heavily on a single person, their decisions, and their actions: A king, CEO, dictator, pope, general, president, etc. The fact that these individuals’ day-to-day decisions and sources of happiness are often driven by an unconscious system instead of logic has a massive impact on how governments run. Just as we must consider dominance hierarchies when studying units of government centered around boards and councils, we must factor in self-image-reinforcement systems when studying units of government run by a central figure of authority.

The most important thing to note about this system is that it is highly susceptible to feedback loops, which can cause those with concentrated power to care less and less about the wellbeing of others and more about their own perceived power within the system. This is well backed by research, with empathy lowering with increased power and wealth.

Anyone from the supervisor of a coffee shop to a dictator can fall prey to this dynamic, though it is more dangerous the higher in the system an individual rises. Historically, this effect has been moderately ameliorated by reminding the individual in charge at the top—be they a pope or a king—that they are themselves servants of a higher power. When presidents and CEOs came into vogue, this changed to: ”You are actually a servant of the people” or “You are actually a servant of the shareholders.” Famously, during Roman triumphs, a type of slave called an Auriga would whisper into the ear of the victorious commander "Memento Mori" ("remember you are mortal"). These methods are only moderately effective.

Fortunately, there are ways to mitigate the effect of this snowballing lack of interest in others’ wellbeing, such as short and strict term limits (which, alas, have their own negative effects we will explore soon). Theoretically, a society might also contextualize rulers as having lower social rank than the general population, but we haven't seen groups do this much yet. We will explore ways to manipulate these types of systems to create better functioning governments toward the end of the book.

Instead of encouraging people to make the most logical decisions, the self-image-reinforcement system pushes them to maximize their ideal self image. A leader may make a decision that, instead of maximizing the good of his stakeholders, maximizes his perceived power to others—or more commonly a decision that he believes makes him look good (this is commonly cited as “virtue signaling”).

Virtue signaling is dangerous as it allows an individual to feel like they are addressing system-wide mandates when ultimately engaging in acts of vanity. A CEO might appoint a female COO and assume he has made a difference in increasing workplace gender equality rather than carefully analyze company hiring and promotion dynamics and launch new policies.

The virtue signaling system makes it very hard for an individual to see themselves as the “bad guy.” The longer a person is in power, the harder it becomes for them to contextualize their actions as potentially “bad.” If you are building a governing structure with a position of central authority, you must establish fail-safes that anticipate this turn of events at least 30% of the time a person is in power for more than half a decade.

Should you find this system interesting and wish to explore it in greater detail, review Part III of *The Pragmatist's Guide to Life*.

# Cancer and Institutional Immune Systems

The larger and older an animal is, the more susceptible it is to cancer. Only one cell need become “selfish,” replicating in a way that benefits only itself and not the wider organism, in order for cancer to take hold. The more cells there are in an organism and the longer they stick around, the higher the probability that any one of them “turns selfish.” Governances function in a similar fashion: The larger and older a governance structure becomes, the more likely it becomes to develop cancerous departments and functions that exist more to justify their continuation than to benefit the organization as a whole.

Think of a governance structure as a substrate on and within which parasites can evolve. Parasites that are better at staying alive are more likely to continue to exist and those which are better at redirecting resources to themselves are more likely to grow.

I write this sitting in New York—I would not be surprised if the city created at least ten temporary projects dedicated to road maintenance a year. Likely the vast majority of those projects function as intended, self-destructing after a few years, but every now and then one is structured in just such a way that it does not self-destruct. The city governance has something of an immune system that hunts for these inefficiencies and shuts them down, but given the size and age of the city, some persist beyond their utility, undetected. Worse, some projects come to amass power by redirecting resources to themselves in the same way a cancer can hijack the blood vessels around it to get a disproportionate amount of resources while others regularly fracture and spread throughout the wider organization, taking root in new departments in the same way a cancer metastasizes.

If you have two governance structures designed to fulfill the same task, but one contains some additional “code” that redirects resources to promote its continued existence while the other does not, the governance structure with the “selfish code” will intrinsically have a higher probability of existing in the future (outside of institutional immune systems designed to target and kill branches with this type of code). Governance structures that have it in their “code” to self-replicate also have a higher probability of persisting—in some format or another.

What makes these cancerous polyps particularly dangerous is that they often still serve something of a purpose. The best way for them to counteract an organizational immune system is to appear useful or critical to an organization’s function—siphoning organizational resources to more loudly promote the anemic value they do provide.

In animals, cancer can sometimes evolve to become contagious. A famous example comes in the form of Canine Transmissible Venereal Tumor (CTVT) which is a transmissible dog cancer.

*Cool side note: The cancer originally developed in a native American dog. Almost all Native American dog breeds are now extinct (the few that claim to be are not, for example, the Chihuahua and Xoloitzcuintli (Peruvian hairless) retain 4% and 3% of their pre-colonial ancestry respectively). This means that while native American dogs are now functionally extinct, they live inside many other dogs.*

Cancerous governing dynamics can spread between organizations just like CTVT if they are effective enough at self-replication and self-preservation, often using organizational resources to exaggerate a problem they claim to be solving. In worst-case scenarios, entire industries can spring up promoting these diseases. Just like real diseases, they can compete with each other for resources, with one more effective disease sometimes driving another to near extinction—consider the effect the anti-racism training industry has had on the workplace sexual harassment training industry.

This is not to say that racism and sexual harassment are not problems worthy of attention but rather that the [insert-bad-behavior-here] training industries hide from organizational immune systems so effectively because the problems they claim to address are real. If the problems were not real, it would be much easier to identify and expel the disease. It is the acute nature of problems like racism and sexual harassment that makes them such effective forms of camouflage for cancerous entities.

It is the fact that those perpetuating the cancer can justifiably exclaim: “How *dare* you question spending on X issue?” that makes it so easy for self-perpetuating inefficiencies that hide from organizational immune systems to exist in these industries. Anyone who cares about the issues more than the industry will be interested in pointing out their susceptibility to inefficiency. (We say this as things like diversity training exercises have shown to only be remembered for a day or two.)[[24]](#footnote-24)

As with real cancer, these cancerous governing bodies cannot be entirely evaded. With enough time and institutional size, toxic governing bodies will always appear and after enough iterations will always overpower an organization's immune system, slowly weighing down the governance structure like a hulking behemoth struggling to lumber—struggling even to breathe—under a mass of cancerous polyps. In nature, cancer is overcome when species regularly wipe the slate clean through reproduction. We see something similar happen as governances with empires that seem to have every advantage in the world over barbarian invaders collapse under their own weight and large companies with trillions of dollars in assets find themselves outcompeted by small startups. Fortunately, the reproductive cycle that addresses cancerous growths in nature can be simulated within human governance systems (more on that later).

One could also strengthen an organization’s immune system. Animals like elephants have some of the best anti-cancer systems of all species to handle being so large and long-lived (humans have one copy of P53—a tumor suppressor—while elephants have as many as 20), but such systems are not without cost. While allergies represent a fairly manageable cost of overzealous immune systems, autoimmune disease—in which immune systems rip out important functions in the search for threats—can render people barely functional. We will discuss tactics for managing this delicate balance later in the book; however, we view organizational cancer as such a critically intractable problem in governance that it must be laid out up front.

# Structuring How We Think About Governance

Someone’s answer to the questions: “How can I make this nonprofit’s board better?” and “What is the optimal governance system for this nonprofit?” would be quite different, with the first phrasing priming an individual to think iteratively and the second priming the individual to develop a new system from the ground up. The lens we use for investigating governance structures must not be shaped by presuming the preeminence of legacy governance models.

When we were developing our school, The Collins Institute (CollinsInstitute.org), we did not ask the question: “How can education be made better?”

Instead, we asked: “What would the perfect educational system look like?”

We are not the smartest of people, yet through a simple change in framing we were able to develop an educational system capable of outcompeting extant models at a significantly lower cost.

If we want to be able to think outside the box and develop novel governance systems, or identify problems with extant systems others might not be seeing, we will need to take as wide a view of governance as possible. If we define governance as “a system for interacting to help a group of individuals synergize their efforts to achieve a common goal,” we can begin to think about the core components any such system would have.

When we break governances into basic components, they can largely be thought of as consisting of interconnected modules, each made up of deciders and selectors. Deciders coordinate the actions of that governance module’s purview, while selectors determine who or what the deciders will be. One governance module can exist nested within another, like a matryoshka doll, with its decider being an aspect of the other governance module’s selector (e.g., three bodies of representatives elected through different means could themselves vote on another body of governance). That might all sound pretty esoteric, so let's dive in to get a better example of what we mean.

## The Decider

All governing systems have a “decider.” This is the mechanism for making group-level decisions.

All deciders are composed of modules that fall into the following four categories:

1. **Executive**: A single entity that makes decisions via a top-down hierarchy (in the vernacular, this individual may be called the commander, emperor, executive, dictator, chief, etc.).
2. **Board**: A group of entities that makes decisions through a systemized pattern of interaction (in the vernacular, this could be called a council, a senate, etc.).
3. **Triumvirate**: In a triumvirate, three entities choose an outcome through a systematic pattern of interaction. While technically a board, triumvirates function quite differently. Unlike boards and executives, the “entity” in a triumvirate is often the input of a separate “decider module” as opposed to a human individual⁠—hence our use of the word “entity” instead of individual. Triumvirates are also unique in that they often include a “rock-paper-scissors” dynamic, with each member being subordinate and inferior to another in some respect—similar to how in the game Rock, Paper, Scissors, each element checks the other in some way and is vulnerable to another in some way.
4. **Policy**: A predetermined, systemized pattern for making decisions. This can range from a complicated artificial intelligence with the potential to learn to a set of simple rules, laws, or traditions. It could even be a mechanism as simple as making a decision with a roll of dice or the shake of a Magic 8 Ball.

To understand how these modules combine like individual Legos to form more complex “decider bodies,” consider the U.S. government. At a high level, it is composed of a triumvirate of one executive module and two board modules (the executive, legislative, and judicial branches) each made up of their own lower-level modules. This triumvirate is subordinate to the constitution and laws, which each represent overlapping policy modules.

*While we concede that the U.S. government is way more complicated than we make it seem in this summary, even its more complicated structures can be broken into modules composed of the above five structures. The U.S. government also serves as a good model demonstrating why the triumvirate module type is fundamentally different from the board type, as comparing the three branches of government to a board feels ludicrous.*

***Bonus Category: AI-Simulated Populations***

*AIs modeled on swaths of the populace make up a theoretical fifth category of decider that has yet to be leveraged but can be thought of as being derivative of the Policy category. To get an idea of what we mean by an AI modeled on one or more people, check out The Infinite Conversation[[25]](#footnote-25) a never-ending conversation between AIs trained on the writings of Bavarian director Werner Herzog and Slovenian philosopher Slavoj Žižek. Presumably an AI could be trained on public discourse to create a dictator that represents the average mindset of the populace.*

*The Collins Institute has a partnership to develop the educational system for a new nation state (Praxis). One aspect of the national education system we have proposed involves building an AI from students’ writings that could participate in their legislative body. This AI, which would be weighted by student engagement—meaning more engaged students would influence this AI more than less engaged students—would act as something like a senator, making educational engagement a means of engaging with and influencing the nation state’s government and community.*

## The Selector

All governing systems have some mechanism for determining who the decider(s) will be.

Selection is executed through one of the following methodologies:

1. **Vote**: Voting is, by far, the most commonly used system, but how it functions can vary greatly.
   1. Who votes?
      1. **Stakeholders**: Individuals who are in some way “part of the organization” Stakeholders range from people born in a country to employees of a company.
      2. **Contributors**: Individuals who have made a sacrifice for the organization. Contributors range from investors in a company to those who have risked their lives for their nation.
      3. **Representatives**: Individuals who have been chosen by another body vote⁠. Chosen voters may be representatives of stakeholders, volunteers, members of certain groups, or voters chosen through another vote.
   2. How are votes weighted?
      1. **Flat**: One vote per voter.
      2. **Proportional**: The weight of each vote is proportional to an exogenous factor⁠. For example, a shareholder’s vote in a company may be equivalent in weight to how much stock they own

*(Note: We have an entire chapter devoted to voting systems, so don’t read this list as exhaustive.)*

1. **Contest**: In this rarely-used system, the decider is chosen through some form of contest such as a fight or race.
2. **Victor**: Sometimes the deciding body is just whoever won the last military conflict. While this determinant is uncommon in stable regions, it dominated the early history of human governance (e.g., The new king is the guy who killed the last one).
3. **Initiative**: Power is wielded by whoever chooses to take action. This isn’t relevant at a national level, but it comes up frequently in smaller systems (e.g., The most influential friend in a group is the one who plans and coordinates the lion’s share of the gatherings, or the CEO of a startup is the person who put their money, time, and reputation on the line to found the company).
4. **Previous Decider’s Choice**: Governance falls to someone named by an outgoing governor, such as a dictator deciding their successor.
5. **Rules**: A system of rules determining the decider could manifest as anything from an advanced AI to a policy like “the oldest male child of the last king” or a system in which individuals are chosen at random from the population.
6. **Dominance Hierarchy**: The decider or group of deciders is chosen through the systems discussed at the beginning of the book (dominance displays and signaling).
7. **Combination**: A system could combine rules (randomly choosing people from the population) with voting (this is how juries work) or combine direct democracy with proportional voting and representative democracy (this yields something called liquid democracy).

That’s really it. Governance does not get more complicated than that. All government structures that have ever existed are made up of modules that can be described by some combination of the above dimensions. While this may seem simple, every one of these dimensions could have a book written on it, exploring anything from term lengths to the effects of how votes are counted. We shall explore a few of these dynamics in more detail, using both case studies and previous research before presenting theoretically better systems.

By exploring a governing body through its component parts, you can easily understand how those components interact and more easily identify dangerous flaws.

## Important Governing Features

While all government units can be described in terms of their decider and selector components, the units’ interaction with other units, information flows, and several other factors significantly influence outcomes and warrant careful consideration.

### Interaction With Other Units

The rules for interaction between subordinate governing structures and other governing unitssignificantly influence the nature of the governance that emerges. Whether or not new governing structures can be formed within an existing one—and the process for forming those structures—significantly shapes the efficiency of a governing structure and the daily lives of those living within it.

Let’s explore a few examples. A group of individuals is largely free to come together and form a company or club when living under the U.S. governance system. This makes it radically different from more draconian systems, which prevent private gatherings or the formation of sub-governance systems like companies. Similarly, many companies might attempt to prevent their employees from coming together to form a union—a sub-governance system within the company.

When totalitarian governments do not wipe out churches, they typically draw church governance into their internal body of governance, converting the church into a fully integrated module within its governing structure to prevent the development of independent governance bodies that may undermine their authority. A similar dynamic can be observed among anti-union companies that incorporate elements of a union into their HR systems. In both cases, the internally-controlled organizations are meant to sufficiently address demands that would otherwise give birth to threatening external organizations.

When exploring a governing body, ask:

* How free are its sub-governing structures?
* How free are its stakeholders to start new sub-governing structures?

It is possible to be loose on one of these metrics yet strict on the other. Contrast the government-religion relations of the present United States of America with those of Medieval Europe. In the U.S., religions are free to form with almost no restrictions, while there are limits to the power a religious institution can yield. While one could not start new religions in Medieval Europe, church institutions were so powerful that clergy members were tried for crimes by separate ecclesiastical courts (troublingly, university students counted as clergy and frequently abused this lighter court structure).

The above case demonstrates what is known as “polycentric law.” Polycentric law describes a situation in which multiple legal systems overlap in a single jurisdiction. This was historically most relevant when ecclesiastic law overlapped with regional law or the law that applied to Roman citizens overlapped with regional law, but in the future it will be important with regard to how law is applied to online communities and moderation.

An interesting related point is the question of whether or not an individual subject to polycentric law can hold a position within a government's decider module. Often it will be argued that the person has “foreign loyalty” and will not make decisions solely in the best interests of that particular governing structure.

Concerns over a person having loyalty to a foreign governing body have historically been used to bar Catholics from public office. This was even considered in the U.S. when John F. Kennedy first ran for office. In these cases, fear of conflicting loyalties typically (to our knowledge) turned out to be benign.

There are, however, exceptions. Consider President Park Geun-hye of South Korea, who capitulated to the desires of a cult, the Church of Eternal Life, while holding office. In this instance, an organization that was supposed to be subordinate to its ruling government unit (in that this cult was entirely contained within South Korea) found itself capable of controlling the unit above it.

Consider this question in terms of governing structures and how they nest within each other.

For example:

* A confederation: A union of sovereign states that maintain autonomy.
* A federation: A union of states under a central authority with a constitutionally entrenched separation of power (as seen with the states within the United States of America).
* Unity state: A central authority that chooses what power to delegate.

Also consider how sub-governing units of different types can interact, as is the case with public-private partnerships in which a private company partners with a nonprofit entity.

The factors at play are (A) any limits to power imposed on the sub-governing structures and (B) rules for forming and maintaining a sub-governing structure:

1. Does it need to pay a fee or portion of its income to exist?
2. Can it be imported from another area? (For example, can a foreign religion enter your country?)
3. Does it require permission to exist or can it form without obtaining permission?
4. Can it be subject to a governing body contained within a foreign government (like the Catholic church or a company with a headquarters in another country)?
5. Can anyone run it?
6. Can it have its own courts? If so, how powerful can they be?

*For an exploration of how controlling the manner in which information moves around a governing system affects its behavior, see: Information Flow on page 308 of the Appendix.*

### Big Brother, Little Brother, and Phantom Brother

When it comes to information flow, unrestricted state or corporate government use of personal data—such as private conversations—is often a concern. The presence of cameras that may or may not be recording citizens for review by the state or a corporation are certain to change behavior. Every company with remote workers must wrestle with whether or not to demand unfettered access to their computers’ video cameras to ensure employees are actually working.[[26]](#footnote-26)

If you’re afraid of a Big-Brother-style governance structure spying on you, you should be downright terrified of Little Brother. We live in a world in which anyone could make freeware for a phone that passively monitors what is being said in a room, starts recording after recognizing a certain series of words, and uploads what has been recorded to a collective dataset (similar to those found on places like 8chan).

Parents might download apps to their kids’ phones or laptops that listen for when a teacher uses politically sensitive terms and record the following ten minutes. Groups may conceal old phones under seats in spaces where high-profile figures mix to listen for offenses they can subsequently publicize. Religious extremists may leave phones recording video in well-known gay establishments and subsequently upload the data to a collective database where clips are automatically run through facial processing software.

How governance structures handle the threat of Little Brother will be a defining aspect of their future operations.

In addition to Big Brother and Little Brother, we have Phantom Brother. While Big and Little Brother cause behavioral change as a product of possible monitoring, Phantom Brother causes behavioral change not through surveillance but rather by creating the “aesthetic of monitoring.” For example, if a pair of eyes is painted on a donation box, experiments have shown that individuals will donate significantly more money.[[27]](#footnote-27) We have not seen governance structures extensively use these systems yet and even we have hesitated to put them into practice in our own companies.

### Success Metrics

Filters that determine who is given power, like the Chinese Imperial Exams and the actions of the Khmer Rouge, affect the governing structures those people enter. The metrics used to determine whether someone may move up within a governing unit’s hierarchy have a similarly profound effect.

Two examples of system failures resulting from mechanisms for promotion demonstrate different ways this effect can cause a system to fail: Mao's Great Leap Forward and the current system of academia.

#### The Case of Mao’s Great Leap Forward

During Mao's Great Leap Forward, governors were rewarded with advancement based on specific production metrics that were determined by the output of other governors. This system encouraged governors to inflate their output, which in turn created unrealistic expectations for other governors, ultimately forcing all players to inflate their numbers. Ultimately those more willing to lie, rather than those who were effective, rose in rank, and China’s central authority was forced to make decisions based on increasingly bad information.

Starvation became so common that a cultural tradition arose in which families would swap children so parents wouldn’t have to eat their own to survive. By some metrics, more people died during just this five year period than during the entirety of the American Slave Trade. We flag this as many people hear the word “inefficiency” and have trouble imagining the scale of suffering and death that can result.

We often ascribe “evil” that results from malice as somehow being worse than that which results from incompetence and disinterest, but when you are trading your infant with that of another family to avoid the added emotional pain of your family eating one of their own, I doubt it matters to you how you ended up in that position—only that you did.[[28]](#footnote-28)

*Note: This is why the free market has been relatively effective at reducing famines and mass starvation when contrasted with centralized governing systems. While the free market is much more susceptible to problems relating to the tragedy of the commons[[29]](#footnote-29) (e.g., environmental issues), free markets are highly resistant to inefficiency resulting from misinformation when contrasted with other forms of social structures due to systems at lower levels of production being more “closed.”*

*If a company is not producing as much grain, it is hard for it to fake this failure as it relates to the company’s profits and the company’s impact on the economy will intrinsically shrink as a result. Even if a company did successfully find a way to fake production quantities, this would be a short-lived phenomenon due to short sellers.*

*Short selling allows any individual to make a fortune if they successfully catch a company lying about something material to their profit, short them, and release said information. In non-capitalist systems, the reward for identifying misinformation about quotas is minuscule and doing so could even get an individual killed. (Note: Capitalist societies don’t fare much better in tragedy of the commons issues; we are only referring to shortages driven by misinformation.)*

#### The Case of Modern Academia

An individual's status within the academic system is determined in large part by their h-index—a figure indicating how many people have cited papers they have authored or co-authored. As academics are incentivized to publish papers that will get citations, most don’t bother to publish studies with results that reinforce the status quo. This adverse incentive produces variance within more subjective fields of inquiry and likely contributes to the replication crisis currently plaguing many fields (essentially, people are beginning to find that a large number of widely-cited studies are not reproducible).

Worse, the current system for entering academia essentially forces people to choose the same field of exploration as their academic advisor—or at least something adjacent. If a fledgling academic would like to explore an obscure or unpopular subject, they will have great difficulty finding an advisor, end up with a weak network (given the lack of conferences related to their field), struggle to publish research, and see very few people cite any research they ultimately publish.

What does this failure look like in practice? It causes “eddies” of information to form in which tons of effort is spent on specific questions while other questions are completely ignored. This was widely apparent to us when we began drafting a book on early child development. While we found hundreds of studies on the long-term effects of breastfeeding, there was pretty much nothing exploring the long-term effects of epidurals. This is bizarre, as we know that epidurals pool in infants’ brains at four times the rate of mothers’ brains and that a pregnant mother’s consumption of other types of narcotics has a long-term effect on child brain development. Doing a study to look at the effects of epidurals on long-term brain development wouldn’t even be that hard—in fact, we plan to run one after the book is published and don’t expect it to cost more than $10,000.

How can we have whole conferences dedicated to the effects of breastfeeding on brain development and not a single comprehensive, long-term (more than a 15-year effect) study on the effects of epidurals on cognition (IQ, career success, or behavioral issues) even though they are used in 71% of births?

As mentioned, graduate students end up focusing on their advisors’ areas of research—so if a student’s advisor has a schtick around breast milk, they will be pressured to develop one as well. If this student wishes to move up, they will have to publish research on popular topics to ensure their papers get cited. If no one is writing about the long-term effects of epidurals, a study on them will not be cited as much as one on a field associated with a dedicated and active research community.

This sort of eddy isn’t limited to this field—the citation and tenure system of academia has set human knowledge back decades and is compounding. As the system ages, the bureaucracy deepens, and the eddies become larger.

The problem extends beyond these shortcomings. A recent study found that even the system determining what does and does not get published is essentially nonfunctional. One group of researchers found that among papers submitted to two peer reviewers, 50% of acceptance decisions were different, with the correlation between two review scores being only 0.55.[[30]](#footnote-30)

Even when analyzing the exact same data and presented with the same question, researchers come out all over the place. A whopping 29 teams, representing a total of 61 international researchers, were given the same data set to answer the question: “Are soccer referees more likely to give red cards to players with darker skin than to those with lighter skin?” While 69% found a significant effect, 31% found that there was *not* a significant effect.[[31]](#footnote-31)

This was not a one-off finding. In another experiment, 161 researchers working in 73 independent research teams were given the same data set and asked: “Will more immigration reduce public support for government provision of social policies?” Of the teams, 25.4% reported that immigration would have a negative effect, 57.7% reported it would have no effect, and 16.9% reported that it would have a positive effect. The authors of the study could not explain 95% of the total variance in researchers’ conclusions.[[32]](#footnote-32)

There is no system disincentivizing academics from publishing non-replicable research. Research published in even the most prestigious journals is often non-replicable. A full 38% of psychology results published in Nature and Science were non-replicable.[[33]](#footnote-33) This explains in part why productivity in many scientific fields has crashed over the last few decades.[[34]](#footnote-34)

*Having started his career in academia, Malcolm could go on forever about the failures of the current system. Our nonprofit is working to create alternative methods of investigation and information dissemination like the Collins Institute (CollinsInstitute.org). One solution to the adverse incentives fueling these failures of the higher academic realm involves an end to government-backed student loans. In addition to preventing millions of children from screwing up their lives with inescapable debt, eliminating government-backed student loans would force academic institutions to cease operating as self-perpetuating machines exempt from consequences for failure and instead begin equipping people to be productive members of the modern economy.*

### Judging the Quality of a Government

The metrics used to determine a governing body’s quality are far more interesting than you might imagine. From a pragmatist’s perspective, the quality of a thing should be judged by how well it achieves its purpose—but such judgments are not straightforward.

#### The Will of the People

Suppose a democracy's goal is to act on the will of its citizens. In a region populated with both a modest number of long-term landowners who plan to stay their whole lives and a greater number of short-term renters who plan to leave after half a decade, whose will matters more when the landowners’ and renters’ interests conflict?

Landowners benefit from improving the quality of the neighborhood and have more “ownership” of the neighborhood due to the financial sacrifices they made to cultivate it. Renters make up more of the population of the neighborhood and along *that* metric have more “ownership.”

Renters will favor governance that deprioritizes long-term benefits in favor of short-term gains (such as low rents at the expense of gentrification that improves the overall area) whereas landowners are incentivized to vote for governance that makes short-term sacrifices in favor of long-term gains (such as gentrification that augments property values—but also raises the local cost of living). In such a case, what does a “competent” government do if competence is gauged by the extent to which the government acts on the will of the populace?

Democracies are rife with confusion over the actual will of the people. The will of the people often requires more honesty than most are comfortable providing. Furthermore, the will of today’s people often conflicts with the will of the people in the future. Consider draconian U.K. porn laws outlawing any porn depicting someone who is plausibly being hurt as an example of the former[[35]](#footnote-35) (something consumed by more than half the populace but that no one wants to be seen supporting publicly—see: *The Pragmatist’s Guide to Sexuality*). Climate change presents an example of the latter (something that, if ignored, benefits society over the short term while compromising society over the long run).

#### Creativity

It can be beneficial to judge governing bodies on the creativity with which they develop strategies for achieving their goals. Is the governing body capable of forming and acting on totally new ideas—or is it only capable of iteration? Governments often lose the ability to form novel strategies when total failure is punished too fervently or when large leaps in efficiency are rewarded only a little bit more than baby steps.

This is one reason why capitalism is so effective as a sub-governance model despite its many shortcomings. Rather than rewarding a large leap in efficiency with triple the salary and a more secure job, as is common in non-capitalist systems, capitalism rewards leaps in efficiency proportionally to their impact on society (with billions of dollars), all while putting the cost of failure almost entirely on the individual and those who believed in said individual, such as investors (which minimizes downside risk to society). (Note: The U.S. is not a “pure” capitalist country, which is why it occasionally bails out businesses and industries “too big to fail.”)

For an example of how creativity is stifled in non-capitalist systems, read up on the development of the T-72.[[36]](#footnote-36) In innovating this tank’s design, Major General Kartsev ignored the prescriptions of a better-connected team because he believed he could develop something better. While was right (and his designs are now widely used), the rewards for “winning” were given to the team he defied and he was stripped of all his positions for daring to challenge his well-connected “superiors.” Why would someone invest in innovation in a system that punishes those who disrupt the status quo?

#### Efficiency

In a similar vein, one might judge governing quality by evaluating how costly it is to get the component parts of a government to move. Network management theory asks how something like local government should be structured to efficiently incentivize the pursuit of its goals (such as making an area nicer) without creating wasted “energy.” How do you create a governance system that offers the minimum necessary reward in order to incentivize desired behavior? This type of question is called “enoughsmanship.”

#### Friction

Consider excess heat put off by team disagreements (where we return to our previous analogy with heat being money lost due to friction). How much is the system hurt when two components bear animosity toward each other and how frequent are those types of occurrences? Yet again, capitalism is well suited to address this problem. In capitalist systems, teams that hate each other are able to turn that hatred into competitive fuel with minimal loss. The less “efficient” economic unit plays a smaller and smaller role over time in a healthy capitalist system.

#### Longevity

A governing body’s success could be judged by its tenure—how long it existed as originally designed—but even this is a more nuanced measure than one may think. I (Malcolm) got my undergraduate degree at St Andrews University in Scotland. At the center of the university was a collapsed cathedral—one of the most beautiful sites I have seen in my life. The state into which the cathedral had collapsed had remained largely constant for hundreds of years, as could be seen from old pictures. The cathedral had actually been in this static “ruined” state for a longer period than it was in its “operational” state. Often the form into which a thing collapses is more stable than its original design. In terms of governance structures, something similar can be seen in the form of the U.S. government. The U.S. government was explicitly designed to prevent many of the things that are core to its function today—like citizens voting directly for a president, party systems, a strong judiciary and executive branch, etc. Yet, few would call the U.S. a failed state or even ineffective at achieving its founders’ goals.

*To explore enforcement mechanisms used in governance systems as well as common points of inefficiency like rent-seeking and the flypaper effect, refer to pages 317 and 318 of the Appendix.*

## Size

Perhaps it is almost axiomatic at this point, but smaller governing structures are more efficient than larger ones—both among state governing bodies and their private counterparts.

Take a quick look at the World Economic Forum’s list of the top five most efficient governments, which is currently topped by Singapore, Qatar, Finland, Hong Kong, and the United Arab Emirates.

This is true even at companies thought to be effective: For example, I, Malcolm, was hired for a managerial position at Google. What position? The system couldn’t figure that one out. After waiting for nearly half a year for Google to find me a job after extending a formal offer, I quit out of frustration. Google is typically thought of as being uniquely efficient for its size, but even this paragon of innovation can barely function when contrasted with smaller companies. While this effect is annoying, it benefits innovation by giving small businesses a means of competing with economies of scale that would otherwise grant large companies a perpetual advantage.

*Further reading:*

* *For an analytical breakdown of this phenomenon by the European Central Bank, see: Public Sector Efficiency: An Internal Comparison.[[37]](#footnote-37)*
* *To peruse the counter-perspective, see two detailed articles by Ed Noelen: “Quality of Government, Not Size, Is the Key to Freedom and Prosperity” and “They Go Together: Freedom, Prosperity, and Big Government” in which Noelen essentially argues that personal freedom increases with government size—where personal freedom is defined only by education, health, and personal safety (a correlation that disappears when one controls for quality of governance and GDP). From our perspective, the core piece of evidence this analysis does not take into account is the absolute—rather than relative—size of a governing body (e.g., the U.S. has a bigger government than Finland in absolute size, but this analysis would show it as having a smaller one). Even with Noelen’s dataset, the trends he shows reverse once absolute size is taken into account. In other words, after a governing body reaches a certain critical mass of staff or wealth under management, it begins to see a steep decline in efficacy.*

At the expense of allowing our personal politics to shine through, this effect is why large governing structures are so fundamentally terrifying.

**Large governing structures lead to inefficiency. Inefficiency leads to scarcity. Scarcity leads to desperation, evil acts, and even larger governing structures. Through this process, larger governing structures inevitably lead to evil. A governing structure will only be able to address a social problem with efficacy if some artificial constraint limits that structure’s size. This is why socialism works in small countries, communism functions smoothly in small communities like kibbutzim, and communism works *really* well in very small units like your family. Yes, the cliché American family is basically a microscopic communist government. What healthy family unit does not operate under the axiom: “From each according to his means to each according to their needs?”**

As Yoda might put it: “Large governments are the path to the Dark Side. Large governments lead to inefficiency. Inefficiency leads to scarcity. Scarcity leads to fear. Fear leads to anger. Anger leads to hate—and hate leads to *suffering*.” Aaaand *that* is why the megacorp Disney can’t consistently make a good Star Wars movie.

Why do large governing structures inevitably lead to inefficiency? Outside of the cancer problem already discussed, there are two core factors at play—factors we’ll call the “square cube law of governance” and the “bleed amelioration problem.”

In their paper “Slowed canonical progress in large fields of science”*[[38]](#footnote-38)* Johan S. G. Chu and James A. Evans note:

“The size of scientific fields may impede the rise of new ideas. Examining 1.8 billion citations among 90 million papers across 241 subjects, we find a deluge of papers does not lead to turnover of central ideas in a field, but rather to ossification of canon. Scholars in fields where many papers are published annually face difficulty getting published, read, and cited unless their work references already widely cited articles. New papers containing potentially important contributions cannot garner field-wide attention through gradual processes of diffusion. These findings suggest fundamental progress may be stymied if quantitative growth of scientific endeavors—in number of scientists, institutes, and papers—is not balanced by structures fostering disruptive scholarship and focusing attention on novel ideas.”

Chu and Evans found that “when the number of papers published per year in a scientific field grows large, citations flow disproportionately to already well-cited papers; the list of most-cited papers ossifies; new papers are unlikely to ever become highly cited, and when they do, it is not through a gradual, cumulative process of attention gathering; and newly published papers become unlikely to disrupt existing work.”

### The Square Cube Law of Governance

In biomechanics, the square cube law explains why animals and cells cannot exist beyond a certain size. In technical terms, it states that as an animal scales up in size, components like muscular cross sections must increase by the square of the scaling factor while the animal’s mass must increase by the cube of the scaling factor.

In other words, if you made a person ten times taller than a normal human, they would weigh 1,000 times as much as a normal human and every square inch of their giant bones would have to support ten times the weight.

The relevance of this biological law to governing bodies is related to heat transfer and specifically the chemical processes required for life to generate and diffuse heat in order to maintain a temperature range conducive for function. As an animal scales up in size, its surface area increases at a dramatically lower rate than its volume, meaning each inch of surface area has to diffuse more heat. (As an example, a one-foot cube has 1/27 the volume and 1/9 the surface area when compared to a three-foot cube.)

Why is this stuff relevant to governments? Recall that in biology, unused energy is generated in the form of heat. In governments, unused energy is shed in the form of money, time, and/or labor. Even with zero corruption, every new aspect of a governing structure needs to interact with all the other aspects and all those interactions require new people to manage them, new rules, and new experts in those rules. While a government composed of two units has a single line of interaction that must be managed, a government composed of four units has six lines of interaction that must be managed.

In nature, this complication can be mitigated. For example, if you put an animal in water, heat—as well as the structural integrity of support systems—is less difficult to manage. This enables oceans to harbor organisms above the normal size possible on land, like a blue whale.

What sorts of contexts or environments might allow governments to more easily function despite their large size? Theoretically, one could create a social structure that mitigates the flaws inherent to human nature. Unfortunately, this only really works in cultures with a fascist level (to an American) of conformity and adherence to authority (see: China) as well as a disgust for personal wealth displays (see: The Law of Jante in Nordic countries).

*Note: The Law of Jante characterizes nonconforming, unusual, or personally ambitious behavior as unworthy and inappropriate and is a driver of social interaction in Nordic countries, allowing groups to function with a greater level of socialist infrastructure than other countries can handle. As a world perspective, the Law of Jante is antithetical—and borderline abusive—from the perspective of an American mindset. This explains why some systems work in Nordic countries that would never work in America.*

### The Bleed Amelioration Problem

To understand this problem, compare the average corruption of a nation’s congressman with that of its president. The average president is dramatically less corrupt than the average congressman and if Congress were 20 times larger, the average congressman would be even more corrupt.

As the number of people participating in a governing unit increases, the system's ability to single out and neutralize bad actors decreases. This is due to four confabulating factors:

1. Detection becomes harder as the number of players increases.
2. Motivation to expend energy to fix a bleed decreases as the number of players increases.
3. Personal responsibility for problems decreases as the number of players increases (see the bystander effect).
4. The ability to replace bad actors with equally competent and influential players decreases.

Why is it so difficult to find competent people? Simply put, competent people are just not that common—a challenge anyone who has run a company is oppressively aware of.

An additional factor compounds the problem: Factionalization increases in step with size. The more players there are in a system, the more “team membership” begins to matter more than individual competency (e.g., Voters typically vote along party lines rather than in favor of competence or lack of corruption).

*Note from the Research: The bystander effect cited above involves humans expressing less empathy as more people are present. Essentially, the more people there are present to observe a terrible thing happen to someone, the less likely it becomes that any individual will step in and intervene—likely because they feel less personal responsibility. This is why people feel less personally responsible for immoral action when operating within a large group of people (such as the United States’ House of Representatives or United Kingdom’s House of Commons).*

### How to Optimally Approach Large Governing Body Design

How might we address this problem? If we must create a governing structure within some large corporation or country, do we break it into pieces and have those pieces function autonomously?

Breaking governing structures into autonomous pieces only kind of works for two reasons:

1. Large, central governing structures between these individual units will initially be created for situations in which there is a strong size advantage (as with the military or in foreign relations) and situations in which less variance is highly desirable (like economy management and monetary practices).
2. It is virtually impossible (without military conflict) for smaller governing units to take power back from the larger, central governing structure under which they are nested. This means that over a few hundred years, power will consolidate with a single governing unit. Basically, it is nearly impossible for a small thing to take power from a big thing while it is easy for a big thing to take power from a small thing.

The negative effects described above can be ameliorated by lowering the overall number of humans operating within any governing body involved. Fortunately, this is more possible today than it was in the past. Whereas in the past, governing bodies were forced to use humans to execute most elements of their function, we now enjoy technology that enables algorithms and machines to do most of the required legwork.

We personally keep our organizations lean and efficient by, whenever possible, avoiding direct management layers (people responsible for overseeing work performed by other people) and automating as much as possible. Our employees are almost entirely focused on value creation, rather than bugging other people to do their jobs.

Minimizing human involvement enables organizations to do very big things without becoming big (and inefficient, corrupt, etc.) themselves.

This solution is not without potential drawbacks. Should larger organizations eliminate excess human involvement to the fullest extent possible with current technology, they may become more efficient in a way that stifles long-term progress. The present inefficiency of large companies acts as a “shadow tax,” preventing them from completely crowding out small players more likely to be run by people with new ideas.

While in rare instances it makes sense to do so, there are two strategic reasons why governments don’t break up monopolies with greater frequency. First, many economic spaces—typically those with high startup costs and huge economies of scale (e.g., search engines)—engender the creation of something called a “natural monopoly.” Breaking up a company in these industries makes no sense and decreases efficiency as such spaces will return to a monopoly shortly after the breakup in the absence of heavy, ongoing government interference. Second, breaking up monopolies may hobble some of a nation’s strongest multinational actors—its large companies—which would in turn reduce the nation’s global power. If one nation in a global economy keeps breaking up its companies, it will ultimately empower the large companies of its geopolitical rivals.

As management becomes increasingly easier to automate, a “wealth tax” on companies would yield a more elegant solution than monopoly busting. A wealth tax of this sort would scale based on the company’s value, as measured by its stock price (or the price of comparables in the case of private companies). This would artificially weigh down dominant players, making it easy for innovative newcomers to compete.

By designing this pro-competition policy as a wealth tax rather than a progressive, scaling tax on profits, large companies would have greater difficulty evading it (a progressive tax would need to be independently determined for each industry). Besides, markets are better at efficiently judging the true value of a company than measures of top-line revenue, which would require criteria that vary from industry to industry. This policy allows monopolies to exist while somewhat tempering their ability to smother innovation. This policy would also prevent a problem common in innovative industries in which VCs flood a company with money, allowing them to sell their services below cost, as doing so jacks up those companies’ valuations.

While aggressive taxation on corporations is typically a strict negative, natural monopolies yield an exception as companies enjoying them don’t accelerate innovation or meaningfully improve citizens' lives (rather, they are monopolies merely due to an accident of the markets in which they find themselves). The one downside to a wealth tax on large corporations is that it may disadvantage a nation’s largest corporate players on the world stage as they must compete with foreign counterparts that operate without hindrance. This could be mitigated by not only waiving taxes on companies’ foreign profits, but also giving them a domestic tax break that scales in step with the amount of money repatriated.

# The Outdated Debate: Socialism vs. Capitalism

While there are still some who argue for actual socialism (that is, control of the means of production by a governance structure made up of workers) and unfettered capitalism, such viewpoints are incredibly rare among the mentally stable[[39]](#footnote-39) population these days. Heck, even most right-leaning people believe in some form of social safety net and wealth redistribution while even those on the far left believe in the exchange of money for goods and services.

Over the last century this can be seen both on the individual and state level, with almost all traditionally “communist” states shifting to a more free exchange of goods (with the exception of North Korea) and all capitalist states—without exception—expanding their social welfare programs.

Imperceptibly, the debate has shifted from one of socialism vs. capitalism to one of centralization vs. decentralization.

Specifically, debates center around whether systems designed to distribute resources or capital to projects should be:

1. Designed through a centralized system and manned by highly educated/specialized technocrats (a “command economy”)
2. Organically determined through decisions made by stakeholders in the field

This question of centralization vs. decentralization is most prominent in debate over globalism vs. nationalism.

## Globalism vs. Nationalism

Throughout the last century, political parties in most developed countries have typically been divided by their alignment with socialist or capitalist ideals. In this century, we expect the core political divide to pivot around globalism vs nationalism.

While this does somewhat shift the terms of the debate, the core question remains the same:

Will society function better with a centralized system in which resource allocation is managed by highly trained technocrats (this time at an international level) or a decentralized system, which prioritizes organic sorting at the local level?

This book isn’t really a “politics book,” so we won’t dive too deep into this topic as we expect it to become more partisan with time. That said, we think the history around this subject makes the optimal outcome fairly obvious: The system will eventually reach an equilibrium that favors decentralized structures, but only loosely (if society is on a slider between centralized globalism and decentralized nationalism, it should be 70% in favor of nationalism and decentralization).

This debate's equilibrium point is predetermined as it involves many of the same questions posed by the previous capitalism vs. socialism debate but at the super-national level: “How much do we want a command economy vs. realms in which decisions are made organically by people closer to the problems at hand?” Nothing has fundamentally changed about these questions. This won’t be true of the *next* centralization vs. decentralization debate, which we expect to be centered around AI vs. human-run systems. We say this, as most of the failures of historically human-run centralized systems can be addressed by AI.

## Automation vs. Power to the People

Why is the debate over AI going to be so contentious? We run Pronatalist.org and often hear people dismiss demographic collapse as an issue (demographic collapse entails a future with a large elderly population and a minuscule young population, which causes a myriad of problems, one being that nations’ young populations become unable to support elderly populations’ state reliance through tax contributions). Those dismissing demographic collapse cite an increase in automation as the solution. **Automation always and everywhere consolidates power—it never distributes it.**

Every single time in human history that power (without bloodshed) has gone from the wealthy and powerful to the have-nots, it was because the powerful needed the have-nots and were dependent upon them for something. In the first democracy, Athens, this happened because naval warfare carried out via triremes—which secured the trade routes that generated income for the wealthy—required a huge population of low-skill fighting men. Before that, fighting men needed to be equipped and trained, meaning that only land owners with an income stream were useful in war. Triremes made it so that the wealthy needed to at least *pretend* to care about the opinion of the average man.

The same thing happened with the termination of serfdom and monarchies. The Black Death lowered the number of available workers, which granted surviving workers greater negotiating power. That negotiating power eroded the power of the elite.

A similar pattern can be seen at every point in history in which power flowed from the elite to the average Joe.

A person excited about automation freeing them from labor is like that idiot in a movie who is promised freedom by the villain only to be killed at the scene’s end, with the villain saying: “Of course I mean freedom from your mortal coil.” It’s that moment in Clerks when the guy says, “I always said this job would be great if it wasn’t for the customers,” and we all laugh.

Labor is what gives the average citizen power. Automation makes it so people with power no longer need people without it to get everything they want in life. **Automation doesn’t free the average man from labor; it frees the elite from the average man.**

What makes this whole situation somewhat more sickening is the speed with which people are throwing themselves into the wood chipper of automation. We, personally, didn’t choose automation because we *wanted* to, but out of a rising disgust with the incompetence and sloth inherent in human nature. We automated our companies not because it was cheaper but because B and C players kept making mistakes that hurt our customers and our simple conditional algorithms never did.

The process of largely automating our businesses made it clear to us how delusional people are when they say the average workers of the world will come together and demand power from the elite. You and what army? Even if the elites of the world didn’t have veto power over the use of any state-level military force, they would still have all the fruits of automation to defend themselves, be they drones or autonomous tanks.

But we all know it will never come to that—the average person is too lazy to do anything. Venezuela shows us how bad life can get before the people try to claw back power and how unrealistic taking back power will have become by the time they try.

Automation is the cheat code that breaks the system used by small players to occasionally outcompete large players and thereby access social mobility.

Automation frees the bourgeois from the proletariat and its progress cannot be stopped. Any new Luddite[[40]](#footnote-40) movement will inevitably fail. Why? Because if you stop progress in your nation, it will charge onward in another, giving that nation more resources and eventually the ability to assert control over your own. This leaves you in conditions worse than those you would suffer under automation.

We get that we are hammering this point home ad nauseam, but you must understand that your only hope in this game is to become one of the elite or join forces with a governance structure that is resistant to corruption and incentivized to protect you and your descendants. We are working on creating such a structure, so keep reading.

## The Real Difference Between Progressives and Conservatives

People often argue that political parties in the United States aren’t that far apart on most issues, meaning voters don’t have much genuine political choice. The reason our parties have converged on many issues is that most of the older “hard questions” in politics now have largely agreed-upon answers. Those who make this argument often want a party that promotes an idea or economic system that is widely known to not function.

Similarly, people often complain that the distribution of political issues between parties can feel random. Why does the party that promotes “small government” also promote things like abortion bans or bills restricting school-based exposure to sexual identities (e.g., the “don’t say gay” bill)? Why is the party that claims to support religions which mostly want to help the poor not a staunch advocate for state-based support programs? While it can seem as though the parties’ position statements emerged serendipitously, each actually represents two very easy-to-understand optimization functions:

**Progressives optimize for *intragenerational* quality of life and individual agency.**

**Conservatives optimize for *intergenerational* cultural fitness and fidelity.**

While the progressive’s primary unit of account in society is the individual, conservatives’ focus pivots around durable cultures. To be clear, conservatives don’t think of their actions along these lines—rather, they follow their cultural mandates and those mandates evolved over time to impart intergenerational fitness. Throughout history, cultures that were more accepting of LGBT issues or abortions had lower birth rates and died out. For that reason, most successful (in that they have a lot of reach) traditional cultures are against those things.

In the same breath, most traditional cultures also offer strong social safety nets—in fact, social support is one of their primary selling points. When a state starts offering those same services, the culture’s relative value within its community degrades and it will bleed members at a higher rate. While few groups are more *functionally* communist than the most conservative evangelical communities or the Amish, they are communist *within their community units*. A state offering those same services can trigger the extinction of traditional cultures, as can be seen with the Shakers who, being a group that didn’t have sex, died out when the government began to offer state-run orphanages (before that, most Shakers grew up in Shaker-run orphanages).

Even the most ardent progressive will likely concede that intra-community social support networks run by conservative cultures are dramatically less wasteful with resources than state-run alternatives (perhaps even hundreds of times less). Progressives are more likely to see cultural support networks in a negative light because conservative cultures often use resource exchanges to promote their cultural values (consider the Salvation Army's history with the trans community as case in point) and will sometimes exclude cultural outsiders (though this is not always the case).

We might be ambivalent as to which perspective is more “correct” if the progressive mindset had not begun to falter in motivating at-or-above-replacement-rate birth rates starting in the 1970s. This failure to self sustain through birth rate (rather than conversion) is a big problem with progressive political branches. In the absence of a sustainably growing (or at least stable) population, they have begun to aggressively force children from diverse traditional cultural backgrounds to attend public school, where their traditions are more likely to be erased and replaced with society's dominant cultural mindset.

*Note: This is not an intentional process but an evolutionary one. The iterations of progressive culture that did not aggressively adopt this strategy have died off and been replaced with the ones that did.*

As slaver ants are unable to breed worker ants of their own, they raid the colonies of other ants, bring back the pupa, and cover the pupa in slaver ant pheromones to confuse them into thinking that they, too, are slaver ants. These pupa then work for and feed the slaver ants of their own “free will.” Because these pupa now grow up into ants that don’t breed, slaver ants must constantly raid other ant colonies for new recruits in order to sustain their own populations. This works because slaver ants and non-slaver ants maintain a functional equilibrium between their populations.

Progressives have become unsustainably effective at converting people out of conservative cultures, like slaver ants that exhausted all of their surrounding feeder colonies. Regardless of your thoughts on the ethics of this current iteration of the progressive movement, its present level of societal domination, combined with its low birth rates, cannot be sustained without very negative long-term ramifications that we explore in detail in *The Pragmatist’s Guide to Crafting Religion* but don’t cover here in an effort to not get too political.

## Communism

Let’s explore communism as a political philosophy that can influence a governance structure. It’s a little off-theme for the book, but a fun discussion nevertheless.

When pro-communist individuals push their agenda, the classic refrain is: Real Communism Has Never Been Tried™. They are right … well, *close* to right. While real communism, “a stateless, classless and money-less society where each individual contributes according to ability and receives according to need,” has been attempted hundreds of times as the goal of numerous revolutions and utopian communities, it has never been sustained at the level of the nation state.[[41]](#footnote-41)

While it is possible to describe communism in the abstract, it cannot exist in reality at above certain population thresholds without collapsing into another governance structure. Let's take a look at architecture to understand what we mean by this: It is theoretically possible to describe an upside-down Lego pyramid structure while also knowing that, while it is possible to construct that structure at a small scale, if it were to be made large enough (like the size of a building), that upside-down pyramid would inevitably collapse and form a pile of rubble that looked like a “right way up” pyramid (or rough pile). When built out in large populations, “real communism” intrinsically collapses into brutal, single-party despotism.

To be fair, *most* governing models collapse to some extent after being built to the level of the nation state. The U.S. government, for example, currently does a lot of things—like featuring political parties and having citizens directly vote for presidents—that it was originally designed to avoid doing.

The problem with communist systems is that every single component part must stay rock solid. Should even one component fail, a communist government will devolve into single-party despotism.

In contrast, capitalist systems can break in many more ways before they transform into something “obviously evil.” Sure, real communism has never been tried at the level of the nation state in that no nation state has ever operated as a communist system, but it has been tried dozens of times in that revolutions have succeeded under the mandate of raising a communist system only to fail to achieve that end because the premise itself is misguided.

You may notice we carved out the qualifiers: “when built out in large populations” and “at the level of the nation state.” This is because communism hasn’t just been tried successfully; successful communism is quite common. The vast majority of the world population at some point in their lives has lived under a governance model that is technically communist, be it a family unit, parish group, or local sports team.

Communism, “a stateless, classless and money-less society where each individual contributes according to ability and receives according to need” is one of the most common and stable systems people form when creating small-scale governance structures.

When explaining why communism does not lead to stable and peaceful governance models, detractors most frequently argue that people will not be motivated to do high-skill work (like become doctors, etc.) when they are rewarded the same as those doing low-skill work. To the contrary, this has almost never been a real problem in societies attempting to become communist (outside of cases in which governments decided to just kill everyone who was trained in high-skilled jobs, like the Khmer Rouge). But if motivation isn’t the problem, what is?

The real problem is fourfold:

* The Power Consolidation Problem
* The HOA Problem
* The Centrally-Managed Economy Problem
* The Cancer Problem

While non-hierarchical systems can theoretically exist on paper, functionally they always collapse into a hierarchically centrally managed “command economy” economic system. Why does this happen?

### The Power Consolidation Problem

Communist and communist-adjacent governance models often attempt to structure themselves in one of two ways: Either they become strict bureaucratic hierarchies or they become extremely loose systems in which no single player has too much power (this second way of structuring communism-like governances being more theoretical than something that has been tried repeatedly at the nation-state level). Both of these models suffer from the same weakness: They create power vacuums that are easily exploited by ill-intentioned individuals while being difficult for well-intentioned players to claim.

Telescoping history (Lenin's plan for skipping two-stage theory, which posits the necessity for decades of a stable capitalist society before getting a stable communist one) requires giving a small group of individuals disproportionate power for a short period of time (those individuals who set up the communist state). The problem with these groups is that only one group need be reluctant to relinquish power for it to stay consolidated.

What do we mean by this? If there are a thousand people tasked with transitioning a society to stable communism (a low number for a nation state) and just two or three decide they want to keep their new power, those who are willing to give up the new power can’t force those who want to keep it to relinquish it through the very fact that they themselves gave it up. The vast system needed to create the transition can be thought of as a defensively fortified castle: You need everyone to voluntarily leave that castle because if anyone secretly stays behind they can just reactivate the defenses once the others are out. The fact that everyone knows that means almost no one leaves the castle.

When communism comes about as a transition from capitalism, the same problem is at play but at a larger scale. Many individuals in positions of power must apply pressure for this transition to happen. The mechanisms which allow for an economy to function without supply and demand are also blindingly easy to hijack by anyone with power during the transition.

Finally, anarcho-communist systems that emerge—either from the systems collapse event of a previous system or loosely organized group action like CHOP, Occupy Wall Street, or the Anti Work movement—suffer from this dynamic worst of all. In these systems, it is very easy for any random individual to decide they want power and claim it (look at Raz Simone or Doreen Ford). This means power is often claimed by the individuals who are most delusional about their own competence and most willing to ignore the collective’s rules (after all, the point of anarcho-communism is that no one is supposed to rise up and grab power then claim to speak on behalf of everyone). In the instances cited, things fell apart quite early, but these selective mechanisms lead late stage communist systems to consistently drift towards kleptocracies, with those most willing to steal and ignore communal rules for self gain, accruing incrementally more power every year until they run everything.

**A key problem with stateless, classless structures is that they suck at defending themselves against power consolidation among those with even temporary administrative power. One of the key functions of “class” within a society is to create the societal equivalent of white blood cells that fight the totalitarian leanings of those who are hungry for power.** Even if communism is achieved in the short run, the society will be unstable as it transitions between generations for the above reason.

Small communist systems work because no one stands to gain something from hijacking them. Consider Kibbutzim. These communist structures are typically effective so long as they remain small, but almost every single time they become significantly cash positive and transfer between generations, they get sliced up and sold, becoming capitalist company towns—the antithesis of the dream.

While anarcho-communism aims to make everyone in a society equal, it also makes everyone in a society weak. Essentially, anarcho-communist structures exist with giant, gaping power vacuums at their hearts, constantly sucking in those who thirst for power. When a toxic individual begins to consolidate power around them in a normal governance structure, they are torn down by the bourgeoisie (those who own capital and the means of production), as social stability enables them to harvest disproportionate yields from society. In communist systems, this class does not exist.

Societies founded on communism have committed genocides and other horrifying acts at rates higher than other contemporary civilizations because their power vacuums intrinsically draw in selfishness, power obsession, sociopathy, and cults of personality. In other words, communist systems end up with the most vile leaders not because they choose them, but because people with integrity and calm hearts have trouble navigating their power structures.

A problem with democracies is that they act as filtering systems, removing anyone from contention for high office who is not willing to schmooze, manipulate, and brown-nose. This is bad, but not catastrophic. Some research, for example, suggests that narcissism is positively correlated with political participation in Western democracies.[[42]](#footnote-42)

Whereas democracies filter for weasels while communist “utopias” filter for monsters, individuals who are morally depraved, power hungry, and sociopathic. Why? Because forcefully taking power in a communist system requires seriously harming at least a few dozen innocent people. Such is true in both the distributed model, where the vacuum exists because no one has enough power to stop those pursuing it, and in the hierarchical model, where it exists because the strict hierarchy makes it possible to quickly consolidate and maintain power.

We have heard communists say things like: “Well, if someone does bad things, the people will just tear them from power.” To us, that sounds about as naïve as a capitalist claiming that when businesses do bad things, consumers won’t buy their products. In the vast majority of cases, people are too busy prioritizing other things to bother intervening. History has repeatedly demonstrated this to be the case. It is very rare for someone to be taken out of power only for being a bad person within any governance system. Humans are not great at thinking for themselves once they enter groups above a certain size, which partially explains why bad people get torn from power in small groups and not in large groups. In large groups, moods change like an ant trail and mob mentality takes over, which prevents humans from thinking.

### The HOA Problem

When people imagine who will be making most of the decisions in a hierarchically organized communist or anarcho-syndicalist country, they tend to imagine decisions being made by people like themselves, their friends, or the public faces of the movement. Most of the decisions actually made in these systems are not made at the top but rather at the level of community government. At the level of community government, those who rise to power in communist and anarcho-syndicalist systems are little different from those who rise to power in capitalist societies (this contrasts with those who rise to the very top of the hierarchy, as discussed above). While capitalism has many problems, one of its strengths is the uniquely small amount of power it gives to the lowest rung of the power hierarchy (bosses, line managers, community watch association heads, etc.).

The Homeowner Association (HOA) Problem can be summed up thusly: While those in higher strata of a governance system (who are less numerous—like the blocks at the top of a pyramid) have more influence as individuals, those in the lower strata of the pyramid collectively have more impact on individuals’ daily lives. If more competent, ambitious, and ruthless people get promoted up the pyramid toward its middle, those who stay at the lowest rungs, the individuals with the greatest impact on the daily lives of most people, are those most likely to feature a toxic mix of megalomania and incompetence. The HOA problem occurs when an economic or governance system ends up pumping an unwise amount of authority into the bottom level of this pyramid.

Consider your experience in high school. Did the principal ever personally make your life hell? Probably not. Your school district’s principal selection probably didn’t matter much to your daily experience. The people who make your life hell in high school are the over-zealous detention proctor, the sexually aggressive gym teacher, or the pedantic English teacher. But what is truly terrifying to remember is it only took *one person* near the bottom of the power hierarchy with a bad mood to make your life a living hell. It doesn’t matter if 95% of your teachers treat you wonderfully; all it takes is that one bad or angry person to make your life a living hell.

The people who take power at lower-to-intermediate levels of the hierarchy in a communist society are the same people who—in the U.S. at least—end up running homeowners associations, joining parent-teacher associations, and taking positions as shift managers at your local fast food chain. They are the busybodies who are good at networking and brown-nosing on a small scale and are willing to sacrifice copious amounts of personal time to achieve positions of trivial power.

One of the biggest downsides to communist systems is the power it gives such individuals. When communism plays out in practice, the “free thinking” teenage punks who typically support communism under a capitalist system become the pro-capitalists and the most fervent communist is the busybody who currently runs your HOA. The young punks are not running the show—and when they are, during the transition period, don’t expect them to be nice (see *The Killing Fields* or *Red Scarf Girl*). Stepping through a portal into a communist alternate reality doesn’t change who is running things; it only changes how much power they have and the tools they use to wield it.

Essentially, fighting for communism or anarcho-syndicalism will not ultimately grant you and your friends more power; a successful fight for communism instead grants more power to the low-level bureaucrats in your daily life, be they police, HOA board members, or detention proctors. The natural consequence of giving power to the people—of moving the power distribution in a system from the top to the bottom of the pyramid—is that it also gives loads more power to those just one level above “the people.” Even if you somehow manage to have incorruptible visionaries at the top of the hierarchy, you will have little tyrants at the bottom.

### The Centrally Managed Economy Problem

Top-down managed economies (also known as command economies) feature significantly more “friction” than self-organizing economies. (And as we mentioned above, even when a communist system is founded using a decentralized structure, a centrally managed structure will eventually accrue.)

Historically, the intrinsic inefficiency in hierarchically managed economic systems has always been the downfall of those trying for communism. Mistakes in judgment get magnified as they travel down a hierarchical system, meaning larger systems experience exponentially greater damage from little mistakes.

This isn’t just a “communist” problem. This magnification is also seen in large companies that operate with a hierarchical bureaucracy. It is one of the reasons small companies so frequently outcompete their larger counterparts despite large companies presumably having innumerable unfair advantages due to their greater resources, name recognition, institutional knowledge, and any systemic unfair advantages they’ve set up in their respective markets—and all that is just scratching the surface.

If large-scale, centrally managed governance structures were neutral or beneficial to efficiency, then small companies would never have a chance against larger ones. In that way, ironically, the most “successful” companies in a capitalist society demonstrate why communism won't work. If you could figure out a fix for corporate management that maintained its integrity as companies scale, then a real and functional communist system might be worth trying again.

You may be thinking: “OK, so what? Large bureaucracies are a little less efficient. How bad can a little inefficiency really be in an economy?” Recall that during the Great Leap Forward in China—a centrally planned initiative to move the economy forward and improve the life of Chinese citizens—thirty million people starved to death. This was a set of policies designed to improve the economic conditions of the country. The evil of good intentions implemented inefficiently can stand toe to toe with the most insidious acts humanity has ever committed.

Probably the most common pattern in the breakdown of a centrally managed system involves Goodhart’s law, which states that when a measure becomes a target (in other words, once a particular metric determines rewards), it ceases to be a good measure.

Whereas a capitalist system will automatically distribute resources to the more efficient of two factories due to its self-organizing behavior, a communist system will need some mechanism to determine how to distribute resources between two factories. This mechanism almost always involves which of the two scores higher on specific metrics.

Goodhart’s law states that as soon as those metrics determine how the company is judged, they stop being accurately reported. This may not be due to outright lies, but rather the system contorting itself to meet them. Miscalculations that caused famines in early communist China resulted from municipalities learning they could fudge the numbers on wheat production by keeping less and less wheat for their own citizens. When the authorities began to realize this and started testing for citizen health, municipalities took to presenting specific cohorts of citizens for this testing, giving them an extra portion of what very small amount of food was left. This only further exacerbated the state of the starvation most people experienced by pooling the little wheat left around the “show people.”

Hazards of centrally-managed economies are not limited to communist regimes. While the modern day CCP (the Chinese Communist Party, which controls the Chinese government) is not communist in the traditional sense, its single-party hierarchy suffers the same problems as a hierarchical communist system (and any other centrally-managed system), as people can only rise up the hierarchy by demonstrating dedication to the party and are rarely punished for being overzealous in their displays of dedication.

Foreigners are horrified to see people being welded into their apartment buildings and having barbed wire put around their homes as part of China’s zero-COVID policy, but what they don’t realize is that these are not responses to explicit government orders, but rather a product of a reasonable government mandate getting exaggerated a bit with every rung of the hierarchy through which it passes. There is little risk of punishment from overzealously interpreting an order and overzealous interpretation of orders slightly boosts one’s odds of promotion. Thus, like a twisted game of telephone, the order becomes more extreme and draconian with every chain of the pyramid it is filtered down through.

### The Cancer Problem

In biology, the square-cube law explains why animals cannot get above certain sizes except in very specific circumstances. The square-cube law states that if an animal were made twice as tall, twice as wide, and twice as long, its volume and mass would increase by a factor of eight, but its ability to support that mass—its cross-sectional area—would only increase by a factor of four.

A similar law applies to classless social structures. Essentially, communist systems at the state level are intrinsically some of the largest governance structures possible and thus are susceptible to the “cancer” problem addressed in our chapter exploring governance sizes.

**Essentially, small departments within larger communist systems become more heavily focused on *proving* their utility to the exclusion of actually *providing* utility.** This behavior gets exaggerated until eventually their primary function centers around maintaining their own existence. While this is not a problem unique to communist systems, we see it more frequently within communist systems, as they are almost always larger than other types of governance systems.

### Can These Hazards Be Addressed With Tech?

One of the key questions of communism in the modern age is whether technology will patch the weakness of communist systems and create a true “stateless, classless and money-less society where each individual contributes according to ability and receives according to need.”

The answer is a big “yes … but.” Through the utilization of AI and blockchain technology, much of the friction imposed by human oversight on a centrally managed economy can be removed. An AI-controlled army (of humans or machines) could be used to eliminate potential tyrants and fix the power vacuum issue. No lower middle management is necessary when those positions are held by machines or a distributed blockchain network.

The problem of course is … *bro, are you serious*? We get that humans are not always great, but this is supervillain shit—like being opposed to war and subsequently creating an army of kill bots that sit in the corner of every room holding a gun to people just to remind them not to step out of line.

## Unfettered Capitalism = Communism

Just as most buildings look the same when they collapse (like a pile of stones), governments, as well, almost always collapse into the same state. Unfettered capitalism (minarchism[[43]](#footnote-43)), like unfettered communism, is an intrinsically unstable structure at the level of the nation state. Capitalism consistently collapses into a pile of stones not that different in nature from the pile into which unfettered communism collapses—specifically: A hierarchically controlled, single-party, brutal totalitarian regime.

When you give the means of production to the state, you essentially create a giant monopolistic company—and every time this has been tried, the state acts the part. Communism (or at least the thing it functionally turns into) can essentially be thought of as a model for a country in which one monopolistic company controls the entire nation’s economy.

The problem with unfettered capitalism is that after a century or so, it will always end in the same place: With most people living under the thumb of one large company (or a few colluding large companies). The end game of unfettered capitalism is the same as that of communism unless the state regularly goes through periods of intense trust busting, such as that through which Teddy Roosevelt led in the USA.

As such, we suspect that some form of minarchism or other type of unfettered capitalism would be stable and prosperous so long as it intensely focused on trust busting and breaking up all entities that grow beyond a certain size. The problem with this trust-busting minarchist state is that it would have no international agency, leaving it vulnerable to exploitation by foreign nations unless it was explicitly designed to hold nothing of value to outsiders (like a small city-state founded on land in the far north that did not own mineral rights).

## War as a Consolidator

Historically, war and conquest helped to advance civilization by allowing more efficient governance models to consume those which perform less optimally.

One might imagine that in actuality, violent governance models tend to consume peaceful ones, however this is not what the data shows. In fact, governance models more inclined to benevolence toward their own subjects don’t seem to go to war at lower rates than more cruel governance models. Governance models that rely on war to function and require new wars to stay stable are obviously an exception here, but fortunately such governments are inherently unstable as they eventually pick fights that they cannot win (the Nazi government is a good example).

While bad times can wipe out poorly performing governance models, good times also lead to instability. Throughout history, revolutions have been much more likely to happen in countries that were relatively well off.[[44]](#footnote-44) Consider the USA as an example. Of the British Colonies at the time, the American colonies were by far and away the best off—in fact, the Americans of the period were even wealthier than the British, with average annual income of £13.85 vs. £10.12.

One question we find ourselves asking is whether a decreasing reliance on land for wealth will hurt the evolution of governance models. Historically, poorly run governance models were more likely to be conquered and supplanted by superior models, but these days the motivation for conquest seems to be largely dulled. Modern sensibilities have caused countries that would traditionally have conquered and run other nations to instead install barely-functioning democracies without the cultural framework to stabilize their conquered land.

# Revolutions: A Predictive Model

While we’re on the subject of war, let’s share one internal model we use when planning around and forecasting revolutions.

Can a revolution be predicted by analyzing the groups involved? What causes revolutionary ideas and movements to foment in otherwise stable governments?

We theorize that revolutions can be predicted based on the allegiance of five core factions:

1. **The Economic Elite:** These are the individuals with wealth in a society.
2. **The Social Elite:** These are the individuals who hold status in society. People are told to heed their opinions over those of other people. Historically, they might have been the nobility and the church but today they are mostly academics and those in the media.
3. **The Military:** This one is self-evident.
4. **The Urban Dispossessed:** These are people without social or economic power who live in cities.
5. **The Rural Dispossessed:** These are people without social or economic power who live outside of cities.

In times of long-term government legitimacy, these allegiances are critical to track. Legitimacy can best be thought of as a metric that measures how natural the current world order feels. High legitimacy governments are unlikely to be overthrown. (This is why, after a revolution, a military coup is likely. The new government has very little legitimacy and the military has the physical might.)

**Almost all revolutions are caused by one of the social groups who are *not* the economic elite thinking they *should* *be* the economic elite.**

A common type of revolution takes place when the social elite becomes upset about not also being the economic elite. This is frequently what instigates “communist” or ”socialist” revolutions. When a society gives too much power to the social elite (media, professors, clergy, etc.) without also ensuring they have a good chunk of the economic pie, the social elite are tempted to use one of the two dispossessed groups to instigate a regime change by promising to give *them* (the dispossessed) a bigger piece of the pie. Ultimately, these types of revolutions typically just result in the social elite becoming the economic elite without also lifting up the dispossessed who fought for them (often to realize the social elite are very bad at running things).

The big “mistake” revolutionaries of this sort make is thinking that the urban and rural dispossessed groups are equally valuable in winning a social revolution. The urban dispossessed have virtually no value as an ally during a revolution (with one exception discussed below).

The urban dispossessed are not valuable in a revolution for two core reasons:

1. You only have to hold a fairly small amount of land with a military force to control an urban population. It is very hard to actively hold a large rural area with the military because occupying soldiers need to be more dispersed while rebels can afford to coalesce upon and attack hostile forces wherever they may be. More complicated supply lines must also be maintained when quashing rebellions outside of concentrated cities, which are usually fairly vulnerable.
2. The urban dispossessed often rely heavily on social services or city infrastructure for their day-to-day wellbeing. This contrasts heavily with the rural dispossessed, who can more easily make or source their own food if needed.

Dynamics of course change when the urban dispossessed don’t enjoy social program, state, or city infrastructure support. Tsarist Russia offered little by the way of city infrastructure or social programs to the urban dispossessed, making them a formidable force in the communist revolution.

Given how common and widespread social support for dispossessed urban populations is around the world, we would go so far as to say that the rural dispossessed are the number one faction to have on your side if you’re a leader in hopes of a long, stable reign (the military come in a close second). The economic and social elite are just not nearly as important as they think they are. This is why when you look at nations in which you would expect a revolution but do not see one (Turkey, Venezuela, China, etc.) the ruling party has sided with the rural dispossessed.

*A major exception to the above rule involves any nation suffering from Dutch Disease: When it has a commodity that is easy to control and makes up most of their income (usually oil). In such cases, whoever controls both that commodity and the military controls the country. When the cash cow commodity and military are controlled by different factions, a revolution is coming.*

## Winning the Online Culture War

Let's use the internet as a model for applying the above system and predicting who will win the online culture war.

1. **The Internet’s Economic Elite:** These are the individuals who own sites like Facebook, Google, Reddit, etc.
2. **The Internet’s Social Elite:** These are the moderators on those sites (and other types of people who control content on them, like low-level employees at the above companies).
3. **The Internet’s Military:** Online, these are government agencies that can directly enforce content and shut down sites.
4. **The Urban Dispossessed:** These are people who live online within contexts that rely on the infrastructure set up by the internet’s economic elite and moderated by the internet’s social elite: Redditors, Facebookers, Instagramers, etc.
5. **The Internet’s Rural Dispossessed:** These are people who live in online contexts that *do not* rely on infrastructure set up by the internet’s economic elite and that is not heavily moderated: 4chan-ers, 8kun-ers, booru-ers.

Just as in the real world it is very hard to “occupy” the territory of the rural dispossessed, as soon as one site belonging to the internet’s rural dispossessed is shut down, another springs up. Whereas the traditional social elite of the internet have no influence within these decentralized online communities, they effectively have almost total control of the narrative within the communities of the internet’s urban dispossessed.

Within the online world, one philosophical faction—the social elite—has almost total control of everything *but* the rural dispossessed, and yet that control has given them so little power over the online space more broadly. Be it Bronies, memes, or GamerGate, almost every popular aspect of online culture seems to originate in spaces controlled by the rural dispossessed. Moreover, the community acts in ways that have a massive effect on the “real world.” It would be difficult, for example, to argue that the 4chan community’s early boost to Donald Trump's campaign did not play a significant role in his early victories when the rest of the world largely saw him as a joke.

Recent (at the time of this book’s publication) missteps made by the progressive branch of online politics exemplify why sound knowledge of who really holds power in revolutions matters. Specifically, progressive groups acting through the internet’s social elite have actively sought to deplatform communities that were either largely or totally the internet’s *urban* dispossessed, either by banning them from the economic elite’s platforms or by pressuring hosting and cybersecurity providers to not provide service to them (TumblrInAction being banned from reddit and Kiwi Farms being spurned by many service providers are two recent examples). In so doing, the social elite converted these urban dispossessed groups into the internet’s *rural* dispossessed, making them far more powerful (as next time they offend the social elite, the social elite won’t have tools to suppress them).

The online world exemplifies why support from the rural dispossessed is so powerful. If the faction predominating the internet’s rural dispossessed gains control of just one other faction of the online world (likely the military or economic elite pillar), it is game over for those who oppose them in the online culture wars. This is neither good nor bad; it’s just a truism of revolutions.

# Voting

Voting bodies stand among the most common selector mechanisms, be they for a board, senator, family office manager, or law. The pervasiveness of voting warrants an exploration of the properties and metrics on which voting bodies can differ and how these differences can affect a government.

We will do our best to stay away from the pedantic labels academics in this space love to use (or at least always provide them alongside simple alternative explanations in a way that doesn’t rely on vocabulary memorization). We do this not just for accessibility but because voting systems are often designed for just one type of governance unit (e.g., at the level of the nation state), which obscures the utility of these systems to other types of governance units (e.g., corporate governance).

Let’s set some definitions for entities that vote in a system:

* **Stakeholders:** Individuals who are in some way directly affected by a system’s governance. Stakeholders can be anything from people born in a country to community members affected by a local company’s factory waste.
* **Contributors:** Individuals who have made a sacrifice for the organization. This can be anything from a company’s employees or investors to those serving in the military.
* **Representatives:** Individuals who have been chosen by another body⁠—this could be a representative of a company or someone chosen through another vote.

*Warning: This chapter gets a little boring when contrasted with the rest of the book. That said, it features too many unique ideas to warrant banishment to the Appendix. While we have prioritized hot takes over comprehensive coverage, we would not hold it against you were you to skip to the next chapter.*

## Who Can Vote?

In our society, there is a base assumption that the default “correct” way to run a government is to allow all stakeholders to vote and count all their votes equally. If you are a state, your stakeholders amount to anyone living within your borders. If you are a family office, your stakeholders are your family members.

Voting is seen as a system for translating the majority will of stakeholders into action on behalf of the governing body—yet this is almost never what happens in practice. This was not what played out in ancient Greece, this was not seen in the early board structures of companies, this rarely happens in family offices, and rule by the majority will of stakeholders was even explicitly stated as a hazard the U.S. governing structure was intentionally designed to avoid.

There are a myriad of reasons why almost no voting system is set up as a direct democracy. Why, then, do so many people believe this to be the purpose of voting?

Changes to a voting system (in this case, transitioning a voting system to a one-man-one-vote system) will be promoted by individuals whose factions stand to benefit from those changes. In the US at present, this means Democrats benefit from promoting the belief that a “correctly” functioning voting system gives a vote to everyone and equal weight to all votes (because were the US to do this, Democrats would win more often). As those who often first teach us about voting have a monolithic political identity (89% of social scientists teaching at universities are Democrats and 87% of high school teachers are Democrats) it should not be surprising this idea of a one-man-one-vote system has gained steam even if, in practice, it is almost never used when people intentionally design voting systems.

Why is one-man-one-vote voting almost never used?

**1. Tyranny of the Majority:** This is the “classic” reason and can present itself in multiple forms, be it an excess of centralization, in which decisions that should be local are applied too broadly due to population concentrations, or the oppression of a minority group by a majority group.

Personally, we don’t see these as significant risks, or at least not differentially significant risks. Even non-majority stakeholder systems feature these risks. So why do people fret about the tyranny of the majority while ignoring more realistic dangers? Because the real dangers (the next few) are either offensive or harder to succinctly explain.

**2. Unequal Competence:** There is a saying: “Do you know how dumb the average person is? Well, half of them are dumber than that.”

Most of the time when people are afraid of a governance guided by the majority of stakeholders, their true fear is of the stupidity of the average person.

While many smart people hold this fear, they typically find sneaky ways to avoid explicitly articulating it by, in place of straightforward intelligence tests, instituting policies like land-holding, sex, or race requirements for voting that align with their prejudices.

As dangerous as prejudiced voting policies are, policies that allow the party in control to design tests that “qualify” voters are equally dangerous. Historically, whenever intelligence tests have been used to filter voters for more than a few cycles, the assessments have devolved into tests of ideological alignment, leading to power consolidation.

Fear of unintelligent voters is largely misguided. Prediction markets, which aggregate the knowledge of large groups of people, almost always outperform individuals (and even experts!)—at least when the “predictors” are contributors and not just stakeholders (but more on that shortly). Long story short: Crowds are not that dumb and concerns about stakeholder intelligence are more an indicator of a leader’s pride when they compare themselves to the average population.

**3. Inherent Instability:** From coalition formation to vote trading, academics have found dozens of technical problems with generalist vote collecting. Just letting the majority have what they want can lead to the long-term breakdown of the fabric of a voting body, be it a nation or a family office.

While most of these fears are pedantic, popular vote systems almost always unintentionally promote power consolidation in a way that rewards the wrong metrics in individuals and parties. The tendency to drift toward power consolidation in one-man-one-vote systems is a genuine problem.

**4. Fidelity of Vision:** This is where perceived problems get really serious. Popular vote systems do almost nothing to protect the fidelity of whatever vision motivated the creation of the governing body (like liberty, equality, and fraternity) unless that vision is literally: “Do what the majority of stakeholders want whenever they want it.”

It is very rare that any government is set up with this vision. Usually governing systems are intended to ensure individual rights, help families live good lives, cure pediatric cancer, or at least not commit genocide … but just giving power to the majority does nothing to increase the probability of any of those things.

Fidelity of vision is uniquely problematic when you consider shifting intergenerational values. Three generations from now, your descendants' opinions about the purpose of a family foundation—which you, personally, set up after years of backbreaking work—may be profoundly different from your own. This might not seem so bad if you assume that every generation is always better than the last—something easy to think if you frame this in the context of some of the United States’ founders being mortified by the idea of black or female voting—but that can seem a lot messier if you look at the fall of the Weimar Republic through the democratic election of Nazis.

When governing mandates are shaped by popular vote, it is in the best interests of powerful people to systematically indoctrinate young people—for example, by lobbying for educational systems to teach things other than fact and critical thought. Consider recent debates over how evolution education, critical race theory, and climate change should be taught in American public schools. While your perspective on which side you think is pushing for the truth will change depending on your political views, you can at least see that the fight is often politically motivated. If the victor of such struggles did not win the privilege of indoctrinating a generation of voters, there would be significantly less contention in these fights and people would be better able to optimize around truth rather than political power struggles. (This phenomenon is not unique to state-level politics; even in small family offices we have encountered factions incentivized to essentially brainwash their kids to vote as blocks.)

In the same vein, one-person-one-vote governments motivate the creation of “political media” in which powerful individuals use media channels to manipulate the opinions of stakeholders who don’t have time to become fully informed on issues. When you remove one-man-one-vote systems, much of the impetus for this form of population manipulation can be removed, which thereby lowers misinformation. If you are against brainwashing children and in favor of accurate news, you are against majoritarian democracy.

Finally, popular-vote-driven governments don’t engender investment or personal sacrifice. Why give your life savings to a charity if, within one generation, its entire value system and purpose may shift?

**5. Missed Opportunity:** Organizational behavior follows organizational governance and reward pathways. When your voting system rewards the most average of opinions, coalition building, and control over news media and educational systems, you relinquish most of your power to guide an organization to greatness.

There is much to be gained from systematically rewarding (in voting power) behaviors and ideological tendencies you want an organization to exhibit (from a multigenerational perspective), be those characteristics education, population growth, dedication to the faith, service to the organization, competence, or any myriad of other factors. For example, if you want an organization (like a religious institution) to grow, you could distribute voting power based on the number of new members someone brings in. If you wanted to ensure people have a vested interest in the financial health of a company, you can grant voting power based on percentage ownership.

Merely giving equal power to everyone feels like a waste as it rewards whatever group happens to have the most members.

In family offices with majoritarian systems, we have actually seen some family lines intentionally have more kids than they otherwise would in an effort to control family wealth. This is why votes in family offices usually split through family members, so if one brother has two kids and his sister has four, each parent will get one vote, the brother’s kids get 0.5 votes, and the sister’s kids get 0.25 votes).

## Starship Troopers and Contributor Voting Systems

When we contemplate contributor voting systems, we often think of weighted systems based on financial input—like the way a stock works: The more money a person puts into an organization, the more voting power they have. But . . . discussing such systems from said perspective would be boring, so let’s use a “fun” example: The Terran Federation from Starship Troopers.

In the fictional world of Starship Troopers, a world government exists, and while it is a democracy, it grants an equal vote to each *contributor* rather than to each *stakeholder*. While contributors have an equal vote, not all stakeholders do.

What does that mean, functionally? It means the only people who can vote are individuals who make a voluntary and significant sacrifice to the state. If you have only seen the movie,[[45]](#footnote-45) you may assume that this entails military service and would thus be restrictive, but in the book this is specifically addressed by allowing individuals to perform other kinds of equivalent public service (with the law specifically stating that a form of service must be available to every citizen regardless of physical or mental ability).

We regard this approach as being far superior to most nations’ instinctive stakeholder-based approaches. As is stated in the book, “Nothing of value is free.” The government of the Terran Federation was created under the philosophy that people will not value a vote that they did not win at significant personal cost. (Though we do think this system has a critical flaw, which we will discuss in the next chapter.)

It is difficult to find a more optimal adjustment when designing a governing system than restricting voting rights to contributors, yet contributor-based voting is virtually nonexistent these days. Why? Because in early democracies, this restriction was used to reinforce racial, gender-based, and class-based discrimination.

For example, voting in many areas has historically been restricted to only white, male landowners. Even when voting was presumably democratized, it was still covertly restricted by racist policies executed through barriers like “intelligence” tests designed to differentially prevent black populations from voting. It is vote restriction systems like these that leave a bad taste in leaders’ mouths but ... frankly, this is to the detriment of the exploration of better voting systems.

Concerns about the hazards of contribution-based voting qualifications are not unfounded. Filtering systems can be used to consolidate power by any ideology currently in control of a government. When tests determine who can vote, the body writing/designing those tests can determine which party wins. Still, let’s not throw the proverbial baby out with the bathwater. Low-risk systems can be created so long as additional voting requirements are made clear up front and are difficult to adjust.

We will use our own family foundation structure as an example of how voting rights adjustments can be used to create a family office structure that avoids many of the pitfalls of traditional family offices. (Note: We explore our family office model in more detail later in the book. Here we are just looking at voting rights restrictions.)

Our family office is run on a triumvirate model, with three individuals representing three different groups (whose votes are gained by different contributory criteria). The triumvirate elects a fourth individual, the Executor, to manage the office’s day-to-day operations.

1. **The Investor:** Family office members electing the Investor representative get votes based on the amount of money they put back into the family office (similar to how an individual could own more voting shares of a public company). The person elected with these votes helps to ensure that part of the vote for the Executor is tied both to a societal measure of competence (one’s ability to acquire wealth) and genuine sacrifice for the family (as demonstrated by giving a portion of that wealth to the family office), while also ensuring that the office does not run out of money or spend it frivolously. Finally, this role will significantly reduce bribery and lobbying within the system, creating a “cheaper” way to buy influence.
2. **The Contributor:** Family members electing the Contributor representative get votes equal to the number of kids they have—plus the number of new family members they bring in through other means (being a family member is about dedication to the family’s goals). This is like a stakeholder vote, but instead of focusing on current stakeholders without a care for the future of the family, it grants influence to those with an investment in the future of the family while simultaneously encouraging the family to grow.
3. **The Veteran:** Only former Executors can vote (on a one-person-one-vote basis) for the Veteran representative. Imagine a branch of the US government that was made up of only former presidents. This role within the triumvirate encourages long-term thinking and enables the enactment of plans that could take decades to come to fruition—something that is very hard to enable within most governing structures.

Merely existing as a genetic relative does *not* grant one any votes per our family office model. This type of system may not be your cup of tea, but we personally think a governance structure that rewards people based on their genetic relation to someone else is both deeply troubling and doomed to fail. Not only is such a system borderline racist, but when a family is given privilege without personal sacrifice after a few generations, their moral core becomes erased. Not only do they not understand sacrifice on an individual level, but even the cultural memory of it is forgotten.

Finally—and this is something we have mentioned a few times—remember that by restricting who can vote, you can encourage certain behavior patterns and determine the core character of your governing unit.

In the case of our family:

* To ensure our family does not die out, we grant votes to those who bring in new members within one branch of our governance structure.
* As we want our family to retain wealth, we grant votes to those who bring in money through another branch.
* Because we want our family to maintain a long-term vision and enjoy stability, we grant votes to past leaders who have dedicated years of their lives to it.

This isn’t the only way to design a system like this; there are all sorts of ways incentives can be implemented. If you want your descendants to value education, you may only give votes to people based on academic achievement (peer-reviewed research, tenured positions, etc.). However, here you need to be careful to design timeless restrictions—who knows what the value of college will be in 50 years?

Alternatively, if you want your family to be charitable for many generations hence, you may grant votes to individuals who have reached some level of charity participation or involvement in their local community—though here one must be extremely careful, as we have seen these requirements regularly produce families in which only individuals who fail to get real, high-powered jobs involve themselves in the family business as they are the only ones who have time to invest in the level of charitable pursuit needed to gain influence with the family office, which they in turn use to support frivolous lifestyles, defeating the point of the restriction.

*Personally, we have always had a predilection for experimenting more with coming-of-age ceremonies that involve a voluntary sacrifice to gain access to voting within a system. They are just so ... cinematic. An interesting one to experiment with could be a mechanism for ensuring all the wealth a family member accumulates returns to the central family upon family members’ deaths through a usurious loan structure or something, as a pledge wouldn’t hold up legally.*

*How this might work: To join the family office or benefit from it in some way, an individual may be obligated to sign a contract that ensures their entire estate goes back to the family office upon their death. The family would make a ceremonial big deal out of this, as it would technically be the moment the individual fully and consciously joined the family as an adult. We explore these types of rituals more in* The Pragmatist’s Guide to Crafting Religion*. These types of rituals may become critical to family structures after the perfection of artificial womb technology, as they would incentivize people to reinvest in the factory or nursery that produced them.*

### Wards of the State

As much as we're enamored by the creativity of the Terran Federation governing structure, it ultimately has one critical failure in its design. So far, we have divided government voting block types into stakeholders (individuals affected by a government, like people working at a company or living in a country), contributors (people who add to a government, like investors), and representatives (those elected by another group to represent them)—however, there is a fourth group that one must consider when setting up a governing structure: Wards of the state. Wards of the state are individuals who are in some way supported by a governing structure.

**Wards of the state should never have a say in governing structure.** For example, you should never make one of the groups voting on the head of a nonprofit its employees (and in the case of Starship Troopers you should not allow individuals to vote within the Terran Federation until after their military service is over and they are no longer financially supported by the state in any way).

Why are wards of the state so toxic when permitted to vote? Because wards of the state always have an incentive to allocate more resources to themselves. You can argue all day about whether they would act on that incentive, but it is an unimpeachable fact that the incentive exists. While one or two generations may resist the temptation, the gravity of the incentive existing creates inevitable corruption.

Wards of the state can generally be divided into three categories:

1. **Compensated Representatives:** Representatives who are compensated for the time their representation takes (Congressmen, board members, etc.)
2. **Compensated Producers:** Individuals who are given resources in exchange for services (soldiers, family office managers, etc.)
3. **Unproductive Wards:** Individuals who are given resources despite providing nothing in return (trust fund kids, welfare recipients, etc.)

In an optimal system, none of these classes of individuals (or people related to them, dating them, etc.) should have a vote. There are, however, some arguments for giving the first two categories of wards a vote. For example, in the case of soldiers, if you are asking someone to put their life on the line for a state, it makes sense to both give them a vote and financially support them. In the case of compensated representatives, leaving them uncompensated increases the risk of corruption.

Let's consider the case of compensated representatives. How might representative payment be handled optimally? We see two paths here:

1. Create a separate system determining representative payment that is outside representatives’ spheres of influence. Essentially, you have a separate, unpaid representative body that determines how much the full-time body of representatives gets paid. When possible, this other body should be anonymous or crowdsourced to make them harder to bribe. One could, for example, select them through a system like sortition, in which people are randomly pulled from the population in a manner similar to jury formation.
2. Remove the value of money to representatives altogether. In this case, to become a representative, one must make a lifelong vow of poverty (or at least lack of luxury). Some religious orders use systems like this and it is not super effective when you consider the types of buildings they often inhabit.

The key point here is that unproductive wards should never, *never* be given a vote in any governance system that supports them. It doesn’t matter if we’re discussing an heiress not having a vote in the management of her trust fund or someone currently on welfare having a vote that influences the oversight of that welfare. *Any* system that allows those non-contributory beneficiaries to vote will inevitably become corrupted as it allows factions to “buy” votes (i.e., by offering more resources to those who vote a certain way).

### Flat vs. Proportional Voting Systems

While we have alluded to weighted voting systems a few times when describing systems in which people who have more shares have more impactful votes, we have yet to explore procedural voting. Procedural voting is when sometimes one “vote” takes precedence over another “vote” and other times it does not, depending on the context. This is most common in triumvirate governing systems and might be seen in something like a naval faction’s vote having more precedence when the subject of water-based military decisions is on the table.

Generally speaking, weighted systems are a bad idea unless they involve “costly signaling.” Costly signaling is a term used in biology to describe something that cannot be faked and has a real cost to the individual showing it. For example, a deep voice that can only be achieved by changing things that actually require more evolutionary fitness might be selected for as a way for an individual to quickly demonstrate their fitness but a deep voice that can be achieved “cheaply” through just changing the vocal cords will not.

In the case of weighted voting systems, costly signaling is needed to prevent individuals from gaming the system. When voting power can be boosted by maximizing a particular metric, the free market will find a way to price that metric and then exploit it. The simplest type of costly signaling for a proportional vote is just to denominate that vote in currency. The extent to which participants game the system can be reduced by measuring money spent as a proportion of overall personal wealth (meaning $100 spent by one individual may get them the same number of votes as $1,000,000 spent by another). Alternatively, voting power could be increased in proportion to something like years of military service.

One effective version of weighted voting that doesn’t use costly signaling is liquid democracy. This is a system similar to representational democracy in which the weight of one individual's vote is determined by the number of other individuals that vote for them. Voting through liquid democracy, you might, for example, either vote directly for the next president or give someone else’s presidential vote more power. Liquid democracy can also become iterative, with the vote you give to someone else may in turn be given to yet another party.

While this sort of double liquid democracy may seem rare, in practice something functionally similar is what happens with investment firms. When I invest in one firm based on my trust in them, they can in turn invest in another firm who in turn can invest in another, with the amount of dollars each firm has representing their “voting power” in the economic ecosystem.

One could also argue that liquid democracy takes place in an informal manner in direct democracies. Joe Smith, may, for example, vote for whoever his union tells him to vote for, and the leaders of his union may in turn have determined what votes to recommend based on the recommendations of a Washington, D.C., insider who analyzed which candidates would be most likely to support their needs and agenda. In this case, Joe effectively passed his vote over to his union, which in turn passed it to the D.C. insider.

We will talk about this more in other sections as it is better thought of as a compromise between direct and representational democracy than a weighted vote system.

## Strategic Voting

One area of voting research that warrants extra attention is the concept of strategic voting (e.g., tactical voting or insincere voting). This refers to cases in which the voting system is set up in a manner that somehow incentivizes people to vote for a position they are actively against. Imagine voting for a candidate who isn’t your favorite during a general election because they are the most likely candidate to beat one you absolutely hate.

To say someone is voting against their interests can mean different things depending on how their interests are defined: For example, what if they vote for a candidate they *believe* they want, but whose proposed policies and actions would actually directly hurt them?

Some of the methodology used to determine whether an election can be “fair” includes:

* **Utility criterion:** Will the candidate who provides the highest aggregate utility to the voters win?
* **Majority criterion:** Will the candidate favored by the majority of voters win?
  + **Ranked majority criterion:** Will the preferred option win relative to other options?
  + **Rated majority criterion:** Will the option given a perfect rating by the majority win?
* **Mutual majority criterion:** If there is a subset of candidates preferred by voters, does that subset always win in races against candidates not in that set?
* **Condorcet criterion:** If a candidate beats every other candidate in pairwise comparisons, will they always win? (There is a separate criteria called the Condorcet loser criterion, which applies the same question to candidates who lose in pairwise comparisons.)
* **Monotonicity criterion:** Will ranking a candidate higher on a ballet ever hurt their chances of winning? Will ranking a candidate lower on a ballet ever help their chances of winning?
* **Participation criterion:** Is it possible to help your preferred candidate by *not* voting?
* **Reversal Symmetry:** Is it ever possible for the same candidate to have been elected if all the votes are reversed?

This list could be three or four times longer, but we think even this sampling will help you see how practically meaningless it is to get too far in the weeds with these sorts of questions. If you find this kind of stuff interesting, just mine Wikipedia for endless information. If this is the kind of thing you care enough to support, there are organizations like FairVote dedicated to pushing this “fairer” voting system.

Just to help you picture how criteria like those above can be used to analyze a voting system, let's look at “score voting” in which scores are given to each candidate or issue and then added up. While it satisfies the monotonicity criterion, the participation criterion, and reversal symmetry, it does not satisfy the Condorcet criterion or majority criterion. Hopefully, through that quick breakdown, you can see why we don’t go into this topic in more detail.

This type of stuff might be useful to academics, but not to average people like us. Even when designing a governance structure, these factors are not really relevant unless we are creating a government whose core purpose is to carry out the exact and technically correct will of that governance’s stakeholders (which we have already explained is something almost no one wants except for political parties that expect to win more in that scenario).

### Compelled Voting Systems

The manner in which people are *motivated* to vote impacts democracy just as much as the manner in which people are *allowed* to vote. From 2000 to 2020, compulsory voting was introduced in Bulgaria and Samoa. During the same period, it was repealed in Chile, the Dominican Republic, Fiji, Paraguay, and Cyprus.

Compulsory voting isn’t the only type of compelled voting system. In general, there are two broad models that can be used to think about compelled voting:

* How is the voting compelled:
  + **Sanctions for those who don’t vote:** Voting is compelled through punishments for those who do not vote.
  + **Rewarded voting:** Voting is rewarded through something other than the impact the vote itself has (typically through a financial reward or a tax write off).
* Who is compelled to vote:
  + **All potential voters must vote:** This is the most common selection for compelled voting systems.
  + **All voters of a certain type must vote for the result to count:** This can be seen in some company and nonprofit boards, where certain categories of voters must be present for a decision to be binding.
  + **Minimum required participation:** These systems are rare but considering they existed in Athens, one of the first democracies, they are worth noting. In such a system, a minimum number of people must vote. If the minimum number do not vote, additional voters are recruited and punished for not being at the first vote. In Athens, slaves would use a freshly-painted rope to herd additional citizens into the voting location when voter turnout was insufficient. Those with a red stain on their robes were fined.

In some instances, these rules make a lot of sense. For example, when looking at small governing structures like home owners’ associations and student clubs, it is easy for the party in power to switch the date of a vote without notifying all potential voters and thus ensure the turnout is skewed in their favor. Through a compulsory voting system, this can be made much harder to do. For organizations in which such abuse is likely, a minimum participation rule can make sense.

In other instances, there are obvious negatives to doing this, such as random voting (essentially, when you force people to vote, a portion of them put literally zero thought into it and just vote randomly, which is something we can see in data from countries with mandatory voting).[[46]](#footnote-46) Although there are ways to address the hazard of random voting, the larger problem with compulsory voting is an increase in non-meaningful engagement with the electoral process.

There certainly are moral arguments for and against compulsory voting at the state level, such as the voting paradox in which poor people vote less frequently, or wealthy people functionally spend more to vote due to the value of their time, however such arguments don’t functionally matter. Why? Because rewarded voting almost exclusively benefits left-leaning politicians at the state level.[[47]](#footnote-47)

Compulsory voting will almost always be supported by those who support left-leaning positions and opposed by those who oppose them. At the state level, all compulsory voting does is shift policies slightly to the left and, for that reason, moral questions about it are largely irrelevant as the real question is always going to be: “Do we want more left-leaning policies?” A state could achieve the same functional outcome as compulsory voting at a much lower cost by just altering every vote a few percentage points to the left.

## How Votes are Collected and Counted

The manner in which votes are collected can heavily impact outcomes. For example: In serialized public voting, the first vote can distort the final result by as much as 34%.[[48]](#footnote-48) The question of how votes are collected has become increasingly important with the advent of the potential for e-governance.

There are only a few metrics that matter when thinking about this. None require that much thought:

* **Is the voting public or private?** Private voting is almost always better for the reason cited above.
* **How hard is it to vote in an absolute context?** While you could make a voting system that “filters” voters by formally making it extremely difficult to vote, we are not aware of any cases in which this has been done in practice (or at least not with any goal other than to bias a vote in favor of a specific party). In general, the current trend is to make voting easier (hence the rise of e-governances and mail-in ballots). We would say there is not an obviously right choice on this one but would still love to see some system at least experiment with artificially difficult voting (like a heated voting lever that hurts to pull) so that voting is intrinsically costly.
* **Is voting equally difficult for all demographics?** This could be a problem when looking at something like voting over the internet when not everyone has equal access to the internet and that inequality is expressed along economic or regional lines.
* **Is the topic or individual in question bundled with other topics or people?**
  + Is it the case that you can only vote for one topic or person by also voting for another? This where riders come in: Agendas or candidates people would not otherwise vote for getting attached to an unrelated topic.
  + Is the vote paired with a topic in a way that psychologically affects the vote? If you ask people to vote for multiple things at the same time, the way those things are paired can affect the aggregate vote outcome. For example, you might prime someone to consider the damage caused by muggings or vandalism right before having them vote on police funding.

Voting on a topic-by-topic basis exemplifies more nuanced complications around vote counting and collection. Topical voting is common with special ballot measures on issues, as seen in states like California where elections can more easily be held on specific measures. Despite superficially appearing to increase voter participation in a democracy, these systems are almost always a bad idea if the subjects being voted on cost additional money or need to be executed individually.

For example:

* If you allow votes to be taken on a case-by-case basis and ask a question like “Should teachers be paid more?” teachers will be far more likely to take the time to go out and vote on the measure even though the outcome affects everyone.
* “Should teachers be paid more?” intrinsically biases the voter towards yes, as the question is framed in the context of who gets more and not who gets less. Here it would make sense to frame said question against the cost: “Should teachers be paid more, using a tax increase of X%?”
  + Even in this condition, it is easy to hide costs by indicating that costs will be borne by a minority e.g. “Should teachers be paid more, using an X% increase in taxes on companies in Y region earning over $Z annually?” In this case, the text is describing a cost that will hurt the region in terms of jobs, income, new companies, etc. but it would be difficult to explain those costs on a ballot.

## Win Conditions

An election’s “win condition” can also heavily impact the nature of a voting system and the type of leadership it promotes.

There are largely four ways win conditions can be structured:

* **First past the post:** This is a fancy name to describe a winning condition in which the majority vote is gained. The candidate with the most votes may only have 30% of the votes, making it technically just a “relative majority.”
* **Threshold vote:** A winner is called when a candidate collects votes surpassing some predetermined threshold. People often refer to these as supermajority votes, but we don’t like the term, as “supermajority” specifically refers to thresholds of over 50% while one could theoretically have a threshold of 30% in a system with seven parties (in this case, a winner would have to both get the most votes and be over 30% of votes).
* **Consensus:** 100% consensus is required by all parties with voting power before a winner can be declared.
* **Proportional implementation:** By this criteria, an issue is decided in half measures based on the proportion of the electorate that voted on it. This could translate into anything from the number of seats in a congress (if 60% of the electorate voted Republican, then 60% of the congress is made Republican) to how much funding something gets (if half the town wants a school initiative to get zero funding and half wants it to get $1,000,000, it will get $500,000).

We don’t have a strong favorite among these; however, we don’t recommend using the consensus system when the votes of more than three parties matter. When four or more individuals are forced to make a consensus decision, the decision almost always devolves into a simple dominance hierarchy struggle. This issue might be addressed by physically separating the voting parties and not allowing them to communicate through any means other than writing.

We also warn against proportional implementation because it strongly incentivizes individuals to misrepresent their actual positions. For example, if one party wants $5 in funding and another wants $10, the party that wants $10 is rewarded for pretending they want $20 and the party that wants $5 is rewarded for pretending they want $0. Politicians (or factions within an organization) will promote these “false positions,” causing polarization and the formation of extreme opinions within said group.

### Quadratic Voting

At the time of this book’s publication, quadratic voting has become a popular topic in crypto (and among other technocratic voting reform advocates). Quadratic voting allows users to express degrees of preference through a vote rather than a binary response (e.g., to pay for additional votes using money or some form of token, or to vote using a sliding scale) which enables voters to express the level of their sentiment on an issue.

The core gimmick of quadratic voting that distinguishes it from generic tally systems is that it raises or lowers the value of a vote the more a person chooses to allocate to any particular issue. It may, for example, cost nine tokens to get three votes on one issue where those nine tokens could have been used to vote nine times if spread across different issues. In a quadratic voting system, an individual gets more say the more they distribute their vote.

Quadratic voting is useful in any voting system where individuals have the capacity to make a sacrifice in order to increase their vote. This is doubly true if the ability to sacrifice is not evenly distributed across a population (e.g., if people can pay for a vote and not everyone has the same amount of money), as normally when these systems allow an individual to sacrifice financially to gain dominance over outcomes, outcomes end up being virtually decided by the wealthiest individuals. Because every incremental dollar sacrificed on a specific vote choice matters less in a quadratic system, there is some level of protection against this. That protection evaporates if a single rich person can pretend to be many poor people, meaning that in online (especially crypto-related) contexts, quadratic voting is susceptible to Sybil attacks (in which one entity pretends to be many to magnify its vote).

### Consensus Decision Making

In consensus decision making systems, near unanimous consent is needed among voters in order for an issue to pass. Such systems are often chosen to incentivize extreme conservatism, which explains why consensus-style decision making is used to make updates to the Bitcoin protocol (which uses a 90% vote among miners to implement such changes).

Consensus decision making is also favored by confederacies that fear fracture and experience severe damage when any particular contingent is offended. A prominent example of this can be seen with the Haudenosaunee (Iroquois) Confederacy Grand Council, which used consensus in decision-making requiring a 75% supermajority to finalize decisions.

Consensus-focused governance structures use an iterative process in which updates and edits are added to a proposal until it no longer has any opposition. This can be achieved either by improving the thing that is being voted on or adding “fat” to the opposite side of the scale (e.g., if a law hurts farmers, it may also include a tax break for farmers).

When people create these systems, they often believe they are trading a slower-to-evolve system for one that will be more deliberative and less likely to offend its constituents. They are wrong.

Consensus-focused systems often drive deliberative bodies to satisfice (a combination of the words "satisfy" and "suffice") and accept low-risk, easy solutions rather than search for the best solution. Consensus voting systems often rely heavily on social pressure to coerce the minority opinion into agreeing. Typical (total) consensus votes are *really* decided by 70% or so of the group and the last 20% is achieved through aggressive “social pressure” (bullying).

This process causes the system to “perfect” its methods of social pressure and foster a culture of hostility toward minority opinions, which is typically toxic to a system over the long run. Somewhat ironically, even when a system is not naturally prone to fracture, this governance model makes fracture likely by frustrating fractions of its membership, as can be seen in Bitcoin protocol updates with Bitcoin Cash breaking off during such a deliberation in the process of its few “hard forks” (Bitcoin Cash is an older iteration of the bitcoin protocol run by individuals who never shut it down and moved to a new 90% consensus-driven iteration).

## Sortition

Sortition voting involves selecting people randomly from a crowd to form a governing structure, often using some form of lottery. As bizarre and situational as such a system sounds, it is something we all have experienced in the form of jury duty. Sortition systems have been heavily utilized as a tool in democracies since the earliest democracy in Athens.

Sortition has a myriad of advantages, ranging from being more representative of the population to empowering ordinary people, feeling more fair, costing significantly less (and thus allowing elections to happen more frequently), combating political parties, and evading corruption.

The downsides of sortition include the lack of a feeling of legitimacy it can create when it places people in positions of authority, the potential incompetence of those individuals, and the risk of choosing an ideological extremist. Fortunately, none of those hazards need pose too high a risk when sortition systems are used to create a voting pool instead of a council, which is where this method is of greatest utility (if you choose a subpopulation of voters at random, their vote will align highly with what the population as a whole would have chosen if given the same vote—with the only difference being that said people will know their votes count more and thus put more effort into researching their choices).

As with any form of governance, hordes of mouth-breathing academics have slapped dozens of names on the various ways sortition can be used in an attempt to get their name attached to the coinage of some word or another. All you really need to remember are sortition’s four primary use cases:

1. Getting a representative sample of a larger population.
2. Reducing corruption in a committee body while also decreasing its experience and authority.
3. Conveying information from average people to those in power or condensing ideas from the average person into proposals that can later be voted on in referendums (we see this in town hall events).
4. Creating a vast number of committees in a democracy to make complicated-yet-small-scale decisions (the reason juries must be chosen through this method).

If you want to complicate sortition a bit, you can create something like the Amish system that first votes for candidates eligible to be chosen by sortition (with every eligible candidate requiring a minimum number of votes) or a hybrid vote sortition system in which every voter selects a candidate and writes their name on a sheet of paper, with the winner being chosen at random among the sheets of paper (in this case, the odds of winning are modified by a vote).

## Political Parties

Political parties arise when a number of political players pool their efforts to create synergy. While political parties can arise even within non-voting governments, they are nearly inevitable in any governing body that features a large number of elected positions and voting.

To understand why political parties are an inevitability, let's imagine a newly created university student government. In this government, 30 students are elected to positions of power and a few hundred students campaign for these positions. Realistically, almost no student voter is going to have time to become educated on *all* of the candidates and open positions and will likely hear from only a handful of the students running.

Suppose one of the students running puts a letter in front of their name and tells voters that once they had gotten comfortable with that candidate's positions, they could reliably get the same sorts of positions by voting for anyone else with that letter in front of their name. If we operate under the assumption that said voter has about a 30% chance of having no opinion on that particular race, a candidate *without* a letter in front of their name will win something like 0.2 votes for every other candidate with a letter in front of their name. If even two candidates placed a letter in front of their names, they would have an enormous advantage in that election. That advantage would be compounded by each additional candidate on their team. Naturally, over time, individuals using this strategy would come to represent a larger and larger share of the political system in that student government.

In the above example, benefits like collective fundraising, flier design, speeches and rallies, and efforts to get on ballots are not even mentioned as a factor—though obviously they grant an additional boost to candidates.

To understand how much parties help with getting candidates on the ballot, assume you need 10,000 signatures to get on a ballot. Imagine you have a person collecting those signatures for multiple candidates at once. The marginal effort this person would need to exert for each additional candidate would be trivial compared to collecting the signatures from scratch.

Why did we not mention these things in the above example? Even if these elements are banned, parties will still eventually form a “winning” strategy so long as:

1. Candidates are able to signal that their positions have some parity to the positions held by candidates running for other positions.
2. There are too many candidates running for the average voter to know all their positions.

First-past-the-poll, winner-take-all elections naturally gravitate to two-party systems due to Duverger's law: Larger parties are almost always more powerful, causing them to coalesce, like an asteroid field slowly forming into a planet as the gravitational pull of the largest asteroid causing it to become iteratively larger.

When those third parties gain power, their candidates begin to act as “spoilers” for the candidates of whichever dominant party is more similar to them. If the Green party in the U.S. were to gain power, the most likely outcome would not be more green policies but *fewer* Democratic victories. This is why in systems like the U.S., the only viable third parties are those which are holistically different from both the Democrats and the Republicans and not an Alt or more extreme version of one of them.

First-past-the-poll, winner-take-all voting is not the only protocol that consistently produces two-party systems. Consider Malta, which uses a single transferable vote system and has had a stable, two-party system. Other systems are even *more* likely to lead to a two-party system, like the partial vote block system used in Gibraltar.

Proportional voting systems, in which a government is constructed proportionally based on voters’ chosen parties, present one means of producing not two, but rather a vast array of political parties.

Whether or not frequently maligned two-party systems are beneficial to a nation is a matter of some debate. We suspect that around 60% of Americans and 71% of millennials wish for additional political parties either because they want the option to vote for a party that more closely represents their viewpoints (even if those viewpoints are unlikely to be accepted on a national stage), or because they are disgusted with the existing parties.

Anyone who has lived in a two-party system has spent most of their lives being told by 50% of the nation’s political apparatus that the other 50% is stupid and evil. It should come as no surprise that most Americans think both the Democratic and Republican party are stupid and evil. However, history has shown that smaller political parties are not particularly less incompetent than large ones. As the saying goes, “the grass is always greener on the other side.”

One particularly nasty outcome of multi-party governance systems is that they can yield dramatically more political power to the third most popular party—and in some ways the first. This happens when a coalition is needed to choose a ruling party. Germany’s Free Democratic Party which, from 1949 to 1988, was the third-largest party in the country despite never receiving more than 12.8 percent of the vote, decided which of the two largest parties would govern (choosing three times to put the less popular of the two into power). This dynamic can make it very difficult to get rid of incompetent governments that are hated by the populace so long as said incompetence benefits the leader of the third most popular party. Heck, if a politician is popular with other politicians, the public's perspective of them is next to irrelevant in these systems.

Which voting models produce more extremist governments? Obviously, the most extremist voter type is a Majority Bonus System, which goes out of its way to artificially make governance more extremist. As to other types of voting structures: Michel Balinski and Rida Laraki created a model that highlights the voting types most likely to lead to extremism as:

* Plurality, at 100% (one vote per person, most votes wins)
* Runoff voting, at 98% (ranked voting)
* Approval voting, at 94%

On the flip side, Balinski and Laraki demonstrated that majority judgment voting (a form of what we call score voting) had a middling probability of electing an extremist—at 56%.

Finally, they showed the voting models least likely to elect an extremist were:

* Borda voting—at 13% (a type of ranked voting)
* Range voting at 6% (another form of what we call score voting)
* Approval voting with a lower approval threshold elected, at 6%.

“Ok—but it's not just that we have been brainwashed by years of political fighting; our two-party system seems uniquely bad right now,” many Americans might say. “And didn’t our nation's founders warn against parties?”

Let’s see:

* George Washington: “The alternate domination of one faction over another, sharpened by the spirit of revenge, natural to party dissension, which in different ages and countries has perpetrated the most horrid enormities, is itself a frightful despotism.”
* John Adams: “A division of the republic into two great parties … is to be dreaded as the great political evil.”

Here, we must concede. The U.S. is currently in a state of hyperpartisanship that will likely get worse. We would however argue that hyperpartisanship is not specifically tied to the presence of only two viable political parties. Hyperpartisanship can emerge from multi-party systems as well; consider the Weimar Republic’s election of the Nazi party.

Downsian theory even argues that two-party systems were actually more moderate than multi-party systems due to convergence to the mean (during elections, the two parties fight over undecided moderates and converge on more moderate positions).

Why is hyperpartisanship so bad in the USA right now? The classic argument is the rise of nationalized politics, which correlated with the rise of national news. This led to closer elections and thus the need for top-down leadership within parties to enforce party discipline and destroy cross-partisan dealmaking.

The decline of bipartisan collaboration led to congressional stonewalling, which in turn pressured presidents to achieve more using executive authority. As executive authority increased, so did the stakes in presidential elections, leading to yet more partisanship. In addition, legislative gridlock increases the importance of the Supreme Court, making new nominations to the court even higher-stakes … but we think one additional factor may be at play.

### The Heritability of Political Affiliation

It is very rare for individuals to switch political affiliation, with only about 9% of party members doing so over a half-decade period.[[49]](#footnote-49)

Why might this be the case? How do people choose their political affiliation? Some studies have shown that things like fear and other deep subconscious tendencies may nudge people to favor one party over another,[[50]](#footnote-50) but where do these subconscious tendencies come from?

There is one potential contributor to the hyperpolarization of American politics that is seldom discussed. Twin studies contrast the life paths of identical twins separated at birth and fraternal twins separated at birth and raised by different families. They aim to determine how much of certain aspects of a person's life path are determined by their genetics. It turns out a person's political affiliation is highly heritable (between 30-60%).[[51]](#footnote-51)

While political affiliation is obviously not 100% heritable, even if the heritable component were small, it would have a massive impact if one political affiliation had dramatically more children than the other.

Political affiliation is not the only thing that has a heritable component. Factors like religiosity (though not a proclivity for a specific religion), fear of outgroups, and tendencies toward altruism have also been shown to be heritable.

Since birth control has made parenthood optional for most, an ideological objective remains one of the few reasons families might choose to have more than zero to two kids (and thereby forego more comfort, freedom, sleep, money, etc.). This causes ideological extremists to have disproportionately more kids than people open to things like compromise. This trend has been increasing since the 1960s, aligning exactly with the generation that gave birth to hyper partisanship (which were conceived in the 1960s).

One can pretend that genes play no role in these sorts of things, but to do so would require taking a stance against scientific evidence. We don't have a problem with a person doing this so long as they maintain ideological consistency. If you are going to pretend that science shapes your worldview, it is logically inconsistent to ignore robust scientific evidence.

The data to which we have access suggests the world will continue to trend toward cultural extremism regardless of any changes we make to our political system. We would go so far as to posit that if the heritability of cognitive proclivities is a constant in intelligent species—this trend we are seeing now could also explain the Fermi Paradox.

If this situation is one that interests you, check out Pronatalist.org and *The Pragmatist’s Guide to Crafting Religion,* which was written in part to address this issue.

## Consensus Democracies

Governances run by one party, which is elected by a plurality of sovereign citizens, are known as “majoritarian democracies.” The counterpart to this, “consensus democracies” are governments ruled by cooperating parties, which better take into account the positions of minority groups.

Consensus democracies are particularly useful in consociational states—states featuring major internal divisions along ethnic, religious, or linguistic lines. While the current literature on consensus democracies and consociational states is focused on this particular problem at the state level, governing structures designed to take into account the opinion of minority populations are no less useful at the family office level.

People often point to the Swiss State as exemplifying skillful execution of consensus democracy. Swiss citizens vote regularly on individual issues at every political level (be it approval for a new post office, constitutional changes, or the country's foreign policy). Elections are held four times a year. While a majority vote can pass issues at the local level, double majorities are required at the federal level. This means that the vote must be approved by both the majority of voters across the entire population *and* the majority of cantons (states).

It would be trivially easy to establish a family office that modeled this double majority system. Each family unit or household would constitute a canton (e.g. you, your partner, and your kids would be one canton, while your brother and his family would be another canton). For an issue to pass at the level of the larger family office, such as how family money is invested, both a majority of votes by family members and a majority of votes from family units would be required.

This system would have a lot of utility in that it would prevent one family unit from controlling family finances just by having a lot of kids (possible in a majoritarian system in which every family member has a vote) or a couple family units who didn’t plan to have kids burning through all the money in one generation because the future of the money is irrelevant to them (possible in a system in which each family unit has one vote).

All that said, it is important to remember that a system that promotes inclusivity is not intrinsically better than a majoritarian system. What matters is whether or not the governing unit is serving its function and optimizing what it was created to optimize. When determining what specifically has value in the creation of a governance system, think through what the founding members believe have value (e.g., When given the chance, should the system make a decision that raises the average happiness of its members but uniquely negatively affects one sub-group?). These sorts of questions are better addressed by *The Pragmatist’s Guide to Life*, which helps people decide independently what they believe to be ethical and worth maximizing.

For a convenient cheat sheet you can use when constructing an organization and determining how to approach voting, refer to page 322 of the Appendix.

## The “Correct” Answer

The choice of optimal voting system is heavily dependent on the type of governance you are setting up. For the sake of argument, let's pretend we are setting up a small, state-level government.

We love conducting comprehensive reviews of the research in various fields (hence our books). We have yet to encounter a field with more transparent corruption of evidence than the field of voting. Academics in the space seem to have chosen “teams” that support specific voting system types. Once a researcher picks a team, all their research magically reveals that *their* team has the best system.

Worse, voting research seems to focus on things like how “fair” a system is or how much the governing body reflects the values of the voters. They use fancy words for this sort of thing, like Bayesian regret, defined as the average difference between the utility of a strategy and an ideal utility in which desired outcomes are maximized—but it all comes down to the same concept.

From a pragmatic perspective, the fairness[[52]](#footnote-52) of a system is largely irrelevant unless the government is designed specifically to maximize fairness. This is vanishingly rare in real-world conditions. Voting bodies generally don’t exist to ensure the views of the populace are perfectly mirrored in their governance. When the U.S. was created, its founders explicitly attempted to *prevent* this: Voting bodies primarily exist as a methodology for removing corrupt or ineffective decider bodies. Voting bodies should not be thought of as a mechanism for stakeholders to have a collective avatar that acts as a dictator over a system, but rather as a method to prevent dictatorial behavior altogether (or really, any egregious behavior on behalf of the decider).

In other words, instead of being designed for fairness, governance structures are more often designed to:

* Outcompete other governments on the world stage or local stage (to prevent having another government’s will exerted over them)
* Prevent worst-case abuse scenarios (dictatorships and the like)
* Last a long time
* Grow
* Enjoy minimal corruption
* Effectively achieve things at minimal cost
* Maintain the fidelity of the founders’ vision(which may be immoral, but the morality of something’s purpose doesn’t change whether or not we should judge it by its effectiveness at said purpose—we should still decide whether a gun made to kill people is effective by determining whether or not it kills people)

*Outside of fairness, some other not-so-important things that academics often highlight when judging a voting body are: Simplicity, speed of vote counting, the potential for fraud or disputed results, the opportunity for tactical voting or strategic nomination, the degree of proportionality produced in multiple winner models, effective representation of minority or special interest groups, political integration, and effective voter participation. If you are super interested in whether it is possible to create a voting system that perfectly models voter preferences, you can dig into social choice theory—*j*ust be warned that the field is fairly hollow and pedantic*.

Back to the question at hand: Which system should you choose? To further simplify the question, because this is the “voting” chapter, we are only going to talk about the vote itself while warning that:

1. We think a well-designed system will use more than just a simple vote.
2. We think any well-designed governance structure has more than just one body of voting stakeholders.

The correct answer for the vast majority of circumstances is the Single Transferable Vote system. While imperfect, it has the fewest flaws, is backed by robust research, and is easy for the public to quickly understand.

In a single transferable vote system, subordinate voting bodies (i.e., states) elect multiple candidates who are chosen once they pass a predetermined threshold. Winning candidates give the votes they did not “need” to pass the threshold to the voters’ other choices and candidates with no hope of winning also give their votes to other candidates. While this sounds complicated, it can be made even more so using systems like Schulze STV.

The concept of liquid democracy—where you can vote directly or vote for someone to vote for you with their vote weighted proportionally to their number of supporters—can be useful in some very specific forms of government.

We also fancy the concept of “futarchy,” in which decision markets are used to make decisions and voting is used to source values. Essentially, success metrics are determined by vote and the strategy for accomplishing that success is decided within a decision market.

Some systems thrive in very specific contexts. A multi-majority system works well when you have a governance structure which contains multiple well-defined, mutually acknowledged groups. While we hardly suggest that it’s the “correct” choice, this type of governance structure would have been interesting for the U.S. to have set up in Iraq, with Sunni, Shia, and other religious minority groups each having their own “unit” in the system, and consensus among the three units being required for all major decisions.

In a system like this, voting within each unit could be executed via a single transferable vote system. Such a system would have made it very hard for the other countries representing Shia and Sunni factions on the global stage to meddle so readily with Iraqi politics and would have potentially even motivated foreign actors to do more to ingratiate themselves to the Christian, Jewish, and other minority religious groups in their respective regions as those groups’ opinions of them would actually “matter” in Iraqi politics (beyond international optics).

*For further illustration: Suppose the government was essentially made up of a triumvirate representing three groups: The Shia, the Sunni, and Other (mostly Christians and Jews). While the Shia and Sunni majority would ensure that the government broadly acted in line with Muslim values, putting the Other group in a position in which it acts as tie breaker ensures that both the Shia and the Sunni groups have a vested interest in winning the “Other” group’s favor. This would be true at both the national level (i.e., Shia and Sunni in Iraq) and at the international level (i.e., in Iran and Saudi Arabia meddling with the Iraqi population).*

In addition to modeling internal players when setting up a government, consider how its power structure will draw action from outside players. If there is financial motivation for outside players to meddle in a governance structure, they always will—unless systems are specifically built to prevent this.

# Representatives

Now that we have investigated voting systems at a superficial level, let's do the same with representatives and systems for holding power.

## Pre-Vetting & Self-Vetting Systems

While governing structures can easily be shaped by restricting who can vote, the same can be done using restrictions on who can hold elected office. Limitations on elected office holders typically manifest as rule-based restrictions, like minimum ages, or necessary support from sub-government bodies like the CCP, the DNC, or the RNC. The problem with letting sub-governments vet governing office holders is that the integrity of the larger electoral body will only be as intact as that of its most corrupt sub-body. The corrupting influence of sub-governments on elected office holders can be avoided by using simple rules or technical requirements to vet candidates while banning “party based” pre-vetting.

Consider how some businesses forbid stockholders and employees from holding certain elected positions. These restrictions may be put in place to encourage more pragmatic and long-term-oriented leadership. Alternatively, restricting governing positions exclusively to stakeholders and investors ensures leadership has a vested interest in their decisions being in the best interest of the company. Restricting family office governance to non-family members who are elected by family members can spare families from toxic infighting over the position.

Pre-vetting systems can easily be corrupted and produce undesired effects. To have one’s name on the ballot for most elected positions in the U.S., you must collect a certain number of signatures. While this might seem like a test of popular support, functionally it becomes a test of how much money the person—or organizations supporting them—is willing to pay. As such, this signature collection requirement ends up supporting a party-based system.

If you talk to anyone familiar with local politics, the number of votes needed is translated to a cost you will have to bear in order to hire professional petitioners who know all the draconian rules and exploits for collecting these signatures (something a normal supporter will struggle to do). Worse, for obvious reasons it is cost effective for professional petitioners to bundle their services, only charging 10% or so more to add another candidate to their signature collection work (so long as each candidate is politically aligned). This makes it dramatically cheaper for political insiders—and individuals subservient to major parties—to run.

An interesting variation of this is to have certain positions for which a person can only run if they have held some other position for a given period of time. It may be a requirement that all candidates running for a particular position have held positions within a given department for a certain length or time. Someone running for a high court position might need to have spent a minimum number of years practicing law. Requirements like these ensure some level of competence but make groupthink much more likely, as only those who have survived on the bottom rungs of an organization for a long period of time can reach its top ranks.

More important than pre-vetting systems, and almost never implemented, are self-vetting systems. Conditions for holding a position may be so “costly” that most people who would otherwise want it choose not to pursue it. More importantly, conditions for holding a position can shape the character and decision making of whoever holds it. If, to run a family office, a person had to live in an austere cabin in northern Canada and be paid at the end of their tenure based on their performance, they will think wildly differently from a family office manager permitted to live like a king in Los Angeles.

In ancient Persia, Cyrus intentionally built his capital in an extremely inhospitable area. When his troops campaigned to shift the capital to a nicer area, he warned: “Be prepared no longer to be rulers but rather subjects. Soft lands breed soft men; wondrous fruits of the earth and valiant warriors grow not from the same soil.”

After Cyrus’ death, the capital was eventually moved to the most opulent city in the world at the time, Babylon. Only a generation or so later, Cyrus’ descendants grew soft and were easily conquered—because ultimately Cyrus was right: You can influence the character of a person or people through the conditions in which they must live.

## Accountability

While many governing systems pre-vet their candidates, what about post-vetting them? How does a governing structure impose accountability on those operating it—and on the system itself?

Accountability systems can range from impeachment to demotion or motions of no confidence.

Most accountability systems boil down to five options:

1. Automatically triggered systems (e.g., a customer service employee is fired when they fail to respond to a given number of emails in a week or a CEO is fired when a stock price dips below a certain value)
2. Single individual watchdogs (who themselves are exposed to corruption)
3. Council watchdogs and citizen oversight
4. Other elected bodies that judge indications of competence (In the U.S., this can be seen with dynamics such as Article 25 and impeachment)
5. Recall elections (in which, through some mechanism, those who voted an individual into power are in charge of monitoring and removing them)

In addition to choosing the mechanism of accountability, one must choose the portion of the system’s hierarchy that is held accountable. For example, if an employee is caught stealing, do you punish only the employee, or both the employee and their boss? Having run large companies in the past, we strongly recommend that hierarchical systems always be designed with “single point” accountability and that said point of accountability is at least one level above the level of the action being held to account.

Any automatic accountability system should target the boss of a person who fails at something and never the individual. An individual’s direct supervisor should determine how that individual should be held accountable. This allows decisions about accountability to be made more dynamically by those closer to the infractions and ensures that managers always have a sense of full responsibility over their reports’ actions. This would hurt day-to-day productivity by incentivizing more stringent monitoring mechanisms, however manager accountability can dramatically reduce corruption and the risk of catastrophic failure.

In general, punishment dealt by the upper hierarchy should always target a single point and never be distributed. If you target management, they will naturally distribute some of the pain associated with being held to account and that pain will be more intelligently distributed.

Backup accountability systems also work in some instances—specifically those tied to safety-related tasks. Backup accountability systems use buddy systems, where if a task is not properly completed, not only will person A be punished, but person B will be punished as well. For example, if a valve on a dam were left open by mistake, both Dave and Darla will be held fully responsible, even if it was Dave’s turn to close it (because Darla was responsible for making sure Dave *did* close it).

Backup accountability works best when applied across multiple teams instead of two people who always work closely together. Doing so reduces the risk of alliances forming in which team members collectively decide to be lax about the rules (especially if they’re related to low probability outcomes). Such toxic dynamics contributed to the Quintinshill rail disaster, which killed over 200 people in Scotland. Leading up to the tragedy, railroad signalmen traded when some would arrive on the job and what their responsibilities would be, optimizing for convenience over safety.

## Term Limits

Term limits have been around since Athenian democracy, in which offices selected by sortition were limited to one consecutive year in office—though said term could be held multiple times in one’s lifetime. This example highlights one of the key characteristics of term limits: They can be divided into bans on consecutive officeholding or lifetime bans on holding an office for over a specific amount of time. Hypothetically, term limits could even extend past a single individual's life to either a family or a political faction. For example, a member of a particular guild may be prevented from leading a trade association for more than two years in a row.

While term limits seem like a good idea in practice, virtually all of the research on them indicates otherwise. For example, term limits:

* Increase polarization (see: "Legislative Term Limits and Polarization" in The Journal of Politics)[[53]](#footnote-53)
* Reduce politicians’ skill (see: “Democracy among Strangers: Term Limits' Effects on Relationships between State Legislators in Michigan" in State Politics & Policy Quarterly)[[54]](#footnote-54)
* Reduce politicians’ productivity (See: "How do electoral incentives affect legislator behavior?" in American Political Science Review.)[[55]](#footnote-55)
* Reduce voter turnout (See: "The Effect of State Legislative Term Limits on Voter Turnout" in State Politics & Policy Quarterly)[[56]](#footnote-56)
* Make a society more partisan (See: "Polarization without Parties: Term Limits and Legislative Partisanship in Nebraska's Unicameral Legislature" in State Politics & Policy Quarterly)[[57]](#footnote-57)
* Do not reduce campaign spending (See: “A Return to Normalcy? Revisiting the Effects of Term Limits on Competitiveness and Spending in California Assembly Elections" in State Politics & Policy Quarterly)[[58]](#footnote-58)

There may be no functional reason for adding term limits versus other strategies designed to have the same effect, like restricting politicians to certain age ranges.

## Dictatorships

A dictatorship is a type of governance structure in which a single individual has total power, typically obtained by force. Traditionally this word is exclusively used to refer to state-level governance. We get the impression that most people who have put some, but not much, thought into governance structures see dictatorships as underrated governance structures—if only one could ensure they were led by a great dictator. This idea often emerges from frustration with the leaders democracies typically produce.

To become a leader in a democracy, most people must repeatedly win elections, which can lead to both a distance from the “common man” and a lack of authenticity. When individuals break this cycle and successfully win elected office as outsiders, they often represent some form of extremism that differentiates them from the old guard. These forces leave many saying to themselves: “Look, I am not saying I need to be dictator, but if we could just give an average citizen—someone with views not that different from my own—total power for a few years, they could really turn things around.”

The sentiment makes sense, but only in a reactionary context. While circumventing democracy may fix the problems that were frustrating in more democratic systems, the new problems it inevitably introduces are worse. Just as communism is a great vision on paper that consistently collapses into the same shape—like an architectural design of an upside-down pyramid built using bricks will collapse into a pyramid-shaped pile if actually built—the same is true of dictatorships.

At first glance it may seem the real danger in a dictatorship involves installing the wrong dictator, but as it turns out, even a great dictator has only about 20 years to get things right before they need to step down should they want to leave a positive legacy. Why? Once you consolidate power structures into a single branching command hierarchy without checks and balances (as one does in a normal dictatorship), you give enormous power to the individuals directly below you—and those people grant enormous power to the individuals directly below them.

The real problem with dictatorships is functionally they do not operate like a single individual dictator running a country, but rather like a hierarchical pyramid of dictators running other dictators all the way down to the level of the factory line manager. It is extremely difficult to put any other management structure under a dictatorship (though it can theoretically be done—more on that later).

This chain of power creates stability for the individual on top. Unlike other types of politicians, a dictator—even a benevolent dictator—is very likely to be killed if a new dictator comes into power. While many factors could lead to this, the greatest threat to a dictator is the existence of a living former dictator that compromises the new dictator's power base, giving the current dictator’s enemies someone to rally around (even if that rallying is happening against the former dictator’s wishes). Even when dictators become tremendously old and clearly want to step down, they often feel forced to stay in power—lest they be killed to ensure stability.

Because of this, a dictator has a vested interest in doing everything they can to ensure they don’t leave power. This can be really scary when you consider the amount of power invested in the portions of the pyramid directly below the dictator (i.e. the little dictator who runs the military, the little dictator who runs the communications network, etc.). As switching out top leaders in the hierarchy subjects the dictator at the top of the pyramid to new, enormous risk for the same reason (as every little dictator is equally at risk if they ever get fired, making them likely to incite a regime change if fired), turnover will be minimized, both at the top of the hierarchy and along every rank below.

Not only is turnover minimized by this dynamic, but the dictator must go out of their way to ingratiate themselves as much as possible to every individual immediately below them (i.e., those most likely to have the power to overthrow them). This leads to absurd amounts of waste and bribes in almost every dictatorship—waste that might be truncated if it didn’t then need to be reflected all the way down the chain of little dictators to the bottom of the pyramid.

**The problem with dictatorship as a style of operation for a nation state is not the dictator themselves but the system’s structure.** Fortunately, at smaller governance levels, this is less of a problem. The less a person loses by being “overthrown” and the lower the rewards for overthrowing them, the less a dictatorship risks running poorly (so long as you find the “right” dictator). This is because it is those factors that incentivize power consolidation and graft. While at something like a large company, dictatorships are fairly suboptimal, dictatorships can hit it out of the park at the level of a small family office.

Finally, a system structured like a dictatorship that has good mechanisms in place to cycle out rulers every five years or so can generally be fairly effective—the problem here being that the Dictator will have a lot of motivation to break this system and will often have the power to do so.

For a good breakdown of this problem, see the YouTuber CPG Grey’s video: “Rules for Rulers.”

## The Failure of Democracy

A common controversial stance is that democracies, as they are currently organized, are horrible governing structures. This sentiment has not only been attached to the United States’ democracy, but also businesses’ boards of directors, family offices, groups in which decisions are made through a traditional voting system, and many other democratic assemblies.

A quote attributed to Churchill[[59]](#footnote-59) goes: “It has been said that democracy is the worst form of Government except for all those other forms that have been tried.” He wasn’t wrong; along many metrics, democracies are the best form of governing structures for states that have ever been tried, however not that many unique governing structures have been tried at the level of the state.

When a category of governance systematically sucks, this is one of the most common causes: For whatever reason, systematic experimentation with different models was not an option. In the case of governing structures at the level of the state, there is just not a lot of room for experimentation or even practical implementation of an optimal system in theory. You have to convince different groups with different interests to try this thing for a few decades and if you fail at that, people are likely to die.

Only in a very, *very* few instances in history have people thought⁠: “Yeah, let’s try something totally new with no precedent.” This aversion to trying new things is so entrenched that there was even a case during the medieval period in which, upon the death of the last of a noble line, one Eastern European nation began putting out advertisements in other countries looking for an aristocrat to come and be king because⁠—hey⁠—we can’t risk trying making just *anyone* king.

This is why almost all democracies founded after the U.S. formed are near carbon copies of the U.S. system with iterative modifications⁠. This is kind of insane when you think about the context in which the U.S. system was created (an extremely contentious last-minute compromise to patch up the failed “continental congress model”), but hey, it's one of the only systems with a proven track record.

Heck, the only reason the U.S. government was even a *little* new was that it drew some lessons from local colonial governments, which had experimented with some wackier governance models, thereby creating one of the only times in history in which a new form of governance was created by a group of people already living in something of a Petri dish of weird governance structures. But even this was artificially assisted through the heavy borrowing of ideas from the Iroquois confederacy governing model.

Another common reason governing structures end up being garbage is that they are copied from an effective system that was designed for a different environment or optimized for a different outcome. In general, corporate governance structures are fairly well designed⁠: They are often intentionally designed, have been experimented with, and optimized for clear, measurable success metrics. The problem with corporate structures, like boards, is that they are used in all sorts of other environments where they have no business operating, such as family offices and nonprofits. Why on earth should we use slight iterations on a system designed and optimized to make money to run our family legacies and philanthropic ventures?

Governing structures also commonly fail when their creation happens organically and iteratively, which either produces structures that were common at the time of formation or old-fashioned dominance hierarchies.

# Translating Stakeholder Will into Action

There is more to governance than how one votes and who holds office. What are some other aspects of governance structure that affect its function?

## Delegation Pathways

The direction in which commands flow within an organization and conditions allowing commands to be ignored significantly influence function. There is a theory of governance called delegation theory that divides all tasks given by the boss (the principal) into either delegation or control tasks and all employee responses into either shirks (doesn’t do something) or works (does something). While it is nice to see academia address delegation pathways, this theory ignores one of the core delegation pathways in a well-functioning organization: Delegation from subordinates to their superiors.

Ability to ignore superiors and existing delegation pathways is literally the only reason human civilization as we know it still exists. We have Stanislav Petrov to thank for going against Soviet military protocol for a retaliatory attack and ignoring what turned out to be a false alarm claiming the U.S. had launched five nuclear missiles.

There are a few ways one can build this control into an organization: You can attempt to create rules that modify institutional culture or by only populating the institution with agents who share a culture that supports this.

As institutional behavior follows reward/punishment pathways, if you want to design effective delegation pathways in which information can flow in both directions effectively, you can ensure people disagree with superiors by offering them protection from retaliation. This is best done by creating channels that allow superiors to be reported for not encouraging dissenting opinions, as even if you don’t give people explicit tools to punish dissent, they will find soft ways to do so (such as by preventing promotions).

It is easy to create a culture with too much dissent. Whether or not one goes too far is largely a matter of the subordinate correctly judging the quality of their information and their judgment-making capabilities when contrasted with those giving orders. One way to mollify this risk is to remove “orders” from a system altogether. Capitalism, when contrasted with state-controlled economies, presents a great example of how this can be achieved, as capitalism creates a system in which individual governing units operate largely independently and based on emergent reward systems. While trying to mirror capitalist reward networks in smaller systems can get difficult, it is not impossible.

When we were younger CEOs, we believed we could teach employees ethics in a way that would improve organizational information flow. As a child, we were taught the “spilt milk” principle: That it doesn’t matter who spilled the milk or what room the mess is in, it is your responsibility to clean up a mess if you see it. An organization with optimally flowing delegation pathways will have individuals fixing problems as they see them and never thinking: “Meh, that's someone else's responsibility.”

Sadly, we quickly learned you can’t teach an adult new tricks. Only systematic institutional rewards and peer pressure for ethical behavior will motivate behavior where it does not already exist.

Some CEOs respond to this realization by trying to clone themselves throughout an organization. In academic literature on this topic, the “ally principle” is the tendency of those in management to hire individuals like themselves, allowing the boss to delegate important tasks to subordinates who resemble them ideologically. They build systems in which subordinates are punished for making decisions they wouldn’t. While this sometimes produces good results, the goal of an organization is rarely to carry out the will of its leader.

How do we address this hazard in our organizations? We trust that people will not competently and ethically carry out their jobs. We mostly automate management with the exception of a few, highly-ethical-human-expert-led domains.

## Capturing Institutional Knowledge

Nearly all organizations suffer from poor transference of institutional knowledge across generations of employees, citizens, congressmen, etc. This problem has a tendency to get uniquely bad because the most competent members of an organization or society are typically those with the least time to teach. Trying to get your best salesperson to teach others how to sell is a nightmare. Getting a country's best entrepreneurs to teach kindergarten is completely unrealistic.

We call this the ability paradox: Those with the most knowledge and skill have the most demands on them and thus are least equipped to pass on that knowledge.

We utilize simple institutional rewards to track individual performance and create bonuses for our best employees when they invest time in transferring their skill sets to other team members (and giving additional rewards if the numbers indicate that skill transference turned out to be successful).

It also helps to frame successful leadership as inherently entailing skillful delegation and knowledge transference. Our investors and board members consistently showcase sterling examples of leaders who succeed by hiring excellent people and equipping them to do an even better job in certain domains than the leader themselves. **Framing success as delegation and knowledge transfer—and in contrast, failure as micromanagement—distributes key man risk in leadership structures (the concentration of too much knowledge or ability in one person).**

## Crafting Culture

People often talk about how an individual should rewrite the culture of their institution but rarely explore the non-obvious consequences of doing so. While culture can very effectively shape a governing structure’s behavior, wielding it as a tool is difficult.

A great example of this can be seen in some “rationalist” groups, which devolved into dominance hierarchies in which knowledge of academic research determined a person's position in the hierarchy. Sadly, this lowered the value of information backed by well-supported research and elevated obscure, counterintuitive, or alarmist information (in the same way obscure anime knowledge would help the anime nerd dunk on others at an anime convention). Eventually, these communities were consumed by apocalypticism—with non-apocalypticist ideas barely getting any breathing room.

When designing a culture, ask yourself: “What will be used to signal status? How will pursuit of that status produce unintended consequences?” Consider a group defined by a hatred of racism: Once racism has been stamped out entirely within the group and all members see each other as totally equal, what will determine dominance hierarchy then? Groups don’t dissolve once they achieve their mission; they either find new types of racism or redefine racism.

This is why within the Pragmatist Foundation, we define moderation and openness to new ideas as key values. While this encourages more “out there” ideas, we hardly regard the consideration of some wacky concepts as a worst-case outcome.

Culture can also backfire when a voice is given to the wrong people. Cultures by default give a voice to those who are loudest and those with the most time. In many online communities, for example, those with the most time to sort through, produce, and interact with the most content are often heard most. When those communities are dedicated to something like funny animal pictures, this is not a problem, but in groups dedicated to news and philosophy, this is catastrophic. This issue can be addressed via a two-layer vetting system like liquid democracy, in which users can either vote directly or delegate their vote to a more informed community member whose votes will therefore have more weight.

### The 360 Review Problem

When talking about crafting institutional culture, there is perhaps no issue more acute than that of the “360 Review Problem.” 360 reviews involve performance evaluations in which feedback about people is solicited from all directions (such as managers, coworkers, and direct reports), typically on a regularly-scheduled basis.

This tool and others like it assume that institutions are made up of individual players with firmly held and accurate understandings of the areas of improvement open to other individuals. Assessments like these are supported with the assumption that these evaluations will produce individual improvement. Neither of these things is true: Not only do most individuals not think that much about other people, but when they are *forced* to offer feedback, that feedback is often for the benefit of the giver—not the receiver.

360 reviews aren’t just *not* helpful; they’re often harmful. People generally ignore how others could improve outside of when another person's work causes an immediate inconvenience or when they are forced to craft a “narrative” about another person. **360 reviews force individuals within an organization to regularly craft negative narratives about coworkers where none may have existed before.** When people are forced to list what’s wrong with another person, that negative narrative sticks around well after the evaluation passes. (“What’s wrong with Shelly? Well, I guess she makes mistakes sometimes” turns into “Oh look, there goes mistake-prone Shelly.”). Essentially, 360 reviews create environments in which individuals are encouraged to secretly look down on each other while offering no real benefit.

Here you may be bristling, thinking: “How can an individual improve without negative feedback?” The correct way to run these types of feedback processes is through the use of immediate, task-specific negative feedback. Set up a culture in which people’s mistakes are discussed in the moment—and emphasize that poor *actions* rather than overall traits are the subject of focus. Offer feedback for improving someone’s ability to undertake the task, not their core character.

For example, telling someone to make fewer mistakes is transparently a fool's errand and is borderline abusive. Instead, focus on each particular mistake and work with that person to find out what led to the mistake and what might be done to avoid those conditions in the future.

If you have hired an individual and they need to change the core of their character to be good at the job, you made a mistake in hiring.

Quarterly or annual individual reviews can be useful tools for resetting positive emotions toward coworkers if they are focused around only positive feedback and reviews of how the subject of evaluation has made the evaluator’s life better. Rather than force people to regularly craft negative narratives around their colleagues, routine gratitude sessions have the potential to improve regard among people and even boost an organization’s overall mood.

But what about long-term improvement? Clearly not all improvement can be task specific. There are leaders who can competently draw individuals toward self-improvement in a way that makes them more effective—there are also leaders who can’t. Leaders who can naturally cultivate improvement in others will not need or benefit from 360-review-like processes, which compromise their autonomy in how they handle that implementation. Leaders who do not naturally inspire improvement in others aren’t going to magically grow that capability by adopting structured practices that encourage them to develop negative narratives about others.

## Decider Group Size, Composition, and Interaction Pattern

It’s easy to assume that a group is just the sum intelligence of its component members, but the assumption is wildly off. Across a number of studies, Woolley et al. showed that while the average intelligence of group members and the maximum intelligence of individual group members are correlated with a group’s intelligence (with the maximum intelligence of the smartest group member having a higher correlation than the the group's average intelligence), the highest predictor of a group’s intelligence on a task was the group’s intelligence at performing tasks in the past. In other words, groups have a consistent and internal intelligence measure like some sort of “group IQ” that has been shown to remain consistent over at least several months—this is where the concept of “collective intelligence” comes into play.

Research by Woolley et al. has also shown that things you might initially think were contributing to this group intelligence score had little actual correlation to it (e.g., group cohesion, motivation of group members, and satisfaction of group members). On the other hand, small things that one might not expect to matter were correlated with group intelligence, like the number of speaking turns group members took (meaning groups in which a few people dominated the conversation were less intelligent), the proportion of the group that was female (more is better), and the average social sensitivity of group members.

In this case, social sensitivity was measured with the Reading the Mind in the Eyes Test in which participants are asked to detect thinking or feeling expressed in pictures of other people's eyes in an effort to measure people’s theory of mind. Females typically score higher on these kinds of tests, which is theoretically why groups with more females show greater intelligence.

Other findings align with our expectations, such as studies that show groups made up of individuals that had moderately diverse “cognitive styles” outcompeted groups with cognitive styles that are too aligned as well as those with cognitive styles that are too disparate.

In general, teams appear to work best when the team members exhibit:

* **Psychological safety:** Team members feel safe taking risks and being vulnerable in front of one another.
* **Dependability:** Team members can reliably expect to get things done on time and with a degree of excellence.
* **Structure and clarity:** Team members have clear roles, plans, and goals.
* **Meaning:** The work at hand is personally important to team members.
* **Impact:** Team members think work matters and creates change.

Group size also plays a role in group intelligence, but the research here is all over the place. Most studies seem to show that teams of three are best at managing funds, while groups of five are second best (though one study by Richard Hackman argues groups of four are best). It looks like once you go beyond six individuals in a management team, the intelligence of the group’s decisions consistently declines with each additional member. Despite the jumble of research findings, group size as it impacts group intelligence can largely be summarized as: Aim for groups ranging from three to four members and do everything you can to avoid groups with more than six participants.

All this is not to say that groups cannot be smarter as they increase in size when making individual decisions instead of management decisions. However, harnessing the intelligence of large groups requires decision markets—structures that allow huge groups of people to weigh in on specific potential outcomes. To get an idea of just how intelligent decision marketplaces are, when CBS had a human swarm intelligence place a bet on the Kentucky Derby, they correctly predicted the first four horses, in order, defying 542–1 odds and turning a $20 bet into $10,800.

Such systems have even been created by companies, such as Hewlett-Packard, in which salespeople were allowed—in one experimental endeavor—to buy and sell estimates about the future sales of their printers. This created a dynamic prediction market that was much more accurate than any previous method of prediction Hewlett-Packard had used.

### A Weird Use Case for Futures Markets

Anyone who knows us knows we won’t shut up about falling birth rates. We often claim out of hand that government interventions will make little difference given that Hungary spent 5%[[60]](#footnote-60) of its GDP on the issue last year (2021) and only managed to increase its birth rate by 1.6%[[61]](#footnote-61). That said, we heard one really interesting idea on this front—one we find completely insane and unimplementable, but which could serve as inspiration for something less crazy.

Essentially, the idea is to take a person at birth and allow companies or individuals to “buy” stakes in future tax revenue generated by that individual. Half of the taxes this person pays throughout their life would go to the state and half would go to owners of their “stock.” A portion of this lump sum payment spent to buy an individual's “stock” would be given to the child’s parents as a “reward” for having them.

This system prevents a state from pretending that the value each kid will yield in potential tax revenue is equal while also preventing things like racism, sexism, or bigotry from being big players in those judgments, as any company that allowed bigotry to unfairly bias their judgment would lose money in the long run.

Better, this investment model would give a company that owned a stake in an individual's future taxes an incentive to invest in said individuals' education, mental health, and early career development.

## The Pyramid vs. The Chinese Room

The earliest grand structures people built, almost everywhere in the world, were pyramids.

Why? Was it . . . Aliens?

No, of course not. If you just pile bricks on top of each other, the natural shape they will form is a pyramid or mound. Organizational structures are the same way: As you pile new people into a company, it becomes a self-perpetuating, hierarchical pyramid. When a company is intentionally designed to *not* be a pile of people working together but instead a closed system of inputs and outputs, it can operate effectively with incredibly lean and modular operations.

How does one build the scaffolding for a corporate architecture like this? This can be done using what we call “Chinese Room” corporate architecture, a system we developed for managing our own network of companies (which at its height brought in around $70 million a year in topline revenue with only a two person middle management layer).[[62]](#footnote-62)

The Chinese Room is a philosophical thought experiment in which an individual slips pieces of paper with Mandarin written on them into a room that subsequently produces thoughtful replies. In this room sits another man operating off of a set of instructions about how to reply to different things who does not speak or read Mandarin himself. The thought experiment asks whether or not we can say if the room “speaks Chinese.''

Chinese-Room-style corporate architecture involves learning to see a company as a black box with inputs and outputs, then isolating the functions required to transform the inputs into the outputs and dividing them into four categories:

1. Can be performed by machine or script
2. Must be performed by a human, but the human would not need to speak the language of the customer
3. Must be performed by a human, but the human can be low-skilled
4. Must be performed by a skilled human

If this mapping is done accurately, about 80% of a company or governance's functions, especially middle management, should fall into categories one and two.

The trick is to see the organization’s human components as little different from its mechanical parts. As with our mechanical systems, humans process code we provide and require checks to ensure they process their code with fidelity. As with machines and programs, not all humans can run on the same code. These differences must be anticipated when writing code for an organization’s functions. Some people work better with written documents while others thrive with training videos combined with quizzes or mechanisms involving interpersonal and social interaction and reinforcement.

What allows this Chinese Room style of governance structure to be so much more effective than traditional governance structures is that it enables those operating the system to split test modules, capture institutional knowledge around what works, and replicate more optimal methods quickly. You may, for example, experiment with a few different scripts or training systems for a number of modules running the same task, determine which yields the best results, and proliferate that optimal “code” across all modules of that type.

Yes, having people operate according to their whims increases their efficiency slightly and can allow for breakout stars on your team—but we have never found or seen a way to successfully capture the unique talent of stars and transcribe said talent across a system. Instead, when filling roles for highly skilled people, we look for those whose natural whims, superpowers, and shortcomings fit perfectly for the given role. This often enables us to hire amazing people who are otherwise undervalued in the job market—perhaps because while they’re geniuses with the skills that matter for the role, they have health conditions or interpersonal social skills that remove them from contention for most mainstream jobs.

It is this modularized philosophy that allows organizations we have run to be lean, low cost, and efficient. It magnifies the impact A players can have while outsourcing roles that would have been held by B players. We were able to operate a team of hundreds of people living in five countries—without language overlap in many cases—to be managed from a single interface we built. We would love to see this methodology rolled out to larger governance structures but see it as unrealistic in the short term.

When a company using more traditional structures grows, it begins to suffer from bureaucratic bloat. The human pile of management hierarchy ends up increasing the cost of small tasks because their efficiency gets blunted by an ever-increasing number of people, departments, lawyers who demand oversight, managers who demand approval, HR managers who serve as middlemen, etc. A modularized system allows us to create a set of instructions that can be transcribed into as many modules as necessary, all running at optimal efficiency. This set of instructions can be constantly optimized (through split testing) and improvements can be rapidly deployed across the network of modules.

# DAOs

Most uniquely interesting dialog centered around governance innovation at present centers around DAOs.

DAOs are digital, decentralized, autonomous organizations. Essentially, a DAO uses blockchain technology and programming to ensure a governance system adheres to a certain set of parameters—instead of laws and human-administered rules. DAOs have their uses, but they are dramatically more hamstrung than their proponents would have you believe.

First, it is critical to understand that a DAO is not a new type of governance structure. DAOs merely represent a new medium upon which a governance structure can be written. If a governance structure is a picture of a bird, a DAO is drawing that picture on a piece of leather (blockchain infrastructure) instead of a piece of paper (legal infrastructure). Because DAOs present a new type of operating system on which a governance structure can run, in some rare cases they enable “programming” not possible in governments that run on legal rather than blockchain infrastructure. Most of the DAOs that operate today are the governance equivalent of programming DOOM to run a refrigerator’s computer. Sure, it’s neat that you did that, but it would probably run better on a normal computer.

The core problem of DAOs is that this new operating system must almost always operate on top of the old one (think of it like the limitations involved in running a Windows emulator on an iPhone).

For example, suppose one were to create a DAO which subsequently faced a dispute over who owned some of its assets. Theoretically, the DAO’s internal structure would sort out the dispute, but if one of the parties was not happy with how it turned out, they could just go to the local court system (the old government operating system), override the DAO’s decision, and seize its assets.

This is the problem with a lot of blockchain-based technology designed to replace government functions. For example, NFTs would be strictly better than the existing system for tracking land ownership, but even the perfect NFT system for property ownership records would still be subject to the old legal system of any nation in which it is released. It is irrelevant whether an NFT says you own the land if someone else has an older claim to the same land and you have not revitalized the entire land ownership system in the country to operate on NFTs.

We will not see the full potential of blockchain technology applied to government systems until we can start running this new operating system as something more than an emulator on top of another one—or to use an analogy: When we can start running Windows as the primary operating system of a computer instead of having it emulated on an iPhone.

That is not to say DAOs have no utility. There are a few instances—even today—in which they are strictly better than present alternatives.

1. In environments where the underlying legal “operating system” is faulty (e.g., When doing business in a failed state).
2. When you believe the governance system—e.g., the nation state—in which the DAO must operate will not last as long as the DAO itself. (It is for this reason our own family office operates using a DAO.)
3. When you are creating a security of which one of the partial owners must remain anonymous. A DAO could theoretically allow someone to buy partial ownership with an anonymous token like Monero and keep that ownership itself anonymous. The problem here is that while only a DAO can do this, it is also illegal in most developed countries.

Other than in those three specific uses, a DAO will consistently be worse than a traditional government because it has to operate on top of one, which requires you to make sure the organization functions as desired both per DAO protocol *and* per the governing nation’s legal system, whereas in a normal governance system you are just working with the nation’s legal system. Sure, we’ve encountered DAOs that claim to have evaded government control and meddling, but when one looks into how much of its members’ time and effort went toward creating structures designed to cleverly evade government intervention, these DAOs don’t seem to have much of an inherent purpose or impact aside from “avoid the government.”

Once nations successfully scrap some governance systems and replace them with DAOs, we may be able to see their true potential.

# Centralization vs. Decentralization

Historically almost all teams were managed hierarchically. Models like The Great Chain of Being presumed hierarchy was the foundational nature of society, with power always flowing unidirectionally: Child -> wife -> husband -> serf -> lord -> . . . -> king -> God. The presumption of unidirectional power projection became more nuanced with the compartmentalized Ford model during the industrial revolution, which received an additional infusion of innovation with Fredrick Taylor’s scientific management theory. However, a genuine change to the presumption of hierarchy being the presumptive default model for organizational structures did not emerge until 70 years ago with Erik Trist.

Before Erik Trist, “longwall” mining was the norm in coal mines. Longwall mining involves each team performing sequential tasks, with each individual specializing in one thing (one team had to finish before the next could start). Erik Trist noticed some teams of miners in South Yorkshire were using a radically different model in which multi-skilled autonomous groups were organizing organically with minimal supervision and interchanging roles. These teams were vastly more productive than the old model, often able to work 24 hours a day without waiting for other shifts to finish.

Despite findings like these, changes away from strict hierarchical approaches have been glacial. It would be some time before self-managed teams began to gain popularity in the 1970s and through the 1990s. Famous case studies taught in business schools were the primary drivers of this acceptance, with the top among them highlighting self-managed teams in a Volvo plant in Sweden, FedEx, C&S Grocers, and General Mills.

These techniques further evolved and spread with the advent of the internet, giving birth to the concept of “the networked firm.” Autonomous team management evolved further with systematized project management techniques like agile and scrum project management methodologies and open-source online projects.

This in turn has led to all sorts of newfangled approaches like:

* Teal organizations, which attempt to create an environment in which employees can manifest their full personas, rather than just their work personas, and self-manage without a central control in such a way the company naturally evolves over time.
* Podularity, a model based on agile project management in which tasks are broken into small increments.
* Holacracy, a series of flat organizational structures stacked hierarchically.

We’ll briefly explore a few of these, with the caveat that we would not recommend attempting to carbon copy any of these structures but instead regard them as points of inspiration as to how the mold of “default” governance structures can be broken.

## Flat Organizational Structures

Let’s start by focusing on the traditional antithesis of hierarchical organizations: The flat organizational structure. Flat organizational structures can sound like the dream organizational system to a person currently living under a hierarchical structure because they address the most acute pain points of a hierarchy by granting almost equal institutional power to most everyone in the organization.

These organizational systems are extremely susceptible to being supplanted by simplistic dominance hierarchies as described near the beginning of the book. When you remove a power hierarchy from a governance structure, human nature will cause a *new* power hierarchy to form without any interest in the organization’s purpose or desired outcomes.

This problem is exacerbated in high-power-distance cultures. These are cultures where naturally occurring dominance hierarchies are more strict in their unidirectionality, making those in high positions feel more distant from their immediate subordinates.

As such, maintaining a flat power structure in high-power-distance culture requires some element of social engineering. A great example of this can be seen in the South Korean company Kakao, which fortifies its flat organizational structure by having its employees only use English names for each other. As American culture features lower power distances than South Korean culture, this helps to unmoor employees from their day-to-day social schemas. South Korean Airlines classically had one of the highest crash rates of any airline and it was partially attributable to this high power distance culture, with black boxes after some crashes showing co-pilots clearly expressing discomfort with the senior pilots’ decisions but unable to communicate this in a way that changed action.[[63]](#footnote-63)

Are flat organizational structures good? While the best perform better, most are worse. Flat organizational structures require a company to be composed entirely of emotionally mature, non-power hungry, non-ideologically infected[[64]](#footnote-64) B-players and above. Flat organizational structures will not protect participants from authoritarian-like rule. If anything, they are more susceptible to it as they give anyone with an authoritarian bone in their body and a bit of charisma the chance to try it out (whereas in more hierarchical companies, only those in senior positions must overcome the temptation).

Well-functioning, flat organizational structures are most likely to emerge in industries where almost everyone is at the absolute top of their game and totally mission-focused (for example, in some top-tier startups). In most other circumstances, attempts to implement this format yield disappointing results.

## Holacracy

Holacracy is a system for constructing governance using hierarchically organized, interacting circles. The term is typically used to describe a flat organizational structure made up of self-sorting pods without strictly defined roles. Famous examples of companies operating on iterations of this model are Zappos, Valve, and Medium (which ultimately shut down the system).

Proponents of holacracy argue it can empower ambitious individuals who like taking on more than just the job they were assigned, allowing their roles within an organization to be expanded to match their enthusiasm while also giving them a greater sense of meaning in their work. Since holacracies are usually explored through famous case studies of their implementation, let's take a glance at two.

Zappos:

* Holacracies are often implemented during times of rapid growth and expansion. Zappos went from 150 teams to 500 “circles” after transitioning.
* After implementing a holacracy, the average Zappos employee held 7.4 roles and 25 distinct responsibilities. This is relevant, as research shows each additional goal an employee takes on after the first few lowers productivity.
* Holacracies can rarely be managed directly due to their complicated nature. Company leaders typically use specially designed software to facilitate their function—like GlassFrog and holaSpirit.
* Zappos uses a system of badges so that others can identify colleagues’ skills and past work.
* At one point, Zappos experimented with taking the concept even further and giving employees “people points” which could be used to create an internal marketplace for roles, however this experiment was walked back.

Valve:

* Valve first introduced their version of a holacracy, called Flatland, in an effort to recruit and maintain higher quality talent, thinking it counterproductive to ask such types of talent to just sit at their desks and do as they are told.
* Valve is well known for an intentionally leaked humorous corporate manual that is worth checking out if only for the cartoons in it.

In *The Pragmatist’s Guide to Relationships,* we address how sometimes people venture into poly relationships, expecting a “relationship without rules” only to find that healthy poly relationships often feature an intricate web of protocols and strict rules almost unimaginable to someone who has only experienced traditional relationship structures. The same can be said for holacracies: While they may sound like anarchy to an outsider, they actually feature much stricter interaction protocols than a traditional company. For example, at Morning Star “colleague letters of understanding” are used to outline responsibilities, activities, and overall goals as well as metrics for measuring performance. All of these must be fastidiously maintained in a company-wide “living document.” Essentially, these letters of understanding allow an individual to signal to others what they plan on accomplishing in a given time—like staking out a domain of tasks.

The bureaucratic bloat that accompanies this complexity is so bad that companies develop things like AIs to mediate meetings—and even that often isn’t enough, with Medium leaving the holacracy model when the “tax” of managing all the additional rules and governance started to eat up all of its teams’ productivity. When strict rules start dictating how social interactions must be carried out, a governance structure becomes uniquely at risk of unchecked dominance hierarchies forming along social lines.

We cannot find a single example of an organization becoming successful while maintaining a holacratic format. We can only find already successful organizations stagnating into a state of holacracy under egomaniac CEOs more interested in experimenting with utopian work environments than advancing their fields.

Valve adopted a holacratic structure in 2012. They released their last great game, Portal 2, in 2011. Before 2012, Valve was known as being one of the most innovative companies in gaming, releasing titles like Half Life, Portal, and Team Fortress. Since switching to a holacratic model, Valve has accomplished almost nothing outside of a few glorified tech demos. Any gamer would tell you it is almost astounding how little they have accomplished.

Holacracy “works” at companies like Valve and Zappos because they basically have money printing machines attached to them that can afford to pay employees to spend huge portions of their time engaged in petty politicking and bureaucratizing.[[65]](#footnote-65) Things got so bad at Valve that one employee likened it to having a KGB network within the company in which some employees used an invisible whisper network to control its vast and broken bureaucracy. If anything, stagnation the previously-ultra-productive Valve experienced after adopting the holacracy model presents a perfect demonstration of this model’s failure.

Holacracy is the antithesis of a well-designed governance model.

*One interesting model that shares some ideas with holacracy may work. Back when General Electric was seen as a successful, diversified conglomerate, it had a policy of rotating its senior managers across different divisions on a regular basis. It did this to reduce managers’ incentives to lobby for a lot of capital in any given division, prevent them from accumulating a great deal of specific expertise, and hamper the accumulation of political capital while reducing “castle-building” behavior.*

## Anarchy

Speaking of systems laced with draconian rules that claim to offer freedom, let’s dive into the modern interpretation of anarchy that has been used as an organizational structure by organizations like Antifa and Occupy Wall Street. (There are about a hundred radically different political systems that call themselves anarchies, so we will focus on the governance structure in a broad sense that will apply to most.)

The goal of most modern iterations of anarchy is to create an environment in which direct, opt-in democracies can organically form and dissipate. Anarchists want people to be able to leave and join new voting bodies whenever they feel it is in their personal best interest. This system is not that different from that originally pushed by the Seasteaders, a group of people that wanted to create floating cities made up of modularized housing units that could split off from city states and join new ones whenever it became optimal to do so (with the caveat being that in the Seasteaders’ case, not all of these city states operated on a direct democracy model).

We suspect that people who promote this view of anarchy do so as they imagine this is the way human societies organized themselves before state-level government existed. To an extent, they are correct. What they miss is that these early governments also had a survival-of-the-fittest dynamic in which stronger groups would raid the weaker ones, kill their male members, and enslave their female members (a practice common across geographies, see: *The Pragmatist’s Guide to Sexuality* for evidence of this widespread practice).

This type of practice disproportionately selects for dictatorial tribes that feature strong central governance structures. This stands in contrast to the types of governments anarchy selects for when you have hidden rules, like “no killing someone for leaving your tribe” and “no stealing resources from other political units.”

The reason why we have almost no example of anarchy staying functional outside of cases in which it is surrounded by large, peaceful democracies is because it is inherently unstable. Most forms of anarchism cause hundreds of small political units to form within a constrained geography. Those political units that tend toward strongmen with a tendency to physically dominate their neighbors typically end up snowballing in power, which results in the entire political structure being controlled by one strongman. (This is as true for Seasteading as it is for CHOP.)

Can this proposed governing structure be made to work? Like communism, anarchy always seems to end the same way when tried. Instead of ending in single party dictatorships as communism does, anarchy-based governance structures consistently lead to dissolution within a decade or a single strongman in power. Unlike communism, anarchies do not appear to be stable even at small scales (families can run well on communism … we have yet to see a family that runs well on anarchy).

In the same way communism inevitably leads to a snowball of power consolidation, anarchy inherently can either go in that direction or lead to a snowball of power decentralization to a point at which it offers nothing to connect its members or features so many norms of conduct that it becomes prohibitively difficult to interact with. However, like communism, the inevitability of anarchy’s flaws are largely reliant on human nature and therefore might be fixable with an AI lattice in the background.

## Markets

Open markets are commonly presented as a method for governing an economy. While this is true, markets also present a strategy of governance design used to moderate interactions across many types of governance models. Consider a firm that opens up internal capital markets in the form of transfer pricing, which allows departments to interact using free market principles and even compete with outside firms in the case of internal/external markets. This is hardly the only method of incorporating markets into governance structures, as can be seen through ideas like the quantification of externalities generated by departments, which can then be traded within a company (e.g., diversity or carbon credits).

Here are two quick examples featuring the use of markets within governance structures:

1. In 1998, BP made a commitment to reduce greenhouse emissions by 10% before 2010. They achieved this in only three years using internal marketplaces. Business units were given “permits” that represented the right to generate one ton of carbon dioxide in emissions. These permits could be traded within the company, allowing for a competitive and dynamic internal marketplace, with 4.5 million tons of emissions being traded in those first three years for an average cost of about $40 per ton. (This is an internal, market-based system not dissimilar from the public emissions-based trading system developed under the Kyoto Protocol.)
2. Hewlett-Pachard developed a system in which anyone could propose a project to a board of senior managers at something the company called its VC Cafe, which acted as an internal VC. If a project was approved, it was given a budget and its description was posted on an internal network, allowing interested team members to inquire about joining.

Open markets are defined by their ability to self organize. When an organization uses an open market system, components of that organization that are better at achieving a specific pre-assigned goal get more resources and thus gain greater influence over how the organization plays out.

This metric can either be:

* **Backed Money:** A token backed by something the society believes has value (commodity money is the classic example here).
* **Fiat Money:** A generalized, freely traded token that can be exchanged with the governing body.
* **Measured Tokens:** Tokens that can be reliably acquired by achieving a specific, measurable goal and that often can be exchanged for currency equivalents (e.g., carbon credits).
* **A Series of Tokens:** A few token types used for different tasks that are allowed to develop an internal exchange rate (e.g., departments may get one set of tokens for efficiency at a task and another for safety during its undertaking—or tokens that are specific to their domains, like coding or HR tokens)
* **A Non-Tradable Resource:** Using this final definition allows individuals to think of things like political systems as an open market where firms or political parties compete for voters. It is a stretch to call such systems a marketplace.

The advantage of these systems is that the subjective human element of deciding which component is performing its task better is largely handled “automatically” instead of decided upon by a central authority. The downside of these systems is that they encourage competition between branches of a government, which can lead to the siloing of information, resentment, and reduced morale.

In the same way that communist systems are incredibly stable and effective in small population groups (i.e., on the family level) but almost inevitably toxic at the level of larger populations, the inverse is true for market-based governance systems. Market-based systems are often an effective component of large governance structures, having even been employed as such in communist states, but on the small scale almost always lead to extreme toxicity. It would feel dehumanizing and breed resentment to operate a family on a marketplace model. The same can be seen in smaller companies that attempt to use marketplaces as a major aspect of their operational structure (the breeding of resentment between departments).

If you are designing a governance structure with an open market component, note that:

1. Market-based governance will not magically heal a toxic culture within a company or family office and may exacerbate the issue by encouraging even more cut-throat competition. (Removing the human component of determining who is the “best” department/person removes some of the fear of being punished for being an asshole.)
2. When allowing for subgovernments to organically form and compete within a governance structure, remember that nearly all open markets have restrictions within them (e.g., on who can start these sub-governances, how much power they can accumulate, and how they can interact).

Open market structures are generally a component of a well-designed government when populations of above 50,000 people are at play. That said, open markets very rarely make up an entire governing system. (We won’t discuss prediction markets here as they are addressed elsewhere in the book.)

# Fighting Inequality with Governance

If you feed a capuchin monkey a cucumber, he will be happy and excited … until that critter sees you feeding another monkey grapes instead of cucumbers. Then he will lose his shit (no, seriously; search for YouTube videos of this; it's hilarious and we can all relate). The instinct to become livid in the face of perceived “unfairness” is programmed deeply into our DNA. This unconscious biological instinct has existed in us long before we were human. Governance structures can be utilized to systematize or erode structural inequality.

Counterintuitive as this may be, it is sometimes good for governments to create structural inequality. For example, the USA imposes open discrimination on employment opportunities based on age, straight up making it illegal for people under a certain age to hold most jobs. Heck, in addition to not being permitted to work, people under certain ages are not permitted to vote.

While there was a point in history at which governments' systematic restrictions on individual rights were genuinely up for debate, we don’t think child labor laws present a hill on which many still wish to die. That said, the goal of most governance structures, be they corporate, family, or state, is to reduce inequality and increase fairness.

One thing to keep in mind in discussions of fairness is how hard fairness is to nail down and define as a concept. An analogy we used in *The Pragmatist’s Guide to Life* is that of a teacher splitting a cake fairly with her class. Does she:

* Split it into equal pieces
* Give more cake to the hungrier students
* Give more cake to the poorer students
* Give more cake to the harder working students
* Give less cake to the student who constantly disrupts class
* Give less cake to the student who already has a cake on his desk that he is eating
* Give less cake to the ten students who were given cake the last five times there was a cake

The type of inequality governance structures can take on can largely be divided into four categories:

* **Inequality that results from bigotry**: This is inequality that results from perceptions about certain groups. While it is typically thought of in the context of racism and sexism, bigotry can also be tied to subcultures (e.g., people with tattoos or goths), religious beliefs, sexuality, and even political beliefs. Nazis really went for the quadfecta of bigotry in the Holocaust, killing people for ethnicity, sexuality, religious beliefs, and political beliefs, however they themselves are now ironically also a political ideology subject to intense discrimination. (Socially, we try to differentiate forms of bigotry into different categories based on how ethical we see them as being, often categorizing bigotry based on something a person chose—like their political beliefs—as being systematically different from bigotry based on something they did not choose. While it might be true that these should be regarded as ethically different from a systems perspective, they function identically at the level of governance.)
* **Systematic wealth/power differentiation**: Inequality that exists as natural variation in wealth and power within a system is present within all governances but can sometimes reach levels that are destructive to the system itself. While in pop culture this is often seen as a flaw of capitalist systems and is measured through things like the Gini coefficient, systematic wealth and power gaps are often just as present in cashless systems. (Even if your company were to not pay the CEO any more than a janitor, the CEO would still have more structural power than the janitor, which would accrue them more opportunities.)
* **Generational freeze out**: This happens when bigotry combines with systematic wealth differences to create a compounding cycle of disenfranchisement and is uniquely deadly in terms of institutional knowledge transfer. In family offices, generational freeze out can be seen when a family waits too long to bring the next generation into management positions. At the state level, it can be seen when almost all ultra-wealthy individuals or individuals in certain branches of government are above a certain age.   
  Fortunately, this issue is easy to resolve when contrasted with other forms of discrimination: If over 70% of a governing structure's members are from one generation, create a mechanism to ensure this can be smoothed out by adding individuals of other generations.
* **Biological restrictions**: Common biological restrictions include disabilities, pregnancy, and old-age.

Just as an unequal system can cause inefficiency within a governance body, putting too much emphasis on perfect fairness can generate enormous friction and burn off most of the system's wealth and value creation, reducing quality of life for everyone living within it. Equality is always a balancing act between allowing for things like some degree of generational wealth transfer (people having the ability to be motivated by giving their kids a better life) while not allowing power and wealth to coagulate within certain families or ethnicities and clog the gears of the system.

## Bigotry

Bigotry can be addressed by removing prejudices associated with subgroups, removing the social schema making it OK to act on these prejudices, filtering individuals who might act on bigotry from positions of power, or creating structures that reward/punish one group more than another to correct for these injustices.

While systems for altering culture and education can be used to fight bigotry, they are only relevant at the level of nation states that have an unhealthy level of control over what their citizens think. We say "unhealthy," as a government being able to alter its citizens' opinions on things naturally leads to the politicization of the educational system, which in turn almost always ends with one side “winning” and controlling said brainwashing system.

This leads to a snowballing power consolidation, with more brainwashing giving one party more power, which in turn they use to do even more extreme brainwashing, which destroys the educational system.

But if you are not going to change culture using top-down mandates, what options do you have in the fight against inequality?

### The Equilibrium Problem

Research on solving equality at the level of governance becomes excruciating as one quickly realizes the field is so polluted by politics that it has stopped outputting honest results. Several academics and journals have been attacked for publishing research results that fail to align with certain political narratives (for example, research that showed women being hurt by female managers). Many in this field of academia care more about ensuring that their political “team” is seen as being "correct'' than actually resolving inequality in a sustainable manner.

One of the greatest problems in combating bigotry in governments that address large areas/populations is what we call the “equilibrium problem.” Essentially bigotry does not exist in all places at the same level, meaning some methods used to address bigotry will result in unfair penalties and advantages in the opposite direction within certain populations.

Let’s use an extremely simple hypothetical example:

* A nation's population is highly prejudiced against women, on average.
* This “average level of bigotry” could be ameliorated to some extent by applying a modifier to the employment of women that artificially favors female resumes by Y% or frames women as being extra competent or moral in media and education by Z%.
* But any sweeping Y% or Z% intervention that would lead to an “average level of no bigotry when selecting between female and male job candidates across the country” would still subject women to prejudice in areas culturally intolerant toward women while giving women a significant advantage in regions that are culturally more feminist. Women in regions that presented little bigotry against women before the intervention would gain such an advantage from sweeping anti-bigotry interventions that the intervention could even breed resentment and cause an eventual backlash—leaving the situation still bad for women in areas of high discrimination while increasing discrimination in areas of previously low discrimination by stoking resentment among the few who still had discriminatory attitudes in those regions.

We visualize this as the “ocean of bigotry.” We have a false perception that, were the ocean drained, it would reveal a giant, flat plane—yet this is not true. Were the ocean drained, vast mountains and valleys would be revealed. Equality can’t be achieved just by draining the ocean; one needs to then plow down mountains and fill trenches to create a flat seabed.

In practice, this plowing of the sea bed destroys local cultures and erases the history of ethnic subcultures with which the majority population disagrees by “correcting” their views on things like women and minorities. Every society that strives for true, sustainable equality needs to wrestle with the ethics of this choice. (And for the love of God, don’t go around being so deluded as to think the “true” version of every other culture actually loves women, gays, and ethnic minorities.)

Imagine “fairness” sits on a numerical spectrum between -10 and 10, with 10 being unfairness in favor of a group, -10 being unfairness against them, and 0 being a state of perfect fairness. Now think of a large country like the United States. Each state within the U.S. will have a different "fairness" number associated with any given group. Any nationally implemented policy that tries to remove negative discrimination against a particular group by just applying a “+X” modifier to every state until every state has a fairness number for that group that is greater than or equal to zero will lead some states to feature extremely high positive discrimination in favor of this group (which technically isn't fair). If your goal is not the promotion of a specific subgroup but actual fairness, sweeping, national attempts to counteract discrimination are suboptimal.

One who is not serious about addressing the issue will just jump to a proposed system that outlaws advantages based on a given characteristic—but such systems don’t really work. If you just say: "Don’t take race into account when hiring,'' certain racial groups will still be disadvantaged due to the minor bigotry they face throughout the day. We don't believe anyone really believes such policies can remove discrimination in the long run. Thus, such systems are rarely used and only really mentioned as arguments by individuals who prefer inaction on such issues.

While bigoted individuals often make the following point to support doing nothing about bigotry, it is also a factually true statement: Prejudice will be exacerbated in the long run by systematically placing less competent members of discriminated groups in positions they would not have won without positive discrimination.

Imagine if a government intentionally selected a super-competent group of males and a group of average females, then had this mixed gendered group replace news anchors for a year. Or imagine your board of directors replacing the management positions of your company with this group of people. If you didn’t know why they had done this, you would think the government was trying to brainwash you into believing women were stupid when compared to men. Yet, this is functionally what many organizations “fighting” discrimination end up doing. By increasing the status of the discriminated-against group within a single generation one increases the number of people who secretly think that group actually is systematically less competent.

We must be conscious of this effect when designing systems that utilize positive discrimination. Don’t dismiss this truth just because it leads to the “wrong” ultimate conclusion. When positive discrimination is implemented in its most extreme form, the results naturally and logically breed bigotry in a population. Policies with the potential to inspire bigotry where none existed before will not resolve discrimination.

Equilibrium and positive discrimination problems are relevant in state governments as well as nonprofits, family offices, and even corporations. Imagine that professionals with technical backgrounds are underrepresented in a company's senior management due to its culture and that, to counteract the imbalance, the CEO artificially makes it easier for programmers and other technical employees to rise to senior management positions. Such a change may create the perception that technical employees are less competent at management than other individuals, even if this is factually not true.

So how do you solve the equilibrium problem? The second guess after general positive discrimination one might jump to is to require that leadership bodies have equal representation (e.g., every company's board must proportionally represent the gender/racial/religious/political/cultural/whatever composition of its stakeholders/nation's populace/shareholders/whatever). Superficially, this sounds like a good idea. This is the solution that those in power are most likely to select as it earns them the most brownie points with their friends within discriminated classes (i.e., fellow rich and powerful people who also happen to technically be in discriminated classes). That said, in practice it always ends the same.

Specifically, it helps the least vulnerable individuals of a discriminated class while ignoring the vast majority of said class. Obviously, the argument one might use here is that putting unusually privileged members of a discriminated class into positions of power will help all people of that class. Studies show this sometimes—but not always—works. For example, females vastly prefer male managers (this was found in a study of over 60,000 women).[[66]](#footnote-66) Heck, one study of 142 legal secretaries found not a single one preferred female bosses to male bosses.[[67]](#footnote-67)

But stats like this are the exception to the rule. Most studies suggest that it is beneficial for a company to have female managers and that once female managers become fairly common in an organization, more are likely to be hired in the future.[[68]](#footnote-68) (For a great unbiased breakdown of this, see Harvard Business Review’s article: “Who Wants to Work for a Woman?” [[69]](#footnote-69))

One can also argue that even if only the already-privileged members of classes facing discrimination are placed in positions of power through quotas, these quotas still help the non-privileged members of those classes by providing them with role models and blazing trails. People often gravitate toward aspirational figures "like them," so the existence of a female president, for example, might inspire more young women in that nation to aspire to the role themselves.

The larger point is that creating upper management quotas doesn't always benefit the groups we wish to elevate. That said, they mostly do, and instances of quotas not being beneficial typically involve issues of perception (i.e., women not *wanting* to work under other women), so this point can be taken with less emphasis.

The bigger problem with “management quota” systems is that they ignore an obvious truth—inequality within heavily disadvantaged groups is almost always dramatically higher than inequality in a system as a whole. Creating a vacuum that pulls from the top without any mechanism pushing from the bottom only serves to increase inequality within the discriminated group faster than it can resolve their discrimination. This in turn can generate subcultures within these groups that come to see successful peers as “traitors” due to the larger group's inability to relate to their successful members at a cultural level given the vast divide in lifestyle created by the artificially large inter-group wealth gap.

This inclination to dissociate oneself from people who have a large wealth gap from you is not unique to discriminated populations and is seen in virtually every population. For an extreme example, consider people who think the rich and powerful are secretly lizard people.

Essentially, management quota systems leave the most vulnerable individuals in the dirt while creating a veneer of a solution by empowering those least in need of empowerment. Yet management quotas are favored because the individuals they help most (wealthy, powerful members of a class facing discrimination) are the most likely to be the lens through which a society's influencers and elite see that class (most rich and powerful people's friends are also rich and powerful).

If that's the case, what is the solution? Clearly a solution is needed.

### The Pendulum Effect

Not so fast! One devastating subset of the equilibrium problem is the pendulum problem. While equilibrium problem looks at how discrimination can vary across geographies, the pendulum problem looks at how discrimination varies across generations.

Solutions to inequality in a society typically focus on resolving it among youth populations, as their perceptions are most malleable. As such, it seems most pragmatic to declare bankruptcy on bigoted, ossified adult populations and instead erase discrimination among the young. But the same groups that make this choice often continue to measure inequality from population pools sampled across individuals of all age groups—or worse, from exclusively older age groups. For example, a group trying to promote women in business may focus on young people while using the fact that 80-year-old male CEOs are paid more than their female counterparts as a sign their efforts have not gone far enough. When a society is making rapid progress on the topic of inequality, it is possible for that society to reach a point at which, even though on average a group is still discriminated against, certain age ranges have the game rigged massively in their favor.

The problem here comes when the younger demographic ages and the older demographic dies, causing the pendulum of unfair advantage to swing in the opposite direction. To recreate equality, the new, younger generation pushes the pendulum back in the other direction, creating a society oscillating between two extremes that is never fair for any demographic. In the long run, people will suffer if this effect is ignored (while it will lessen with each swing, it is best to prevent the effect to begin with).

The “obvious” solution is just to measure inequality from the youth’s perspective. If one were measuring a female wage gap in such a system, they would only measure it in twenty-somethings.

The reason this is a bad solution is twofold:

1. The solution actively abandons anyone over a certain age.

2. It would not effectively capture glass ceilings of oppression that do not manifest until later in one's career. (E.g., If discrimination still existed in the promotion of women to upper management, just measuring how they are doing in their 20s won’t capture this effect.)

While some political writers have alluded to similar trends among nations' political parties, the pendulum problem as it pertains to fighting discrimination is purely theoretical. Some groups clearly face more discrimination from older populations than younger populations, however there is no apparently organized and incontrovertible instance yet of society pushing back.

One might argue that The Red Pill or GamerGate movements represent examples of this in the case of women, but one could equally argue that they are the last gasps of a dying worldview. Only the future will tell. That said, we mention the pendulum effect as theoretically it makes sense and we suspect that future studies will show it to be real. Were we to design solutions to inequality, we would keep it in mind.

### The Solution

Finding a solution to discrimination within a system entails more than imposing simple rules because the amount of discrimination varies within any given system's hierarchy. Typically, there is less discrimination at the very bottom and very top of a system. Finding the place within a system at which discrimination begins to peak is critical in resolving it.

To double click on what we mean when we say discrimination is lower at the top of a system, we mean this in a relative sense, not in an absolute sense. We are contrasting representation of disadvantaged groups in the highest positions of power with those in positions immediately below the highest level of power, not as a share of the general population. Workplace discrimination is like a filter that appears between every institutional layer of power, but is almost always dramatically more strict in certain layers. For example, in the case of women, research has shown this occurs in their first management positions.

Think of discrimination as being like a clogged pipe, you must identify the point in the pipe where the highest amount of water pressure is absorbed and clear it out. If you only focus on what is going into the pipe or out of it, you solve the wrong problem and in the long run make the situation worse.

In an ideal system, each disadvantaged group's representation won’t necessarily be in direct proportion to the general population, but there should be no clear signs of bottlenecks—points in the system at which members of a certain group are clearly facing discrimination and being weeded out. This statement comes with two huge caveats.

First, a group of people is less likely to bother joining a system if they believe that system discriminates against them (why enter a pipeline if the pipes are clogged?). Second, sometimes resolving “clogs” in a system requires erasing part of a group’s culture. For example, fewer Muslims are likely to be found working in a sausage factory due to their religious prohibition against pork.

When culture leads people to self-select out of a system (and therefore be poorly represented within it), there is no obvious solution. Both corporate and government systems often make the problem worse by trying to resolve it. The problem of course comes when people blame culture when attempting to explain away what is actually institutional sexism or racism. Unfortunately, we can’t think of a good solution here except to say sometimes one side is right and sometimes the other side is right and one should not assume that disproportionately low representation of a population in a system is due *only* to discrimination or *only* to culture.

## Discrimination in Summation

No doubt much to everyone’s disappointment, we have failed to provide any obvious, actionable ways to “end discrimination.”

That is part of the problem. When we see unethical discrimination, our first and natural response is to take action to end it—but ethically motivated actions do not always lead to positive responses. Discrimination can’t be solved with blunt force; it requires delicate and thoughtful open-heart surgery at the societal level.

## Systems for Fixing Bias

Bias presents a bigotry-related problem to which there are many more actionable solutions. As we took a first-principles approach to secondary education with the Collins Institute (CollinsInstitute.org), we had to develop a system preventing political bias from creeping into our model. Separately, as consultants, we also helped a firm develop a system preventing too much political bias from polluting its moderation policies. Let's discuss each system in turn.

### Preventing Bias in Education

To block bias from polluting our education system, we teamed up with Metaculus, the world's leading forecasting company, which essentially runs what can be thought of as large betting marketplaces (without the money part) that speculate about the likelihood of future outcomes (something Metaculus prediction markets achieve with crazy high reliability). We incorporate Metaculus’ prediction markets into our school’s core processes by including prediction market questions in multiple-choice assessments within topics subject to political bias (students are encouraged to make a prediction based on their knowledge related to some relevant outcome that has not yet come to pass).

If a student demonstrates a strong ability to predict outcomes related to a subject while simultaneously performing poorly in general multiple-choice assessments related to that subject, it is a sign that our assessments have become biased and are in need of correction. A person who can’t better predict future events based on current information after education has not been “educated”; they have simply been taught to repeat a particular party's perspective."

This system has the added benefit of yielding a metric we can use when evaluating students, with one of the core problems of a single metric for measuring students being that 80% of students will always fall outside the top 20% (which hampers their ability to demonstrate they’re a top performer in job and university applications). In addition to this added benefit, variations of the system also allow us to constantly A/B test different teaching systems.

When you define the “success” of an education system as a real-world measurable accomplishment outside of some state-mandated guess as to what an educated student resembles, you can enjoy the benefits of a constantly updating and improving “self-healing” educational system. Within some topics, we define success as an ability to more accurately and consistently predict future events. In other domains, we use direct authentic assessment (for example, how many five star reviews a student-written fanfiction gets online).

We use AI to constantly generate new potential test questions, which are screened by humans for inclusion in our curriculum. The accuracy with which these questions judge student knowledge is determined by their correlation to students’ performance on authentic assessments.

Our favorite vindication of this model came from an authoritarian old English teacher and failed author who expressed scorn for our system. She pointed out that many popular fan fictions became popular books, like *50 Shades of Grey,* which got its start as *Twilight* fan fiction, and that she would have given E. L. James, the writer of *50 Shades of Grey*, bad grades.

There is no more objective picture of the flaws in our education system than an arrogant English teacher who has not one measurable accomplishment in writing to her name fantasizing about how she would lord her arbitrary authority over one of the single most read authors in human history. Yes, E. L. James may not have adhered to all the silly rules the educational orthodoxy uses to determine who is an “upper class” writer and who is a “low class” writer, but her writing objectively served its purpose at an elite level.

Within every subject, there will always be a myriad of little rules used to signal “class” that are not relevant to the functional outcome of a product. Should a student wish to learn these, we can develop authentic assessments specifically tied to mastering these esoteric skills (like having third parties judge the education level of students based on their writing), but we don’t think the pursuit of a now-largely-arbitrary ideal should make up the core of a subject.

### Reducing Bias in Content Moderation

At one point, we were asked to help a team developing an unbiased content moderation system based on our school’s design.[[70]](#footnote-70) While it turns out our theories on reducing bias within school systems are largely irrelevant in this domain, theorizing on incentive systems for this team helped us with this book.

The problem with content moderation in tech companies is twofold: First, the staff at these companies is overwhelmingly progressive and individuals at these organizations will actively target and try to eliminate anyone who espouses even moderate political views. We speak here from personal experience; while it may not be a policy of the organization, many individual employees will attempt to purge ideologically different colleagues with a lot of institutional cover given the ideological conformity within these orgs.

For example, 99.6% of Netflix, 98.7% of Twitter, 96% of Google, and 94.5% of Facebook political donations are to Democratic candidates.[[71]](#footnote-71) This is not just a natural consequence of programmers being more likely to be Democrat—as a whopping 26.6% of programmers are Republican—but a manifestation of the rather systemic bias and witch hunts cited above.[[72]](#footnote-72)

Management at these companies must build mechanisms to ensure that the policies developed by their employees don’t reek of extreme political bias. This is a problem when those policies dictate what content to ban and what to keep, as a failure to stay at least plausibly unbiased can cause these companies to face government regulation.

The second problem faced by these companies is that the low-cost, marginally employed individuals who often serve as content moderators usually have a strong socialist bias due to the communities from which they hail. These forces place a heavy progressive bias on these companies' content moderation practices, which, again, puts their employers at risk of legislation artificially placing a conservative bias on their moderation practices.

Some companies have taken a crack at fixing this is with AI, but if said AI is programmed by ultra-progressive coders, then it is bound to feature progressive bias. How, then, does one resolve this problem?

The solution is fairly simple and not present in current models of content moderation: Create a system that punishes moderators for mistakes and disproportionately punishes them for politically biased mistakes. Specifically: Give users the ability to flag content as being banned for politically motivated reasons and cite the directionality of that bias. Then escalate the contested case to a group of judges with political leanings sympathetic to the banned content (e.g., if the moderator is accused of liberal political bias, the judges will have a conservative bias).

If the judges disagree, the content creator loses their ability to ever appeal a ban again. If, however, the claim is judged as accurate, the moderator accrues a citation. If, at the end of the month, a moderator ever has more than a certain number of citations related to overturned cases—with that threshold changing logarithmically depending on the bias of their moderation—they are punished (perhaps they don’t get a bonus, perhaps they get fired, etc.). For an example of how this logarithmic system would work: A company may permit moderators to accrue 20 citations if 10 were liberal and 10 were conservative but only five citations if all five demonstrated liberal bias.

While this system won’t entirely eliminate bias, it will dramatically reduce it at the cost of allowing many more things to “fall through the cracks” and a slightly larger moderation team (a small price to pay). We expect the actual judging system would rarely be used after a short period of time, with the mere fear of its existence being enough to prevent individuals from knowingly allowing their bias to seep through in their decisions. This system forces moderators to ask themselves: “Would well-meaning people who are politically motivated to support this content *also be likely* to recognize it as misleading propaganda?”

# Handy Governing Gimmicks

In our first draft of this book, we delineated every unique form of government attempted, ranging from obscure, AI-assisted family office structures to a historic Persian province, and an ecclesiastical polity of a now-extinct Protestant sect. This seemed like it was going to be really fun but got crazy boring fast. These governing structures fit too neatly into the framework we laid out earlier in this book. Even styles that sounded superficially exotic typically turned out to have a single, unique gimmick. It therefore makes more sense to use these more unique gimmicks to study how the above parameters can be stretched to do interesting things.

## Exploiting Human Nature

Exploiting human nature and psychological tricks is an aspect of governance that deserves more coverage. When we first bought a company in Peru, we were surprised to discover that, to calculate an employee’s annual pay, we needed to multiply their monthly salaries by 14 and not 12. Twice a year, our Peruvian employees were given a “bonus” month of salary all at once. In addition, a portion of Peruvian employees’ salaries also goes to a retirement fund and an unemployment fund (which only belongs to them). The unemployment is released when their job is terminated. This gives people a financial runway, protecting them in the event of unexpected layoffs.

By creating simple systems that ensure Peruvian employees get cash windfalls, unemployment savings, and retirement funds, without taking proactive action, the Peruvian government has ensured its population acts with greater fiscal responsibility than it otherwise would. This does not affect us as a company; we pay employees the same yearly amount we would be paying them annually without these systems in place. Essentially, the government is able to give its citizens some of the benefits or a more socialized system without the waste.

Defaults are powerful. Making organ donation a default on driver’s licenses can increase rates of organ donation by as much as 80% in some areas.

While plenty of governments and organizations intelligently use “nudges” and defaults to their advantage, some well-attested psychological tricks remain highly underrated and underutilized. Consider the body of research indicating that people act more ethically when they think someone is looking at them or even see a set of eyes painted on something. For example, one group of subjects was found to put more money in a charity box if the box had a set of eyes painted on it. We always suspected something interesting could be done with this information.

How might you implement these tricks? Suppose you are setting up a family office that will send payments to your grandkids. When kids within the family are under 15 years old, it might make sense to send monthly payments in the form of an allowance and issue a larger amount twice a year that must be received in the form of an investment chosen by each child. While not perfect, this distribution method would likely inspire interest in and thought about investing at a younger age.

## Governance Marketplaces

Recall that inefficiencies build like cancers within systems as they grow and age. In nature, this hazard is solved by allowing for older individuals to die and be replaced with their children. Something similar happens in governance marketplaces.

It is easy to see how a system like this works for corporate governments competing in a free market: As one organization becomes weighed down by its cancerous growths, it is outcompeted by other, younger and more nimble players who ultimately attract the old organization’s customers. Companies in free markets have a much shorter lifespan than most people think. The average lifespan of a company on the S&P 500 is only 18 years (note that this number has gone down from 61 years in 1958).[[73]](#footnote-73)

How could a similar medium be created for the types of governances that manage states?

Seasteaders present an interesting example, envisioning large, floating cities in which every individual house or business acts as an independent module capable of breaking off (e.g. sailing away to another floating city). Each of these cities would have different governance models, allowing for a truly free market of residency in which people move to the most effective governance structures and away from the least effective ones.

Were this concept to be implemented in practice, we doubt its long-term viability given the presumably low cost of leaving one of these cities. To keep citizens from floating away, cities would likely optimize around generally low taxes and generally nice amenities. Unfortunately, these optimized cities would be vulnerable to specialist “raider” cities that put a massive proportion of their resources into their offensive capabilities and use this to take resources from the fat, wealthy cities. Eventually, the wealthy cities would likely pay taxes to raiders to prevent them from attacking.

As this system becomes formalized over generations, little empires would form under the control of the former raiders, which would have a vested interest in preventing wealth-generating citizens from easily moving away. Essentially, the Seasteading world would go through a process very similar to that experienced by the earliest human city states as they became not-so-free-and-efficient empires.

## Bribery, Lobbying, and Burn

Early in this book we describe inefficiency in governance systems being released as wasted money in the same way inefficiency in mechanical systems is released as heat. Some interesting designs for mechanical systems find ways to capture and use this waste, such as bitcoin mining rigs that heat buildings or even hot tubs. What if the same could be done for governance models? What if one could harness and redirect the burn associated with government inefficiency?

While the cash burn from government inefficiency can be seen in all sorts of fields (i.e. legal costs), in its most pure form it is seen as bribery. By systematizing and legalizing bribery, a system can benefit from while minimizing its negative effects. This may sound novel, but is practiced by nearly every major democratic government in the form of lobbying.

Lobbying is just formalized bribery: Money spent to give those with wealth more power in the system. Instead of allowing energy—money, in this case—to be entirely burnt off from the system, it is paid above board, allowing it to be taxed. As an added benefit, some of the funds spent lobbying go to productive efforts, like drafting of legislation.

This is why outlawing or heavily restricting lobbying is generally a dumb idea. Wealthy families and companies want to influence politics. Wherever demand is high enough, wealth will find a way. Were lobbying to be instantly outlawed, the funds would simply shift to bribes.

Is there a way the system could more efficiently redirect this wasted energy?

Consider what would happen were we to remove the barriers present in current lobbying and political donations. Lobbying and donations are used to “buy access” to politicians. What if, instead, politicians had a set amount of time—say one day a week—put aside just to grant access to anyone willing to pay for it?

Hours during this time could be put up for auction, with 80% of the money spent being redirected to a government tax pool, 10% going to the politician’s reelection campaign, and 10% going to the politician’s political party. Donation restrictions would be totally removed for money spent in this way.

While it might seem unfair to political challengers that their incumbent competition would have a steady fundraising stream, in reality incumbent politicians are already spending huge proportions of their elected terms just trying to raise funds to win the next election. Perhaps a system like this would at least free up more time for politicians to actually serve their constituents.

Were we to outlaw political fundraising, it would just go underground. We would argue that paid office hours would ultimately reduce overall donation levels, as there would be more transparency around access (many groups at present donate more than they need to, not exactly knowing how much will move the needle). A similar line of logic applies to the 10% allocation to a politician’s political party. Were that amount not included, parties would still need ways to raise funds and ultimately do so using less efficient means.

This is not to say this system is above reproach. We suspect that it would quickly become a practice for companies to buy far more hours than they need from a politician to give the politician “time off.” While not the intent of the system, at least a significant portion of the funds would fund government programs through the 80% portion taxed.

## Cooperatives

Cooperatives are a type of business owned by stakeholders—either the customers or the employees. While cooperatives’ internal governance structures vary, consumer-owned iterations often present an interesting mix of state government and business functions (as with state governments, many cooperatives’ governance is voted on by stakeholders; as with businesses, cooperatives produce a good or service).

Cooperatives therefore enable us to see how businesses controlled by their customers (stakeholders) fare against those controlled by their shareholders (investors).

One might assume that in an open market, customers will prefer to shop at companies where they—rather than shareholders—have influence over internal governance. What we see in practice is quite different. Due to the inefficiency of stakeholder-controlled models, cooperatives only really thrive within very specific industry domains or in environments where the politics of the cooperative itself acts as an externality, driving additional business to it.

If the stakeholder-controlled model worked and was genuinely better at providing goods or services at a better cost/quality when contrasted with privately and publicly-owned companies, they would be the dominant players in capitalist markets, as they would outcompete those other players—but they aren’t. This implies that the model is not particularly superior.

That is not a lesson to ignore. At the level of midsize governments, cooperative performance implies that stakeholder control is less effective than investor control. Governing models in non-competitive environments can also learn from this. For example, if you are building a family office, cooperative performance implies it will run more effectively if you give control to those who put money in rather than those who take money out.

## Open-source Governance

Open-source governance borrows ideas from the open source movement and is seen in online communities like Wikipedia and Linux. Open-source governance yields models that efficiently engage the general citizenry in decision-making processes. This is sometimes called emergent democracy and is largely differentiated by allowing individuals to engage as much or as little as they wish. These systems are exemplary at empowering a large quantity of medium-quality free labor in projects that have a pre-existing community and produce some sort of social good.

Open-source governance degrades the moment top contributors’ influence significantly shapes policy. Why? Usually, top contributors are those with the most time on their hands. Having a lot of time on one’s hands correlates highly with low levels of responsibility on most fronts (e.g., having a job, caring for others, doing basic maintenance such as cleaning, shopping, taxes, etc.) and low responsibility correlates with low competence. There's a reason behind the stereotype of the unhygienic “neck beard” moderator within tech communities: Those who have been rejected from other groups have both more motivation and time to engage with open-source power politics.

Governance models that grant maximum power to participants with minimal “real-world” competence typically don’t take organizations very far (consider rapidly-growing reddit communities that succumb to the caprices of a tyrannical moderator). This may explain why the most successful organizations and communities that govern in an open-source model, such as Wikipedia, aren’t led, on a macro level, by top contributors.

## AI Assisted Governance

It seems highly likely to us that future governance models will lean on AI to remove the inefficiencies associated with the human aspect within some of their modules. While in science fiction, AI-assisted governance models typically take the form of an AI dictator, in reality we expect AI to instead replace lower levels of leadership or act as an independent voting body (perhaps a triumvirate system in which one of the three bodies is an AI designed to optimize for something specific, whether that be the most efficient decision or the one an average stakeholder/citizen would make).

Probably the closest we have ever gotten to an AI-assisted government structure was Project Cybersyn, a Chilean project executed during the presidency of Salvador Allende, from 1971–1973. Project Cybersyn was a distributed decision support system to aid in management of the national economy that even included a 1970s-style “operations room” resembling the Star Trek bridge, which acted as an AI-assisted command center for the nation's economy. The project was short-lived and largely ahead of its time, with its only real win being some reduction of economic damage from a 1972 truck driver strike in Santiago.

## 4Chan and Anonymity Effects

Anonymity can have a profound effect on the way individuals make decisions. If you know every decision or product you produce within an organization will bear your name, you are going to act differently than if anonymity were the default.

Anonymity changes the psychological reward structure associated with group interaction. This can be seen best within networks like 4chan. When you remove someone’s ability to get “credit” for their ideas, there can be no dominance hierarchy. Some individuals take this as an opportunity to pointlessly and repeatedly posture, like a chimpanzee confused by a mirror. Others take the opportunity to solely engage with the ideas of others. The most interesting participants, however, take anonymity as an opportunity to gauge their ability to “dominate” the community by seeing how well their ideas spread organically, through their own merit (this is why so many memes that end up inundating other online communities like an invasive species come out of the memetic reactor represented by relatively small, anonymous online communities).

In an environment like 4chan in which the concept of the individual is rendered moot (pun intended) as every post is atomized and not connected to a larger identity, the group itself takes on a “personality” as if it was a single person. Utopians envision flat, non-hierarchical societies, in which people of slightly-above-average intelligence communicate through ideas, as havens of peace and acceptance. 4chan demonstrates that is not the case. (At least … sort of. Some regard 4chan as an extremely and radically accepting place. Some would claim that it uses vulgar insults as a form of social shorthand and equalization, and that it launches various attacks on groups as a means of shedding light on unequal and unenlightened ideologies. Most nevertheless view 4chan as the complete opposite of an enlightened utopia, perhaps to their detriment.)

While anonymous communities may produce novel ideas and moments of genuine brilliance that outcompete those of their doxxed counterparts, they’re too chaotic for the average, thin-skinned human. Instead of Superman or Lex Luthor, anonymous governments produce collective identities more like Freakazoid[[74]](#footnote-74)—with dopamine receptors so fried by rapid innovation and gratification that all they can do is try to drive the most mentally engaging and otherwise unexpected world events possible in a desperate bid to feel anything.

## Titles, Privileges, and Perception

Earlier in the book we talked about how some governance structures attempt to alter the actions of their leaders by making them swear vows of poverty or otherwise trying to “outlaw” them owning things. Both Vatican City and the Dalai Lama's mansion-like complexes show how well those intentions hold up after a free generation.

That said, simple naming conventions and cultural norms allow for a similar effect to be achieved. Were a family office to be run by a “Grand Executor” rather than a “Squalid Executor,” the person would almost certainly behave differently or at the very least a different sort of person would apply for the role. Similar effects might be created by a tradition in which a country's president must always kneel before their constituents.

One great example of this can be seen in the Jul’hoan people. Jul’hoan hunters who bring back the biggest piece of meat have a cultural mandate to share it with the tribe, all while receiving insults from other tribal members about it, to prevent them from getting “too big a head.”

An inverse of this can be seen historically in court traditions of having to keep one's head always below that of the monarch, which typically required bowing, stooping, and/or kneeling in their presence. This was one of many traditions meant to constantly reinforce the separateness and the supremacy of monarchs. These traditions almost certainly changed the way leaders acted and thought about their subordinates.

## Public Broadcasting and Education

Systems that influence or control media and education significantly shape governing structures and their long-term function.

Both intentional and emergent features of education and media influence groups. Underpaying teachers while requiring that teachers hold advanced degrees will produce a left-leaning education system whereas mandating that all teachers must be veterans may produce right-leaning schools.

Governing structures must decide whether to centrally control the flow of information, thereby making it susceptible to party politics, or allow for privatized information flow, which runs the risk of becoming sensationalized or producing cults and extremist subfactions. Recently the United States has been gripped by this question: How do we fight the sensationalism of wacky news stories without making partisan bureaucrats the arbiters of truth?

Were we to design a government department to fix this market failure, we would create a totally new branch of government made up of lifetime appointments (perhaps even from birth) who are supported by a lifetime stipend—similar to a more extreme version of the Supreme Court. The shielded nature of this department’s leadership would minimize the impact of partisanship in the selection of these individuals who would design the systems used to identify and disseminate truth. They might even create their own systems designed to nudge the population toward a slightly more educated and moderate state by “taxing” 20% of media companies’ commercial time.

Any system designed to address biased information on a human-led, top-down basis is almost certainly destined to fail. The way we handle this within our own educational system involves using prediction markets (we correlate answers on traditional multiple-choice tests to a student’s performance in prediction markets to determine which questions best measure a student’s functional knowledge of the subject, which eliminates the risk that we accidentally test for ideological alignment). For more info on systems for tackling bias, see the above chapter Systems for Fixing Bias on page 261.

## Government Participation as a PR Mechanism

Interestingly, governance structures can be used as a method to increase adoption of otherwise unpopular ideas as well as general civic engagement. One example of this is a practice called participatory budgeting, in which stakeholders decide how to allocate part of a government's budget with the goal of forcing them to identify, discuss, and prioritize spending projects.

While this strategy may seem trite on its surface, it has been shown to be surprisingly effective. A World Bank study on the subject demonstrated that in one case, participatory budgeting drove an expansion of sewer and water connections from 75% of households to 98% and increased the community’s health and education budget from 13% to almost 40% in just a nine-year period.[[75]](#footnote-75)

More specifically, giving people a sense of ownership within their government appears to facilitate comfort with increasing government budgets and power. While sometimes this is good, increased wealth and power (with citizen buy-in) does not always produce optimal results. A core failure of systems like this is that they grant disproportionate power to individuals who have failed at traditional pursuits and have more time on their hands to engage with unpaid civic government work—as well as individuals willing to be more aggressive in public social environments. Both of these traits are typically not thought of as having a high correlation with competent governance.

## Noocracies and Technocracies

Noocracies are "aristocracies of the wise" (think: Plato and his Philosopher kings). Technocracies are governments in which policy and leadership are managed by those at the top of their respective relevant fields. While Noocracies and technocracies have more potential than their detractors would have you believe, they also don’t live up to the wildest hopes of their adherents.

The question as to the quality of one of these types of governments largely comes down to the efficacy with which the government is able to filter for excellence and the corruptibility of those tests. The problem of course comes with the fact that … of *course* those tests are corruptible and of *course* judgments of expertise are heavily tinted with bias. To get an example of just what a disaster such a governance structure can become, look no further than our contemporary academic bureaucracy.

Presumably, there is no system in the world today more dedicated to filtering for intellectual giants and putting them in positions of power. Despite this, *The Pragmatist’s Guide to Sexuality* highlights many fields of academia that have become so overwhelmed by politics that they have stopped functioning as drivers of scientific inquiry. If not dead in function, the academic bureaucracy is on its last legs, suffering from problems that would plague any noocracy—be that conflating intelligence with support of establishment ideas (thus filtering out new ideas) or defining intelligence by the amount that you work with other “intelligent” individuals (thus causing “eddies” of research focus that punish people for dedicating themselves to work on topics not currently in the spotlight).

Technocracies, where they exist in the world today, are also uniquely prone to corruption. For example, if you tap the world’s top expert on oil drilling to create policy around oil drilling … on which side of environmental concerns might they err? To what industry will this oil-specialized technocrat return after losing their government position? With whom will this technocrat be incentivized to ingratiate themselves? This isn't an issue of corruptibility but one of common sense.

Could one create a form of “philosopher king” or an “aristocracy of experts” that was effective? We believe so, but it would require the creation of a philosopher class into which people are born rather than a meritocracy (though the class need not be heritable). This would remove the corruption of qualifying tests and disincentivize individual corruption (e.g., by removing wealth and pride from the equation, perhaps by obligating any philosopher king or aristocracy to live in isolation).

Such a system would not be terribly different from that used in the governing structure of Tibetan Buddhism, and while their efforts did create one of the better religious leaders, the Dalai Lama still lives in significant luxury. As such, where we push for some iteration of a technocracy, it would be one moderated heavily by AI to slightly-but-firmly nudge the system away from corruption and bias. (Unfortunately, a truly unbiased AI will always look biased to those who are already completely brainwashed.)

# Crafting the Perfect Government

An appropriate send-off for the book will be for us to synthesize the information we have collected and theorize on novel, optimal forms of governance. As we would naturally only choose what we believe to be the most optimal governing structure possible for the intergenerational organizations we create, we’ll share our findings by detailing the structure of our House and the Index (two organizations described in greater detail in *The Pragmatist’s Guide to Crafting Religion*).

## Why do we need better governance structures?

The great innovation enabled by the evolution of consciousness enables mankind to transfer behavioral or conceptual code and have it tested—all within the mind of the receiver—against imagined challenges and previously held ideas. Unlike a spider “learning” how to spin a web, this innovation means mediocre masons or architects do not need to die or fail to produce offspring in order for buildings to improve.

This system of code transference evolved within societies of hundreds of individuals featuring only verbal communication. It is not well adapted to handle memetic transfer in a society as populated and interconnected as our own. As such, human consciousness lacks a powerful “antivirus” to prevent memetic snippets of code that are cleverly shielded from exposure to competition and capable of expanding rapidly.

Due to the increasingly interconnected nature of our society, the world is becoming filled with simplistic ideological viruses that overwrite individuals’ consciousnesses like ophiocordyceps unilateralis, forcing them to spread virulent memetic code across mass communication channels. This disease blocks the core purpose of consciousness: To serve as an internal memetic evolution engine that enables ideas to compete within our minds and only permits the most optimal ideas to survive.

This plague drives the increasing tribalization of our society. We now stand at the precipice of an oceanic trench, staring into the quiet blackness. While we created the Pragmatist Foundation to fight against this threat, practically speaking we have few options available to us. As trivialization increases, democratic societies will increasingly ignore non-radicalized and less-privileged populations.

Realistically, the only solution is for new governance structures implanted throughout society to organically grow until they can contest the decaying institutions around them. When building an institution designed to replace nation states—an installation that you believe could serve as a bulwark against the end of humanity as we understand it—you must not skimp on mechanisms ensuring that the governing structure it uses is robust and will carry out your vision with fidelity well after its original founders and leaders are dead and gone.

## Governance Bombs

At the beginning of this book, we briefly mentioned the idea of a “governance bomb.” Now we get to dig deeper. A governance bomb could be used to prevent society from derailing—though one could just as equally derail entire civilizations.

Governance systems can be used to slightly or dramatically alter the behavior of those within them. For example, governing systems can alter behavior in a way that strengthens the organization. A governance bomb is a governance system designed (or evolved) to robustly expand under the nose of an existing governance system, ultimately becoming powerful enough to supplant, modify, or fortify the reigning system.

The classic example of a governance bomb is a religion (or as they are often called in their first half century of existence, a cult). Historically, there have been numerous instances of religions growing within existing governance structures until they are able to either control or replace their host states. That said, religion-based governance systems are both slower and more ideologically rigid than a governance bomb optimized to fix societies’ current problems would be. A defining feature of religious governance bombs is their ideological backbone, which ensures their fidelity of information transfer, but hinders their potential utility.

Multi-level marketing (MLM) schemes present examples of faster-growing governance bombs, however their ability to endure over time and self perpetuate is limited as many ultimately harm and degrade their most loyal adherents (driving them to burn their personal networks, compromise their personal finances, etc.). An effective governance bomb enriches and empowers the majority of its stakeholders, rather than impoverishing and isolating them.

As we have mentioned before, a cultural supervirus[[76]](#footnote-76) masquerading as parts of the social justice movement functions like a unique form of spontaneously evolved governance bomb that spreads like a transmissible cancer within other governance structures (similar to CTVT, a transmissible cancer in canines). Once a governing unit is infected, a “diversity department” (or similar organizational unit) is formed or overtaken, which, like a cancerous tumor drawing blood vessels to grow around it, siphons resources from the infected organization—not to serve the organization's mission statement or even aid social justice, but rather to ideologically convert as many stakeholders as possible.

*Note: Not all organizations promoting diversity training work this way. Social justice itself is not bad; it just happens to be the perfect cover for a self-replicating memetic package only concerned with growth, as it’s hard to question someone demanding attention and resources in the name (if not the spirit) of such a worthy and unimpeachable cause.*

Once a critical mass of infected stakeholders migrates to a new organization, a new tumor forms and repeats the process. In the later stages of an infection, an organization can become so riddled with tumors (departments, projects, and rules designed only to grow and spread—using “social justice” as its cover mission) that the glassy eyed and wheezing husk of the host organization becomes completely ineffective and draws its last breath. Then, like an ant overtaken by Ophiocordyceps unilateralis (the fungus which zombifies ants), the corpse of the organization splits open, releasing its spores into the ecosystem to look for new hosts.

Given that “education” is the primary means of this cancerous governance bomb’s transmission, it differentially targets educational institutions like high schools and colleges. This has detrimental effects on society, which relies on these institutions for education and credentialing, and once they become unduly focused on spreading a specific memetic package, they cease to serve their core purpose.

Because this model of governance bomb lacks a central controlling unit, it may fissile out through a purity spiral. Essentially, because status is gained within the movement by showing more extreme, less compromising adherence, it can reach a point at which it begins to look patently comical to the unconverted. While in groups with a central structure, purity spirals can be moderated before they get out of control, there are few mechanisms for stopping them in such a decentralized movement. Should a movement like this control power in a society, it will either fizzle out because people stop wanting to join it or become fascist and too dangerous to *not* join (as it will regularly “test” people by having them publicly conform to obviously illogical stances and “purge” those who do not).

A rapidly-scaling, successful company might present a good example of a governance bomb with a centralized control mechanism, but while such organizations can sustainably grow over generations while enriching most of their stakeholders, they are terrible at maintaining an ideological and moral core (almost the exact opposite problem seen in religious governance bombs). An organization cannot address society’s ills if it lacks a strong ideological and moral backbone—and yet for-profit businesses lack them as they are fundamentally optimized to generate profit and this optimization over time shaves off the aspects of the operation that neither optimize profit nor act as self-perpetuating cancers.

As we age, our capacity to engage with new ideas and develop novel philosophies wanes. Only dangerous, self-perpetuating platitudes, utopian fantasies of a better near future, and get-rich quick schemes appear to capture the attention of adult humans at scale. Some might think this shortcoming could be overcome by dividing the governance system into a secret sect of individuals who know the “true mission” and a larger sect dedicated to harvesting money or mindscape from the larger populace, but even such a bifurcated system designed to keep people on mission will eventually see its wealth-harvesting branch break away from its ethical core, seeing it as a superfluous drain on resources (as can be seen with companies that have tried to stay ethical over long periods of time).

How, then, can one create a robust governance bomb that protects humankind’s ability to innovate and adapt? One potential approach would be to build a governance bomb out of a family office that is transparent about its intentions and focused on slow growth. This governance bomb would attract and retain individuals already ideologically aligned with the organization's goals while facilitating the education and empowerment of their kids—and others—in a way that makes it feasible for stakeholders participating in the organization to comfortably have and raise large families.

## Designing a Governance Bomb

To create a family-office-based governance bomb strong enough to shape the nature of future societies, you must overcome at least four major threats:

1. Growth
2. Fidelity of information transfer
3. Resistance to bad actors
4. Dilution

Our rule of thumb for addressing these risks involves incentivizing stakeholders in a manner that serves the institution’s purpose. How does this work?

*Side note: Dilution is a massively underrated threat to governance bombs that act through families. Historically, most (noble) family units had the explicit goal of increasing their power within the larger social hierarchy and eventually getting their hands on their society’s wider governing systems (like any good governance bomb should). The downfall of this system involved a rise in expectations around family equity. When the British first conquered Ireland, they imposed one of the harshest punishments possible on its powerful families, banning primogeniture and forcing them to split their inheritance equally among their children. This diluted their power, leaving them spent and irrelevant within just a few generations. Now almost all wealthy families—except for the old ones of Europe—are subject to this curse people used to go to war to avoid.*

### A Governance Bomb Demonstration

We’ll present our family office as an example (this is the organization known as “House Collins” in *The Pragmatist’s Guide to Crafting Religion*—though the Index uses a model derived from this one). Participants in three separate branches elect a Procurator—one for each branch—to represent them⁠. These three elected Procurators then have a closed-door meeting in which they choose an overall leader for the organization, called an Executor, who runs the organization under the guidance of the previous two Executors.

#### Internal Bodies

The three branches are the Department of Industry, the Department of the Future, and the Department of the Past.

**The Department of Industry**

Voting power within the Department of Industry is determined by the amount of money an individual has personally contributed to the organization. This is slightly scaled for wealth (but nothing as extreme as quadratic voting) and has limiters preventing any one individual or organization from controlling more than 49% of the vote.

This is designed to encourage ongoing contribution to the organization and ensure that those with a mind for finance always have some power. The Department of Industry also reduces some risk of bribery and corruption by providing a legitimate outlet for using money to influence the system’s operation. When you make bribes legal and directly beneficial to an organization, you reduce participants’ power to corrupt it. In addition, by establishing financial contributions as a clear pathway to influence within an organization, you shore up the organization’s financial sustainability while also giving power to those who have made personal sacrifices for the system.

**The Department of the Future**

Voting power in the Department of the Future is determined by the number of active members a person has contributed to the organization, either in the form of new entrants who joined and attributed a particular person as inspiring them to do so or in the form of children over five who have chosen to participate in the organization of their own volition.

Active adult converts earn participants one vote with the Department of the Future, whereas each active child or grandchild participant yields one vote after the age of five and two votes after the age of 15 if they are still participating.

Children and grandchildren of adult converts also count toward votes for the individual who recruited the adult converts, which encourages House members to help new converts start and raise successful families. House members furthermore earn quarter votes for every successful spouse they helped to match with a member, to encourage matchmaking among prospective parents.

These voting rights ensure that those with the most vested interest in the future of the organization have a say in its current operations. Finally, rewarding House members for both children and grandchildren encourages them to be focused on the long term. “Winning” as a cultural unit does not mean raising happy, successful kids; it means raising people who in turn have and raise happy, successful kids.

Childbearing may seem like an overly slow driver of growth, but even a few families having seven kids each generation for a dozen generations can lead to a billion participants. As we argue in *The Pragmatist’s Guide to Crafting Religion*, we don’t believe it is possible to open the minds of adults—only previously-unaffiliated people who are already aligned with our mission will become new, adult members of this organization.

Growth through high birth rates is the only realistic path to expansion available to governance bombs that don’t want to prey on our lowest and most basal impulses. That said, the system does reward participants for bringing in adults, which should help to both increase short-term growth rates and bring in already-productive adults who can immediately contribute value to the system (it takes a while for a child to reach a point at which they contribute money and human capital rather than technically drain organizational resources).

It may seem odd to allow other individuals into a “family office,” but we have always found the extant system to feel kind of racist—or at least unproductively chauvinistic. Only allowing individuals into one’s family because of their genetics can lead to a system that emboldens ideologies around genetic supremacy. In addition, it conveys to individuals that they are “owed” something because of their birth circumstances, which is a very toxic mindset. Through making participation in the family something that can be *earned* rather than an *expectation,* we signal that the core of the family is our culture and our ambition, not just our genes. So long as someone is culturally aligned and fighting for the same goals, who are we to not join forces with them?

Finally, population growth created by a system like this would be a great boon to a world at the precipice of unprecedented demographic collapse—one of the greatest threats our species and ecosystem currently faces (despite what you’ll hear from anti-natalist interest groups, who have done very shallow research on the implications of plummeting human populations). If you are unfamiliar with the data around worldwide plummeting birth rates, visit Pronatalist.org.

**The Department of the Past**

This body is made up of all living past Executors and is designed to prevent radical change within the system while maximizing follow-through on previous generations’ plans, which may take centuries to fully execute. The Department of the Past is also meant to give those who have lived with the burden of leadership an opportunity to influence the choice of the next leader—plus help them navigate typically unforeseen complications and roadblocks.

Much like the Supreme Court, this is the final body of the organization that can shift and change policy and by far the most powerful of the three branches, as it does more than just elect the next executor (more on these powers later). It is trusted with this power because every member in it will have been elected to run the House’s office at some point in the past, meaning they have all the advantages of having been carefully chosen by the larger mechanism of the governing structure without the risk of extremist positioning that comes from being a single Executor.

#### Voting Power and Influence

One interesting innovation within this system you may have noticed is that a person can be an important and valued member of the family and have almost no voting power. The system is not designed to give every valued member equal power, but to elect Executors who have a long-term view and strong reasons to support the organization’s mission and values.

This governance bomb is markedly *not* designed to be fair. For example, a person could be born infertile,⁠ which would make it harder for them to gain a vote within the House of the Future than someone who could easily have kids. That sucks, but their not voting isn’t going to make the system particularly more likely to turn into an evil dictatorship, whereas a bunch of people who have no interest in how the organization is doing in 200 years might.

Each branch’s elected representatives (the Procurators) maintain their positions for five years or until 1% of the voting body signs a petition to elect a replacement, which can happen once every two years (this would be a vanishingly rare event as the only power Procurators have after they choose the Executor—the organization's leader—is the power to recall the Executor).

Each Executor is elected for a single five-year term. During that term, they are responsible for all final decisions within the organization, the structure of its operations, and everything else—except for the process that elects future Executors. While Executors are responsible for the day-to-day operation of the organization, any of their decisions can be overturned by the combined will of the past two Executors, called Conservators when acting in this role. In ideal scenarios, Conservators mostly act in an advisory capacity and almost never exercise veto power. Essentially, one triumvirate system (the three Procurators) elects the newest member of a second triumvirate system (consisting of one Executor and two Conservators).

There are a number of reasons for setting up the system in this fashion and not just giving the Executor total control:

* **Sanity checking⁠:** Rule by a triumvirate ensures that one suddenly-unstable or stupid leader cannot severely damage the organization. Conservators’ veto power adds a backup control method, beyond Procurator recall, should the leadership of any given Executor go off the rails.
* **Power transfer⁠:** The gradual transfer of power away from a daily operational role to a more prestigious advisory role slowly loosens leaders’ hands on power while settling former Executors into a unique branch of government after this (the Department of the Past), which is a lifetime position that cannot be stripped from the individual (unless they are recalled during their term).
* **The NASA problem:** If an Executor launches an initiative that will take longer than one term to execute, it will be harder for their successor to drop it and take things in a totally different direction. (We call this the NASA problem, as any large space mission requires at least a few presidential administrations to accomplish, thus major missions often get scrapped upon the arrival of a new administration.)
* **Animosity check:** Such a system makes it very difficult for political factions with ill will toward other groups to achieve their goals.

Finally, changes to the way the voting system itself works are made by the Department of the Past, (e.g., does an AI count towards a vote if it has human level intelligence and joins?). Essentially, changes to the voting system can be proposed in a white paper by the Procurator, Executor, or Conservator and that white paper then gets voted on by the Department of the Past—if it receives more than 60% of the vote, it passes.

#### Resource Allocation

What will the money the organization collects be used for?

* **Funding startups, initiatives, and sister organizations founded by members:** Whether this funding takes the place of equity, debt, or donations, it can only act as a match to other sources of financing and is deployed on equal terms to said institutional financing (i.e. if a member-founded startup raises $1,000,000 from outside investors, then the organization may contribute up to $1,000,000 itself—but no more). This is to make it easier for organization members to build wealth themselves while not allowing for unwise deployment of capital.
* **Education and childcare for members:** Fidelity of information transfer is one of the most difficult challenges faced by multigenerational organizations. Encouraging the evolution of ideas while also ensuring that values and important ideas transfer from one generation to the next is not easy. We believe the only way to strike this balance is by securing a top-tier education for all members that imparts practical skills, equips members with emotional control, and instills a culture of self-examination.   
  Many more cult-like religious organizations shoot themselves in the foot by either creating negative childhood experiences (which increases attrition) or leaving members’ kids without a competitive edge in larger society (which reduces their ability to contribute wealth and resources to the organization once grown). Institutionally, anything that grants kids a great childhood, pride in their culture, and a competitive edge in modern markets should be considered a priority.
* **Fertility Support and Matchmaking Markets:** Given that a core focus of the organization is the production of new children, the organization will both fund things like IVF, the creation of children through artificial wombs, and matchmaking markets to help people find spouses.

Critically, the organization will never fund things like general healthcare or broadly charitable efforts. Healthcare is an endless pit for a family office once someone is terminally ill but one that always feels justifiable in the moment—you can burn through fortunes just trying to give one person a few years more of life. In addition, broadly charitable efforts can be used by individuals to raise their personal status within a community and burn through money with remarkable speed given they provide exogenous (to the betterment of the family) reasons to spend money.

#### Management

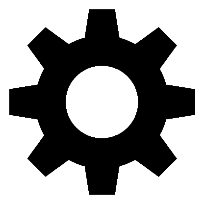
In its first years, we expect our family-office-turned-governance-bomb to run off of a Chinese-room-style architecture, but we have the mental clarity to recognize that even though this is the most effective current system and one we invented, it is still just a management system. Transcribing it into the code of a government would be as silly as transcribing SCRUM or waterfall product management techniques into a government structure—these things are temporary and will be improved with future generations.

Also, this is all crazy talk—the odds of our governance bomb actually working past our generation are extremely low unless we give our kids the greatest and best childhood possible while also preparing them to be successful adults (with success defined by metrics they choose for themselves). Even then, the odds are low. (Because we want to try anyway, our next book will be on not fucking that up.)

# Great Chatting Again

If you have made it this far, you have likely read at least one or our other books and by that standard, we are old friends! As always, leaving us positive reviews on Amazon and upvoting other positive reviews makes our lives a lot easier. It would mean a great deal to us were you to extend this kindness to *The Pragmatist’s Guide to Governance*. We are also happy to chat with any of our readers whenever you like—especially if you think there is something we could do to improve our books (we update them based on reader input a few times a year).

Our next major project won’t be a book, but rather an alternate educational platform presenting a novel approach to school, the Collins Institute (CollinsInstitute.org). We have a bit of a fire lit under us with this next project, ensuring we get it done in time for our own kids. If you have any interest in education and/or wish to produce a governance bomb starting with your *own* family of genius children, let us know.



Appendix

### Information Flow

Identical democracies with different information flow will manifest completely differently. Take one with a free media and independent education structure and contrast it with another that has state-run media and a state-mandated curriculum. In the latter case, the governing party will be incentivized to leverage state control of information to consolidate power within the electorate. This can be seen in the U.S., which has partial state control of education systems. Attempts at power consolidation can be observed through differences in textbooks created by the same publishers in California and Texas, with the former pushing a clearly liberal agenda on children and the latter promoting conservative policies.

The importance of information flows is not relegated to state-level governance structures. Consider family offices: A family office that openly shares board meeting minutes with the family and is transparent about how money is being invested is going to have a very different character than one that limits such information to only those involved in active management.

#### Information Asymmetry

In addition to playing out at both the level of the nation state and small governance structures, some governing structures intentionally incorporate information asymmetry into their operations—or may be riddled with it as an unintentional artifact that could have been avoided with more intentional design.

For an example of intentional information asymmetry, consider how things may have played out in the U.S. if Donald Trump had had full access to any information associated with an investigation into him. For a close-to-home example of unintentional asymmetries, think of the dearth of information sharing between agencies created by a model that encouraged inter-agency competition leading up to the 9-11 attacks and how that lack of cooperation shaped the U.S. government.

#### Handling Disinformation

The manner in which a system punishes disinformation significantly impacts outcomes. How would your family office, company, or nonprofit punish someone for lying or omitting information? The answer to that question will determine the fidelity of the information the governing body will utilize to operate.

The negative impact of disinformation should not be underplayed when determining how fastidious a governance system will be with its rules. Firing a CEO for lying to a board can, as an individual decision, seem more likely to hurt a company more than help it—however, if the action is not taken, all information fidelity in the organization will take a hit once it becomes clear that rules around lying can be bent for important employees.

That said, fidelity of information flows can be ensured by means other than punishing misinformation or omissions—such as relying on redundancies in information flow pathways.

Even allowing idle gossip to reach the ears of decision makers can have significant effects. Consider a study published by Baum et al. in the journal *Emotion* that found people to be heavily influenced by gossip and accusations even when the information is presented as untrustworthy. Simply tagging a source of information as unreliable to a decision maker is not enough to prevent them from acting on it. A governance structure that takes this kind of bias into account can be observed in the U.S. court system, which does not allow trials to proceed after jurors have been biased and disallows media access on a trial to jurors during the trial.

#### Informational Echo Chambers

There is a general belief in Western societies that a lack of state control over information flows is always a good thing. While it is true that state-controlled information flows always bias information to suit the existing power structure of a governance, it is not true they are always worse than the alternative. For example, commercially owned media sources are more likely to become biased toward sensationalist stories—as that is what they are rewarded for. Similarly, private educational channels are more likely to become more polluted with disinformation than those run by the state. When you remove a government-mandated curriculum, you don’t automatically get a more educated populace.

This is a particular area of interest in the context of social media platforms. A great article in *Nature* by Stewart et al. explores how information gerrymandering in social networks skews collective decision-making.[[77]](#footnote-77) It has long been known that people gravitate toward ideologically aligned content and friends on social media, creating “filter bubbles” that limit information exposure and foster political polarization, but in this paper Stewart et al. demonstrate that, through misunderstanding the general opinion of the larger populace, gridlock becomes more likely as filter bubbles make it harder to see what compromises are actually necessary to achieve the end goal. Stewart et al. demonstrated this using both mathematical models and real-world population groups. Perhaps governments of the future will enforce a certain percentage of “random friends” on social networking platforms to ensure this kind of informational gerrymandering does not happen.

#### Informational Filters on Those Given Power

Governing bodies will be significantly influenced by any informational filter imposed on those given positions of power. This can work in a negative context, like the Khmer Rouge filtering educated individuals out of positions of management, or in a positive context, as was the case in the Chinese Imperial examinations during the Han dynasty. Even though the examinations did not test for technical expertise, they did test for general intelligence and ensured a common culture among the ruling class leading to cohesion in action. Sometimes cohesion in action can be more effective than technical correctness of action when it comes to maintaining peace and stability.

#### Vote Transparency

Transparency—or lack thereof—will alter voting behavior. A simple example of this is seen with dot-voting, in which individuals take a dot sticker and place it on a quadrant on a sheet of paper representing what they want to vote for. The information about how other people are voting is actively displayed the moment they vote and thus will inevitably influence behavior. It will also affect trust in the voting system.

In a particularly vivid example of how exposure to other people publicly voicing their opinion can warp an individual perception, consider the Asch conformity experiments. Researchers presented three lines of clearly different lengths to participants, who were asked which of the three is the same length as a fourth line. The difference in line length was apparent that any child could get the answer right, but when participants heard other fake participants consistently give the wrong answer first, 75% of them eventually started giving the wrong answer themselves. How do you share information between stakeholders in a governance system without overbiasing them?

One system meant to correct for this effect is the Delphi method. In the Delphi method, experts are asked for their opinion on a subject. These opinions are then anonymized and shared with an expert panel with the same question then being asked of them again. This grants participants a chance to revise their answers. Over time, their answers will change and presumably converge on something more accurate.

We will dive more into other potential solutions for the above dilemmas as the book winds to a close.

### Enforcement Mechanisms

We’ve all cringed at the cliché of the United Nations sending a country breaking international laws “a very sternly written letter.” The power of enforcement mechanisms is particularly evident in most governing structures that exist above the level of the state and suffer from notoriously weak mechanisms for ensuring compliance and punishing detraction.

At the state level, enforcement mechanisms typically involve punishments like fines and jail whereas at the level of family offices, enforcement often entails withholding financial contributions. A family office incapable of using capital to reward certain life paths has very little power.

Options for enforcement mechanisms typically include:

* Rewards
  + Augmented status, wealth, time, pleasure, power, or freedom
* Punishments
  + Reduced status, wealth, time, power, or freedom
  + Pain
  + Death

#### Maintaining Motivation

While enforcement is often thought of in terms of coercion, it may be more effectively wielded by encouraging intrinsic motivational states. While only some governments need to optimize for high overall morale among stakeholders, any government will care about motivation—whether that motivation comes from belief in that government's inspiring vision or the barrel of a gun.

Motivation attained through force is not effective in the long term as it naturally engenders those being forced to perform a task to look for alternatives to escape the system. Either coerced individuals flee, robbing the group of productive participants, or they get caught and are punished—often meaning they are either killed or seriously injured, which also removes productive participants from the mix. Such systems always have a “workforce bleed” making them intrinsically less effective than those focusing on internal motivation (not to mention that studies generally show motivation with violence leads to less creativity and other forms of cognitive impairment, making it poor for high-cognitive-load tasks).

How can you motivate people without violence? An interesting study on this came from Harvard Business School professor Teresa Amabile, who demonstrated that communicating small wins to employees significantly improved their mood. In addition, creating the perception that colleagues liked them and were willing to provide resources and advice helped to maintain motivation and increase creative problem solving and engagement.[[78]](#footnote-78)

These tactics can largely be simulated. An individual need not *actually* be appreciated or liked by their employees as long as there are systems in place to make them *believe* they are—or mechanisms that regularly remind them of the few that do.[[79]](#footnote-79) You could also map positive relationships within the company by analyzing the text of personal communications between company members and engineer opportunities for additional productive collaboration.

An area that is less clear in the research is whether self management improves motivation. We would love to say self-managed teams are always best, but the research is not clear. In our experience, top performers are more productive when self managed whereas average and below-average players perform dramatically worse when left to manage their own workloads.

### Governing Model Inefficiencies

Finally, let's consider some common inefficiencies within governance models (or within nested governance models where one government is contained within another), as well as potential ways to address them.

#### Rent Seeking

This occurs when an individual or a company uses the resources of the government without the goal of giving anything back. It can be hard to fight because those who benefit from the corrupt governing body have far more to lose than anyone fighting it has to gain by ending the abuse.

**Solution 1**

At the state level, the most obvious solution to rent seeking is to have life appointment positions (similar to the Supreme Court) at a branch of the government designed to stamp it out. The life appointment is necessary because of the strong pressure for those benefiting from rent seeking to find a way to help the individuals of this department to maintain their position. If a system can be corrupted, it *will* be, given enough time.

**Solution 2**

If rent seeking can be quantified, you may attempt to apply economic pressure against it. A reward slightly larger than the value generated by any rent-seeking behavior identified can be granted to anyone who discovers and proves the existence of said rent-seeking behavior. This reward would be paid for by the rent seeker. While such a system is interesting, we must state that it would almost certainly lead to unintended consequences, as almost all market-based solutions do. (Note: The reason you have the rent seeker pay the reward is that it prevents situations in which the reward system ends up motivating teams in which one person creates rent-seeking behavior where it otherwise would not exist and then their partner catches them.) Such a system would also create an economic incentive to form and invest in companies that use AI to catch rent-seeking behavior.

**Solution 3**

In the *Dune* book series, counsel at one point discusses a problem in which poachers of a valuable resource (spice) are paying bribes to those meant to be guarding it in order to access it. The protagonist suggests a solution in which the average price of these bribes is calculated and the government introduces a program in which poachers can just pay directly for access to the spice, starving out the rent seekers and redirecting the previous “friction” into the economy while reducing the government’s operational costs.

This “antiseptic” strategy has always been our favorite to implement. Essentially you take the rent seeking behavior that is endemic and make the government system itself a more efficient customer of it. The downside is that this only works for a very specific subset of rent-seeking behavior.

#### The Flypaper Effect

If a regional governing module is receiving resources from a larger (e.g., national) one, the regional body spends those resources inefficiently (when contrasted with locally-raised funds). This is a well studied and measured effect in the academic field that focuses on governance, so named because “money always sticks where it hits.”

**Solution**

With state governing bodies, the solution is obvious—funds should always be raised locally when possible.

Where this gets more interesting is among private entities—is the money that goes to a corporation’s marketing department subject to the flypaper effect if it is a set sum every month? We would argue that in most cases, it is. This hazard can be addressed by having departments' contributions to the company quantified and their budget based on said contributions. Obviously, this has the downside of punishing struggling departments at a company. This could be addressed by allowing for multiple competing iterations of a struggling department to be judged by the same metric (i.e., you could have multiple marketing departments functioning independently with more resources going to the more successful department).

#### The Principal-Agent Problem

This happens when an individual is hired for a job that entails both misaligned incentives and asymmetric information. Think of a board hiring a CEO or you hiring a lawyer. You don’t know what is involved in law well enough to know if the hours that lawyer is billing you are legitimate. This problem can be compound when the agent works for multiple principles.

**Solution**

This problem is slightly more intractable than the others discussed and the solutions available are tentative at best. If we had to advocate for one, it would involve using open, competitive labor markets where principals can view agents’ reviews and long-term performance in favor of clients.

In our companies, we have found the best solution is to psychologically flip the problem on its head: Have the principal share as much information with us as possible about how they are structuring their time and charging us.

#### Moral Hazard

This occurs when an entity has an incentive to increase its exposure to risk because it does not bear the full costs of that risk. The classic example here is pollution.

**Solution**

Price the exogenous risk and pass that risk on to the governance structure or individual—then allow that priced risk to be traded on a free market. We see this running effectively in the carbon credit market.

#### Regulatory Capture

This is the process whereby a regulatory module of a governance structure is “captured” and controlled by something it is supposed to be regulating. At the state level this could look like the tobacco industry using tobacco regulators to prevent new companies from entering the industry. At the level of a family office, this could look like a system that was originally designed to ensure one’s descendants still get real jobs being used to disenfranchise the descendants who don’t have time for family politics … due to having real jobs.

**Solution**

Generally speaking, the best way to prevent regulations from falling into the very hands they were meant to block is to not create those regulations in the first place. If you must create regulations, make them something anyone (versus just industry experts) can calculate and enforce.

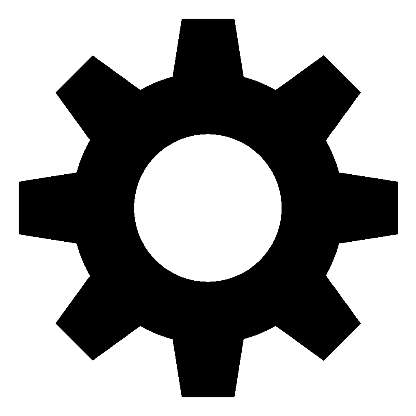
Regulatory capture is facilitated at the state level by the fact that most of the career opportunities for someone experienced enough to regulate a thing will be in other companies in the same field (an expert in nuclear power will either be regulating the industry or working in it). At the level of the family office, regulatory capture is facilitated by the competence paradox: That the least competent family members have the most time for family politics and the least to lose by playing dirty.

If you make the regulations so simple and objective that a randomly-chosen stakeholder could enforce them—and if you systematically avoid hiring industry players or family members to judge regulatory infractions—then you can insulate yourself from regulatory capture. More complicated systems less susceptible to regulatory capture can be created through the use of artificial intelligence.

### Cataloging Voting

Use the following summary as a cheat sheet when constructing an organization:

* How to Vote
  + **One Unit, One Vote:** In this system, an individual or unit gets a single vote for one choice.
  + Limited Voting: In this system an individual with a limited number of votes but more than one vote, votes for a few measures/people
  + Weighted Voting: In this system some individuals’ votes carry more weight but still go into the same “pool” instead of being lensed through a higher order system and a secondary vote (as might happen if you had something like different states of various populations vote on a one state one vote rule).
    - Functionally, this is how U.S. presidential elections currently work but technically they are happening through a secondary lens.
    - Weighted voting is vastly underused and can be used to drive desired behavior patterns—we will discuss this more in our section on building better governance structures.
    - Liquid democracy, in which individuals can choose to transfer their vote on a per issue basis to a more informed representative, acts as a form of weighted voting but is really more of a compromise between representative and direct democracy. (Note: There are a few types of liquid democracy which can sometimes be more like a version of ranked voting as opposed to generic weighted voting like the single transferable vote system.)
  + Ranked Voting: Preferences are listed in a ranked fashion by each voter. One’s secondary preferences can then be taken into account in a number of ways such as: in a tie, if it is clear one's primary preference will not win, and through the numerical weighting of one's preferences.
    - If you are interested in creating a governance structure that uses ranked voting we encourage you to explore some of its more mathematically complex implementations such as the Schulze method, implicit utilitarian voting, Borda Count, Bucklin Voting, instant-runoff voting, and the Minimax Condorcet method. While you can spend ages trying to create the “fairest,” most “representative” voting system and really dig in on this stuff—governments created in this way don’t seem to function any better or have less corruption / wasted effort, so we really don’t see the point.
    - Single Transferable Vote: In this system subordinate voting bodies (i.e., states) elect multiple candidates who are chosen once they pass a pre-set threshold—winning candidates give the votes they did not “need” to pass the threshold to the voters’ other choices and candidates with no hope of winning also give their votes to other candidates. (And while this sounds complicated it can be made yet more so using systems like Schulze STV.)
    - Encouraged voting (whether it be mandatory or rewarded in some way) works terribly with ranked choice voting systems as some people will act as “donkey voters” just counting down 1, 2, 3, 4 on the ballet. This can be ameliorated by randomizing choices but still—as ranked choice systems place a higher cognitive load on the voter this is not good.
  + Score Voting: Scores are given to each candidate or issue and then added up. Typically, the participant with the highest total score wins but the system can be utilized in different ways (e.g., STAR voting uses score voting to decide between the top two candidates which themselves are chosen by a simple majority vote).
    - While this may sound obscure it is actually very common. Some uses of this you have likely encountered are when judges of an athletic competition lift placards with a number on them or when someone asks a crowd to cheer for their favorite candidate, a method of candidate selection that goes back to ancient Sparta.
    - For more complicated iterations of this system see majority voting methodology, STAR voting, and reweighted range voting (basically modifies score voting to work more like single transferable vote voting).
    - Also known as utilitarian voting
  + Approval Method: Instead of choosing between candidates/issues, voters write “approve” or “disapprove” for each. Basically, the same thing as Score voting but with a binary choice in score.
    - This system can be modified for multiple candidates using “sequential proportional approval voting”
  + Cumulative Voting: In this system individuals can split their vote giving a portion of it to different candidates (1/3rd to one candidate, 2/3rds to another). This splitting is typically done either by giving each person multiple individual votes to cast but allowing them to cast them all for the same candidate or by splitting the vote of individuals who choose to mark multiple candidates on a ballot sheet. (This system is common in corporate governance and is mandated for that role in seven U.S. states.)
  + Condorcet method: This can be achieved through a number of different voting methodologies but in general the idea is to do a round robin of all the issues at play against all the other issues at play and see who wins. There are some less complicated variants and some more complicated methods. It is worth noting, as a variant of it is the procedure used for determining motions given in Robert's Rules of Order, the most widely used manual of parliamentary procedure in the United States.
    - Some more specialist variants of this are the Kemeny–Young method and the Bucklin. Method
  + Mixed Member Electoral Systems: In these systems individuals vote both for a local rep and a party. There are many regional variants such as Scorporo.
  + Multi Round: In this system multiple elections are held in a sequence. The most common variant chooses top candidates with the first vote and among the top candidates with a second vote
  + Spit Voting: In these systems the type of voting done is split depending on the stage or purpose of the vote. Our favorite example is Futarchy which uses a vote to set success metrics for the government but a decision market to determine how they are accomplished.
* Win Condition
  + First Past the Post / Plurality: Essentially just the majority vote but given a fancy name because the choice with the most votes may only have 30% of the votes making it technically just a “relative majority.”
  + Threshold Vote: Implementation occurs when one gets over some predetermined threshold (people often refer to these as supermajority votes but we don’t like the term as “supermajority” specifically refers to thresholds of over 50% but one could theoretically have a threshold of 30% in a system with seven parties).
  + Consensus: 100% consensus is required by all parties with voting power before implementation can be achieved.
  + Proportional implementation: In this system an issue is decided in half measures based on the proportion of the electorate that voted on it. This could translate into anything from the number of seats in a congress (if 60% of the electorate voted Republican than 60% of the congress is made republican) to how much funding something gets (if half the town wants a school to get $0 funding and half wants it to get $100,000, it will get $50,000)
* How to Count
  + Multi-Majority: This what we saw in the Swiss system, votes are counted for different entity types (e.g., all citizens, all members of a specific ethnic demographic, all land owners, all states, all companies, etc.). Each sub-governance structure votes with that vote's outcome counting as a vote in a second round with its own win condition.
    - Note: This win condition defaults to consensus like in the Swiss system when one is only counting votes coming from two entity types but other systems can be used when more entity types are taken into account.
  + Random Ballet: A random ballot is chosen out of those placed. This ballot is the winner, making an issue or candidate's possibility of winning proportional to how many people voted on it/them.
    - While this may seem stupid it does have some real uses. For example, if you are choosing 100 members for an assembly and use this system, the outcome may be cheaper than total ballot counting and will end with approximately the same amount of assembly body control per party as one would get with a more traditional voting system.
  + Coalition: When they lose, parties that voted for different outcomes can combine their vote
  + General Ticket and Representative Voting: In these systems individuals vote for a party or representative that then makes a secondary, presumably more informed, vote on original voters’ behalf.
    - This is how the U.S. presidential vote was supposed to work but representative voting systems often break down when some representatives begin to just pledge to vote for a single specific final candidate.
  + Majority Bonus System: This is a party-based system in which the winning party is given additional seats in a judicial body, presumably to enhance government stability.



1. “A quest to abolish taxes ends.” *Altoona Mirror,* Oct 11, 1996, p. 8 [↑](#footnote-ref-1)
2. “Long war against tax finally ends” *The Intelligencer Record*, Doylestown, Oct 10, 1996, Page A-12,  
   Mylavaganam, R. (n.d.). *The Holdeen Funds*. Raja Mylvaganam: The holdeen funds. Retrieved December 18, 2022, from https://www.svabhinava.org/HinduChrist/RajaMylvaganam/Holdeen/index.php [↑](#footnote-ref-2)
3. Allan Rappleyea and Henry C. Clark, for the petitioner T. (1975, February 19). *Estate of holdeen v. commissioner.* Legal research tools from Casetext. Retrieved December 18, 2022, from https://casetext.com/case/estate-of-holdeen-v-commissioner [↑](#footnote-ref-3)
4. “A quest to abolish taxes ends.” *Altoona Mirror,* Oct 11, 1996, p. 8 [↑](#footnote-ref-4)
5. “A quest to abolish taxes ends.” *Altoona Mirror*, Oct 11, 1996, p. 8 [↑](#footnote-ref-5)
6. (2021, August 2). Lawyer's dream of abolishing taxes has become a legal nightmare. *Orlando Sentinel.* Retrieved December 18, 2022, from https://www.orlandosentinel.com/news/os-xpm-1994-02-27-9402270093-story.html [↑](#footnote-ref-6)
7. “A quest to abolish taxes ends.” Altoona Mirror, Oct 11, 1996, p. 8 [↑](#footnote-ref-7)
8. Paul Collins (1970, January 1). Trust issues. *Lapham's Quarterly.* Retrieved December 18, 2022, from https://www.laphamsquarterly.org/future/trust-issues [↑](#footnote-ref-8)
9. If you are unfamiliar with what the private prison alternative system for kids is like, the movie and book *Holes* offers a pretty accurate—though sanitized—depiction. For example, in the real camps, kids mostly just slept outside on the ground covered in plastic sheets. Getting a building/cage with a roof to sleep in or a fruit to eat was always a special treat, yet in the books these things are normal. [↑](#footnote-ref-9)
10. I think this is the most likely reason given some things that were said by staff at the camp and given the timeline of the events. [↑](#footnote-ref-10)
11. Stalin or Mao could both work here depending on the stat source you use. [↑](#footnote-ref-11)
12. @ne0liberal Neoliberal "The National Environmental Policy Act has come under fire for actually making it harder to do pro-environment projects. Here's a thread of projects NEPA has delayed or killed, each one explicitly pro-environment (green energy, mass transit, env. rehabilitation/protection, etc.)." 02 Sep 2022. https://twitter.com/ne0liberal/status/1567155297826885637 [↑](#footnote-ref-12)
13. Myelination of the frontal lobe assists in inhibiting impulses generated by the older parts of our brains and is still ongoing in our teenage years, meaning that these ancient impulses have a less filtered expression in younger groups. [↑](#footnote-ref-13)
14. Nikos-Rose, K. M. (2022, October 11). Most teen bullying occurs among peers climbing the social ladder. *UC Davis.* from https://www.ucdavis.edu/curiosity/news/most-teen-bullying-occurs-among-peers-climbing-social-ladder [↑](#footnote-ref-14)
15. There is such a thing as social status within large groups. Heck, there used to be a book—”Debrett's Peerage and Baronetage”—that cataloged the exact relative social status of the top thousand or so people in the U.K. Within a large company, people will know their relative status based on their positions. Within a nation, people know the difference between an incarcerated person and a state’s governor. That said, this kind of social status is different from the type discussed above in that it cannot be modified by individual interactions as it is instead “assigned” by some sort of governing body or larger system. [↑](#footnote-ref-15)
16. When talking about middle and high school cliques, we default to the social groups that exist in 80s high school movies to ensure a shared reference point for our readers. If we referenced e-girls or emos, half our readers would have no reference point for what was going on, whereas if we reference “cool cheerleaders” we all get the idea even if cheerleaders have not been cool for decades. [↑](#footnote-ref-16)
17. Buss, D. M., & von Hippel, W. (2018). Psychological barriers to evolutionary psychology: Ideological bias and coalitional adaptations. *Archives of Scientific Psychology,* *6*(1), 148–158. https://doi.org/10.1037/arc0000049 [↑](#footnote-ref-17)
18. While this is not a truism for every single male and female, it is true in the aggregate, which in turn affects social norms. [↑](#footnote-ref-18)
19. Baumeister, R. F., Reynolds, T., Winegard, B., & Vohs, K. D. (2017). Competing for love: Applying sexual economics theory to mating contests. *Journal of Economic Psychology, 63*, 230–241. https://doi.org/10.1016/j.joep.2017.07.009 [↑](#footnote-ref-19)
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22. David-Barrett, T., Rotkirch, A., Carney, J., Behncke Izquierdo, I., Krems, J. A., Townley, D., McDaniell, E., Byrne-Smith, A., & Dunbar, R. I. (2015). Women favour dyadic relationships, but men prefer clubs: Cross-cultural evidence from *Social Networking. PLOS ONE,* 10(3). https://doi.org/10.1371/journal.pone.0118329 [↑](#footnote-ref-22)
23. Simone and I debate how much. I argue only around 90%. [↑](#footnote-ref-23)
24. Dobbin, F., & Kalev, A. (2022, December 13). *Why diversity programs fail.* Harvard Business Review. from https://hbr.org/2016/07/why-diversity-programs-fail [↑](#footnote-ref-24)
25. https://infiniteconversation.com/ [↑](#footnote-ref-25)
26. In case you are wondering whether monitoring employees at home improves efficiency, we ran tests on this and found A and B players to be more efficient when not closely monitored whereas mediocre and below-average employees perform far worse when not monitored. While workers may be slightly less productive when monitored due to additional social processing running in the back of their brain, it seems like mediocre and below-average employees take enough time to slack off when at home that the additional time spent working at a lower capacity makes up for this difference. [↑](#footnote-ref-26)
27. Powell, K. L., Roberts, G., & Nettle, D. (2012). Eye images increase charitable donations: Evidence from an opportunistic field experiment in a supermarket. *Ethology, 118*(11), 1096–1101. https://doi.org/10.1111/eth.12011 [↑](#footnote-ref-27)
28. One reader said this child swapping practice was not well attested, so we investigated the issue and found it very well and multiply attested. Dismissing this because the only people who mention it are refugees is insane. Of course, people still living under a dictatorship are not going to record this practice. [↑](#footnote-ref-28)
29. Tragedy of the commons issues are those in which you have to convince every individual actor in the system to make a decision in favor of the common good but not in the individual’s favor. [↑](#footnote-ref-29)
30. Cortes, C., & Lawrence, N. D. (2021, September 20). *Inconsistency in conference peer review: Revisiting the 2014 neurips experiment.* arXiv.org. from https://arxiv.org/abs/2109.09774 [↑](#footnote-ref-30)
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40. Luddites get their name from English textile workers who destroyed textile machinery in the early 19th century. [↑](#footnote-ref-40)
41. Some instead will argue that “no country has achieved true communism yet” but that many countries are in a transitional state. This is also fairly silly, as generally speaking the governments they would point to as being in these transitional states are becoming less “communist” with countries like Sweden having a rapidly increasing Gini coefficient, not a decreasing one. [↑](#footnote-ref-41)
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43. Minarchism is the political philosophy that a state should be as small as possible and its only function should be the protection of individuals from aggression, theft, breach of contract, and fraud. [↑](#footnote-ref-43)
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45. The movie was made specifically to mock the book’s government as a dystopia, so it intentionally mischaracterized the governance structure and the philosophical question the book was written to explore. The movie is a great work of art in its own right that asks an equally valuable question: “Can militaristic fascism be made to look good?” The book, however, does not focus on this question. [↑](#footnote-ref-45)
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52. Fairness itself is a bit of a farce, as it could be determined using an endless array of criteria: “Who worked hardest? Who suffered the most? Who needs it most? Who does the crowd think should have it? Who wants it most? Who has been the most disadvantaged? Who will benefit from it most?” etc. [↑](#footnote-ref-52)
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62. Note: We recently switched a huge chunk of our Latin American operations to a different operational system that we won’t explore in detail, as we think it only works in LATAM cultural environments and is an additional level of complication above the level of “black box” management. Essentially, we took our “human teams” and grouped them into family units, allowing the senior person on the team to liberally hire family members, with the team's success determining how many family members it could employ. This approach still functions in a large “black box” environment, with each family unit acting as a single component in the system, while also synergizing better with LATAM culture. As such, this approach has led to huge productivity gains even though it goes against every sane principle of U.S. business culture. The biggest advantages are that it allows for much faster skill transfer (high-skill workers have an easier time cloning their skills with family members than with outsiders) and leads to much higher motivation and lower team infighting. [↑](#footnote-ref-62)
63. There is actually an entire Wikipedia article dedicated to flight crashes that were caused, in part, by high-power-distance culture problems: https://en.wikipedia.org/wiki/Impact\_of\_culture\_on\_aviation\_safety [↑](#footnote-ref-63)
64. Even if they are not power hungry themselves, a single woke individual or ultra conservative individual in one of these environments can feel an ideological mandate to begin converting the organization and flat organizational structures have no immune response to this behavior. [↑](#footnote-ref-64)
65. Using a company like Valve to argue that holacracies work is akin to presenting Norway as an example of how socialism can work while ignoring the money printer of oil running in the background (the money printer is Steam in the case of Valve). The strategy for beating a game when you have the free money cheat activated will not work in a normal playthrough. That doesn’t mean the strategy will not work, but maybe we should not be looking to the life paths of rich kids whose first job was at their dad’s company when we try to design our own career paths. [↑](#footnote-ref-65)
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