

A LOGICALLY-NECESSARY, FIVE-ECONOMY SOCIAL ONTOLOGY
TO CONSTRAIN SOCIAL, ECONOMIC, MORAL AND POLITICAL THEORIES

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Abstract

I explore the logically-necessary properties of society and make the case that the list of logically-necessary properties is so constraining that there is only one possible way to maximize the good in society—a five-economy model of society that uses incentives to put all human action to ever-better use, maximizing the good.

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**A Logically-Necessary Five-Economy Social Ontology
to Constrain Social, Economic, Moral and Political Theories**

How ought society be governed? In pursuit of *terra firma*, I explore the logically-necessary properties of society, identifying the necessary potential for five and only five mutually exclusive, collectively exhaustive economic spheres, each governed by the fundamental logic of economics. Ultimately, I conclude that the list of logically-necessary properties is so constraining that there can be only one way to maximize the good in society—a *five-economy model of society that uses incentives to put all human action to ever-better use, maximizing the good*.

The intuition supporting this conclusion is that (1) the existence of private action, public action, political action, foreign action and governing action is intuitive; (2) maximizing the good in society would require maximizing the good of all five types of action; and (3) no matter how good an expert's opinion might be regarding how to put action to good use, constant improvement over time thanks to the logic of economics (incentive alignment) can always do better, meaning the *only* way to maximize the good in society is to align incentives in all five economic spheres.

However, aligning incentives to produce constant improvement over time in all aspects of society can be counter intuitive, hence the need to leverage and respect logical necessity.

What is logical necessity? In short, *something is logically necessary if it is true by definition*. For example, if a human society exists, it is logically necessary that two or more people exist. That is true because human society, *by definition*, requires at least two people.

Section I: The Five Types of Human Action

As a starting point, I propose a thought experiment called 'the genesis experiment.'

The genesis experiment begins with a lifeless world. Then, I add people, one person at a time to first populate a society, then the world, and then the future. Each time I add a person, I consider how the mere addition of that person adds to the types of action that could exist from the point of view of the society in the experiment.

In its most compact form, the genesis experiment proceeds as follows:

1. The existence of one human implies the potential for private action.
2. The existence of two humans implies the potential for public action (or what might be called ‘group action,’ ‘collective action,’ or, from the group’s perspective, ‘self-action’).
3. The existence of three humans in a society implies the potential for political action (e.g., political factions vying for power).
4. The existence of one human outside a society implies the potential for foreign action.
5. The existence of one human in the future implies the potential for governing action, as the concept of governance makes no sense unless there are future people. To be clear, the term ‘future people,’ refers not only to future generations, but also to our future selves.
6. Adding more people in society, out of society, or in the future does not add new types of action. This can be confirmed by analyzing low-count and high-count scenarios.

Thus, the genesis experiment concludes that societies must concern themselves with the potential for five and only five conceptually-discrete types of action: (1) private action; (2) public action; (3) political action; (4) foreign action; and (5) governing action. To be clear, conceptual discreteness does not imply practical discreteness. A single act may simultaneously express multiple types of action.

There are some limiting cases: (1) groups of two do not have to worry about political action, at least not within their group; (2) individuals—from their point of view—need to only

worry about their own action, foreign action and governing action; and (3) humanity as a whole need not be concerned about foreign action, at least not until an alien or machine intelligence is discovered.

The distinction between public action and governing action needs clarification. The key is to remember that future people do not exist in the experiment until step five, so public action is necessarily action on behalf of people alive in the moment (the public), whereas governing action is necessarily action on behalf of future people. To illustrate, social spending (the money a society might spend in the attempt to help people) does not govern anything, *so social spending is clearly public action, not governing action.*

These five types of actions are intuitive. So, why bother with the genesis experiment? Two reasons: (1) the logical necessity and logical completeness of this first step is essential to the ultimate conclusion that there is only one way to maximize the good in society; and (2) the conceptual separation of governing action and public action allows this model to honor the political right's claim that governing action should be limited to minimizing harm while still allowing for the political left's aggressive pursuit of social justice through public action. This sets up a win-win-win, where the right gets economic freedom, the left gets social justice and the center gets the combination. I expand on this in section III.

Section II: The Five-Economy Model of Society

In this section, I argue that the necessary potential for five and only five types of human action implies five and only five types of the following concepts dependent on human action: harm, governance, freedom, sustainability, negotiation and good. I then make the case that these concepts are the fundamental elements of the logic of economics, giving birth to the five-economy model.

The Five-Dimensional Nature of Concepts Dependent on Human Action. ‘Harm’ is the key. The potential for action implies the potential for harm, and everything else is defined in terms of harm.

1. Five Types of Harm: The potential for five types of action implies the potential for five types of harm. For example, private theft, public waste, political oppression, foreign invasion, and bad government (governing too much or too little).

2. The Five Types of Governance: The potential for governance has already been established, but five types of action and harm imply five types of governance. For example, policing private action to minimize theft, prioritizing public action to minimize waste, checking-and-balancing political action to minimize oppression, defending the nation to minimize the risk of invasion, and educating the people to minimize the risk of governing too much or too little.

3. Five Types of Freedom: The potential to minimize the five types of harm through proper governance implies the potential for five types of freedom. Freedom, here, can be conceived either as ‘freedom from harm’ or ‘freedom to act without causing harm.’ Either way, there are five types: economic freedom, priority freedom, political freedom, national freedom, and ideological freedom. In this model, political freedom is the freedom to believe harmful ideologies (through checks and balances), whereas ideological freedom is freedom from harmful ideologies (through education).

Another conception of freedom is what economists call ‘value-free’ governance, meaning if all government does is minimize harm, actors are free make their own value judgments. The five-economy model extends this concept to all five economic spheres. For example, prioritizing the social spending budget does not impose any one priority. All prioritizing does is incentivize

everyone with a proposal to constantly improve their proposals, maximizing social justice over time.

4. *Five Types of Sustainability:* Minimizing the five types of harm also means not harming future people, implying five types of sustainability, including environmental sustainability, fiscal sustainability, political sustainability, geo-political sustainability, and ideological sustainability. In this model, political sustainability requires ensuring a society does not fall into the hands of a single political faction; geo-political sustainability requires stopping future Hitlers early; and ideological sustainability requires passing on knowledge about how best to govern.

5. *Five Types of Uncoerced Negotiation:* The freedom to act without causing harm is the freedom to negotiate without coercion, implying the potential for five types of uncoerced negotiation. For example, private actors negotiate prices, the public negotiates priorities, political factions negotiate compromises, foreign powers negotiate treaties, and governing can be thought of as a negotiation over time about ideal justice.

6. *Five Types of Good:* Uncoerced negotiation is an attempt to improve the world, at least for those in the negotiation, without harming the world. Improvement without harm has the potential to add up over time, effecting continuous improvement, thus maximizing the good. However, since there are five types of uncoerced negotiation, that means there is the potential to constantly improve toward five maximum goods. For example, prosperity, social justice, political maturity, international harmony and the best possible future. To clarify, governance is a meta-action and so the best possible governance creates a meta-benefit—the best possible future.

The Birth of the Five-Economy Model: These concepts are fundamental elements of the logic of free-market economics. That is not a coincidence. Free-market economic

philosophers have long studied the logically-necessary implications of human action (e.g., Ludwig von Mises). However, free-market economic philosophers did not extend that logic to all five types of human action.

The closest they came was in 1962 when economists Nobel Laureate James Buchanan and Gordon Tullock proposed extending the *tools* of economics. But extending the tools of economics only reveals how people respond to incentives. In contrast, extending the logic (as this model does) reveals how to fix those incentives.

When the logic of economics is extended to all human action, the five economic spheres are:

1. *The Private Economy:* If a society polices the nation to minimize the risk of harmful private action (e.g., theft), that society obtains ‘economic freedom’ and within the limits of environmental sustainability, uncoerced negotiation over prices will maximize prosperity over time.

2. *The Public Economy:* If a society prioritizes social spending to minimize the risk of harmful public action (e.g., waste), that society obtains ‘priority freedom’ and within the limits of fiscal sustainability, negotiation over priorities will maximize social justice over time.

3. *The Political Economy:* If a society checks-and-balances political ambition to minimize the risk of harmful political action (e.g., oppression), that society obtains ‘political freedom’ and within the limits of political sustainability, negotiation over compromises will maximize political maturity over time.

4. *The Foreign-Affairs Economy:* If a society defends itself against harmful foreign action (e.g., invasion), that society obtains ‘national freedom’ and within the limits of geopolitical sustainability, negotiation over treaties will maximize international harmony over time.

5. The Governing Economy: If a society educates the people to minimize the risk of harmful governing action (e.g., governing too much or too little), that society obtains ‘ideological freedom’ and within the limits of ideological sustainability (the ability for us to pass our knowledge to the next generation), that society maximizes all that is good over time.

So, what guides all these negotiations? What makes them fair and good? The quick answer is ‘incentives times five’—comprehensive incentive reform. The private economy alone, for example, does not address social justice. But the public economy does.

The Five-Economy Table: All of this fits elegantly into a table (Table 1). Each row is a type of action with logically-necessary potential. Each column is an element of economics with logically-necessary potential. Therefore, the table as a whole represents society’s logically-necessary potential—the political equivalent of the periodic table.

Table 1 The Five-Economy Table

Action	Harm	Governance	Freedom	Sustainability	Negotiation	Max Good
Private	Theft	Police	Economic	Environmental	Prices	Prosperity
Public	Waste	Prioritize	Priority	Fiscal	Priorities	Social Justice
Political	Oppression	Check+Bal	Political	Political	Compromises	Maturity
Foreign	Invasion	Defend	National	Geo-Political	Treaties	Harmony
Governing	Bad Govt.	Educate	Ideological	Ideological	Justice	Best Future

Section III: The Only Way to Maximize the Good

In this section, I make the case that the five-economy model is the only way to maximize the good. This is accomplished by extending an argument from the world of free-market economics. I close this section with an argument for logical completeness.

The Argument from Free-Market Economics: For centuries, free-market economists have argued that the only way to maximize the good is to minimize harm and resist the temptation to intervene. Many people resist the free-market argument because it does not address social justice, negotiating power and market failure. But as discussed, these concerns are best addressed by *extending* the argument rather than *denying* the argument. I expand on that later in this section.

Here is the three-step argument behind the free-market economists' claim that the only way to maximize the good is to minimize harm, extended here to include sustainability:

Step 1. Enforcing laws that minimize harm (including harm to future generations) maximizes the good because it does two things simultaneously: (1) it incentivizes actions that improve the world (e.g., mutually-beneficial negotiations within sustainable limits); and (2) it disincentivizes actions that harm the world (e.g., theft). And when everyone is incentivized to improve the world without harming the world, the world tends to improve, maximizing the good over time.

Step 2. Failing to minimize harm certainly does not maximize the good.

Step 3. Doing more than minimizing harm (e.g., any form of government intervention) creates a net loss (what economists call a 'deadweight loss' or an 'excess burden'), and piling up net losses also does not maximize the good.

Some far-right extremists only apply this logic to the private economy and then they go too far by claiming the private economy alone maximizes *all* good. But that is clearly not the case. The private economy only maximizes the good that private actors might do. By extending this logic to all human action, the full (complete) truth is revealed—*the only way to maximize the five types of good is to minimize the five types of harm.*

Hence, social justice ends up being a two-step process. Step one is to properly govern the private economy, enforcing equal rights and maximizing prosperity. Step two is to properly govern the public economy, maximizing the utility of the social-spending budget. This combination (1) maximizes opportunity; (2) minimizes unintended harm from economic intervention; (3) distributes opportunity; and (4) maximizes the good for those who need help most. Anything else is governmental harm—governing too much or too little.

Real-World Confirmation: Centuries of real-world experience trying to implement this logic confirms three important features of the logic.

1. This Logic Works in the Real World. Centuries of evidence confirm that this logic can deliver constantly-improving results in the real world. The private economy, for example, produces constantly-improving results despite being continuously undermined from within (e.g., criminals) and from without (e.g., politics).

2. This Logic is Fault Tolerant. Centuries of evidence confirm that this logic does not have to be implemented perfectly to deliver constant improvement—which is why it works in the real world. The private economy, for example, has never been governed perfectly, yet it continues to improve products and services.

3. Voters Need Not Be Experts. Centuries of evidence confirm that all a society needs to sustain continuous improvement in the private economy is a healthy majority of voters who believe in the private economy, nothing more. *They don't even have to understand it!*

An Objection and a Response

Objection: The free-market approach to governing the private economy is idealistic and extremist; and the reason it appears to work is precisely because of the many interventions. For

example, an enormous number of institutions and interventions, including periodic bailouts, for example, are apparently needed to make the private economy work.

Response: First, intervention (e.g., a bailout) is not a violation of the five-economy model. It is a priority of present-day people and a minimizing of harm to future people, making bailouts a combination public/governing act. Second, regarding the need for institutions, logical necessity can only reveal general principles. It is not surprising that the implementation of those general principles requires such institutions. In short, the five-economy model is a forgiving, moderate philosophy that encourages compromise.

An Argument for Logical Completeness: The five-economy model is logically complete because it accounts for all human action and all human potential (good and bad) from any one point of view, and it can be applied to all points of view at all scales of society, including the point of view of individuals, groups/societies of all sizes, and even humanity as a whole. So, even though the five-economy model is simple, it still accounts for all the complexity in human society.

Something that might appear to be missing is a policy proposal. But that is appropriate because the five-economy model is a meta model. Rather than make specific policy proposals, the five-economy model reveals the proper way to structure the competition among policy proposals. This meta-approach maximizes the good. Specific policy proposals do not! The five-economy model's completeness, in other words, should be judged by 'meta-model' criteria.

One final aspect of the logical-completeness argument is that the five-economy argument makes absolutely no simplifying assumptions. It does not assume, for example, that people are self-interested, other-concerned, rational, irrational, all-knowing, or ignorant. The five-economy framework simply reveals the logically necessary potential of society.

Section IV: Academic and Practical Implications

In this section, I propose a general method to resolve conflicts between the five-economy model and all other theories. I demonstrate this using a five-economy critique of Rawls. I close the section by responding to common objections from the right and left and offering an argument for political viability.

How to Resolve Conflicts: The five-economy argument concludes that there is only one way to maximize the good in society—the five-economy way. And although the implementation of the five-economy model is flexible, the model itself is rigid. That rigidity means the five-economy model likely conflicts with most if not all existing social, economic, moral and political theories.

So, which model/theory wins if there is a conflict?

Well, that's where the logic of presupposition comes in. The logic of presupposition says if a theory conflicts with anything it presupposes, that theory self-destructs. And here's the thing—all social, economic, moral and political theories presuppose the context of human society, *which means all such theories also presuppose the entire five-economy argument.*

There are two ways to look at this. One way is 'if the five-economy argument cannot be broken, the five-economy argument wins.' But a better way to look at it is that the five-economy argument helps other theories complete their arguments. After all, the analysis of a theory is only complete if that analysis accounts for everything that theory presupposes. This is demonstrated by the following five-economy critique.

A Five-Economy Critique of Rawls: In his book, 'A Theory of Justice' from 1971, Rawls proposes a thought experiment called 'the original position' to reveal the true nature of justice. In the original position, rational representatives meet to decide the rules that are to

govern a new society, but there's a catch: nobody knows who they are representing in the negotiation. Rawls calls this lack-of-knowledge the 'veil of ignorance.'

However, the representatives behind the veil are not completely ignorant. Rawls makes it clear that those behind the veil must know 'the general rules that govern society.' Rawls even mentions the logic of economics as an example. Rawls must constrain the negotiation via 'the general rules that govern society' in order to ensure that the negotiation behind the veil remains connected to reality.

However, thanks to the five-economy argument, we know something Rawls did not. We know that the logic of economics necessarily governs all aspects of society, not just the private economy. And so, without challenging even a single word of Rawls' argument, the logic of five-economy hijacks Rawls' argument. For Rawls' own argument dictates that those behind the veil must use the five-economy model (the general rules that govern society) as the lens through which theories of justice are judged. And that means only one theory of justice could possibly win—the five-economy theory of justice.

The five-economy theory of justice includes five types of 'imposed justice' (the need to minimize five types of harm) and five types of 'earned justice' (the five types of maximum good that a society justly earns if it imposes justice properly). Rawls' own conclusion—justice as fairness—lives on as a limiting case of five-economy model's logically-complete framework.

I chose to critique Rawls to demonstrate that the five-economy framework is a surgical instrument, rather than a blunt instrument. In short, Rawls *needs* the five-economy model to complete his theory. By extension, all academics working on social, economic, moral and political theories need the five-economy argument in order to complete their theories.

Two Objections and Four Responses

An Objection from the Right: The government should not be in the ‘social justice’ business in the first place. Redistribution of wealth is not justice. It is theft via the tyranny of the majority.

Philosophical Response: Most people who raise this objection will agree that there is no problem with free people going off and voluntarily forming their own society that includes coercive wealth redistribution. After all, that is their freedom. But wait a minute, if there’s no problem with other people forming their own society that coercively redistributes wealth, that means there is no problem with our society doing it too—providing everyone is in the society voluntarily.

Practical Response: People do not change when they enter the voting booth, and there are both self-interested and other-concerned reasons for people to vote for government to be in the social justice business. Again, that is their freedom. So, any society that has voting is probably going to be in the social-justice business to some degree. Indeed, we see that in every society where voting exists. So, in a practical sense, the pursuit of social justice by society appears unavoidable. The only question is how to govern it.

An Objection from the Left: Economizing social spending will only encourage businesses to continue to pay wages below a living wage since those workers will now be subsidized better than ever. Therefore, we must intervene in the private economy on behalf of those who need help most.

Practical Response: So, you’re saying that encouraging businesses to hire the poorest of the poor a bad thing? What is a better alternative? Minimum wage? A minimum wage makes those jobs more attractive to other people, increasing the competition for that job, making it harder—on average—for the poorest of the poor.

Philosophical Response: The unintended consequences of minimum wage can be generalized to any market intervention. Think of it this way. The only way for *any* market intervention to have *any* effect is for it to make someone's top choice either more attractive or less attractive. If less attractive, that is clearly harm. If more attractive, you've just increased the competition for that option, either increasing the price or decreasing the availability. Either way, that is harm too. However, there is one exception. Taxation is a market intervention that is not necessarily a net-loss, for the net loss in the private economy funds the public economy.

In short, logic dictates the only ways to maximize social justice is to properly govern all five economies, especially the private and public economies. Doing anything else is a net-loss (a harm) for the very people who need help most.

On Political Viability: Political viability is a moving target because social evolution is always at work. Social evolution is the force that ultimately aligns societies with reality. As a society is rewarded or punished for being in alignment or out of alignment with the laws of economics, for example, what is politically viable gets constrained, forcing societies into alignment with the laws of economics. By extending this argument to five-economies, I argue that adoption of the five-economy model is inevitable—assuming we don't destroy ourselves first. What I cannot predict is the timing.

Section V: Conclusion

I have argued that the five-economy model (1) is logically necessary, (2) is logically complete, (3) is value free, (4) makes no simplifying assumptions, (5) is confirmed by centuries of evidence, (6) produces continuous improvement in all aspects of society, maximizing the good, (7) maximizes the good even if not implemented perfectly; (8) unites the political spectrum win-win-win style; and (9) is inevitable.

Academically, if the five-economy argument cannot be defeated, then the logic of presupposition demands that all social, economic, moral and political theories be re-evaluated for consistency with the five-economy framework. Luckily, the five-economy argument is not a blunt instrument, meaning the five-economy model does not compete with these other theories, it completes them.

Practically, to maximize the good we need a healthy majority of people to believe the truth—that good governance means minimizing five types of harm and resisting the temptation to do more or less.