

Chapter 8

Leadership, ethics, and non-elites

Zarathustra responded:

Why are you startled by this? – But it is with human beings as it is with this tree.

The more they aspire to the heights and the light, the more strongly their roots strive earthward, downward, into darkness, depths – into evil.

(Nietzsche's *Thus Spoke Zarathustra*, 1883/2006, p. 89)

In the less poetic terms of this inquiry, this piece of common of knowledge is articulated as meaning that extractive value transfers are a prerequisite for inclusive value creation. What then are the respective weights of the roots in darkness and the branches in the light? Zarathustra, philosophers, and anyone steeped in good sense knows that with risk, success and failure are two sides of the same coin, and so value creation and extraction together comprise the problem that this closing chapter addresses: the realist inference of the pragmatic philosophy where 'all elite agency creates and transfers value'. Many of the societal dilemmas that arise from such a dualism are solvable through weighting.

The ETED has asserted that the elite business models of the political economy invariably profit from value transfers, i.e., rely on value appropriated but *not* created. Even high quality elites that practice sustainable value creation will extract value from some stakeholders. There is thus a degree of relativism when considering value transfers, and so—as with Zarathustra's acumen—are ethics thus invalidated in this elite theory? Moreover, the centrality of elites to this theory leaves it open to criticisms of elitism, reactionary conservatism, and overstating elite agency in relation to other causes of development and institutional change. This seems an inescapable charge, even when sustainable value creation is argued to be the defining characteristic for Pareto's "best". The iron law of elite dominance is fully integrated into this account of human and economic development, meaning that elite leadership of the transformational variety brings about more inclusive development than any set of checks and balances, elections, or revolutions, and subjecting this book to the reproach that it theorizes about elites for the benefit of elites. On the other hand, the general condemnation of unsustainable rent seeking made throughout this work also aligns it with progressive and liberal ideas.

Any economic development theory will strike dissonant notes with one or another coalition whose interests don't align with its prescriptions, particularly when self-serving value transfer activities are compromised; for example, free trade is despised by mercantilist coalitions, free labor markets by many unions, and competitive markets by capitalist monopolists. Theories on a technical quest for truth that are exposed to narrative markets must be open to legitimate contributions from all sides of the socio-economic and political spectra while accepting the resistance of those at the

receiving end of any distributional consequences. This forces an economic idea to seek legitimacy from a fundamental understanding of how the world works and works best; that is, from sources deeper than political and economic expediency and more permanent than its capture by winning narratives, whatever their power or ideological hue. Making the ethical position explicit therefore seems to be a necessity for an economic theory or body of thought seeking to impact human welfare. How is ethics then understood in this work?

Ethics is the reflection of ‘what I should do’, a formal structure for moral positions on what is right, how to behave, and what are rightful acts. A set of ethical principles for this work will have boundaries and can only have claims on what is right within the scope for economic and human development. Only if sustainable value creation is deemed to have an intrinsic value *beyond* human and economic development should there be license to extend its application to other domains.

Sustainability is the privilege to appropriate value created while eschewing value appropriated but *not* created in a proportion that bests average elite agency. These aims may sound modest but are sufficient and feasible. That is how business models inch the aggregate upwards and move societies forward. What then could be a corresponding ethical basis for human and economic development? This work’s narrative centers on boosting value creation and limiting value transfers that are, in practice, instantiated with transformational leadership in the context of intra-elite contests. Must ethical principles for development then contradict the ‘elite utility function’ upon which the behavioral logic of elite agency rests in this inquiry (see Proposition 5)? To add necessary nuance to the long-run utility maximization imperative, this chapter dips into speculative philosophy to suggest that the ‘value appropriation demand of humans’ (the basic socio-economic constraint of the human condition) rests on general principles of life that are in contradiction, include radical creativity, and yet are economically judicious (Figure 8.6) and reduce local entropy. First, and more deliberately, how can criteria—and thereafter guardrails—be established to ascertain how, when, and to what degree elite value appropriation ought to be constrained?

Elites are characterized by their power; their agency realized by ‘the extraordinary lever’ and its multiplier. It is power that enables value and risk transfers *and* creation, the appropriation of both value created and value *not* created. The decision not to exercise the option to benefit from value transfers for the sake of economic and human development is a moral choice consistent with ethical principles. The roving bandit who becomes stationary is essentially moral and ethical, as well as being a successful utility maximizer when taking a longer view (again, see Section 2.1.1), constraining power, forfeiting immediate residual income, and ultimately allowing stakeholders to appropriate a larger portion of the value that they create. It is equally ethical—though perhaps not moral—to employ power in a more disagreeable manner: to effect weighted and offset value transfers. Both ethical approaches, whether undertaken jointly or separately, increase the sustainability of the elite business model. Self-constraints on one’s agency, as well as the targeted use of power to extract value,

are pursued by core and other coalitions for the sake of the sustainability of the polity and to preserve their elite identity. Power and wealth distribution are emergent properties of a political economy system that can be both sustainable and unsustainable. Elite transformational leadership is the realization of mindful choices to weight and offset transfers that correspond with ethical positions. Anchored by the ‘inextinguishable value creation option of elites’ (leadership) premise that directly emanates from the creative self-assertion found in the ‘Will to Power’, such decisions are both challenging and deserving of recognition because they mean foregoing extraction despite possessing power differentials over stakeholders that permit perfectly legal value transfers.

With this, the inquiry can wholly move from ‘as is’ to ‘as ought to be’ territory via the onramps provided throughout the book. These include the transformational leadership conceptual element that is acutely cognizant of balance when negotiating the reality that ‘all elite agency creates and transfers value’, for instance, in ‘alternating value transfers and creation’ or when uncertainty is undertaken. Understandably, readers that require economic inquiry to stay focused on the analytical plane of incentives will downplay this appeal for ethical agency.

The ETED proposes a ‘set of ethical principles’ for economic and human development. These seven principles work on the ontological assumption that describes the dualistic nature of socio-economic relations: ‘value is created or transferred’. The set’s imperative is the pursuit of sustainable value creation by nuancing binary choices through the proper weighting of value transfers. The intrinsic value²⁰⁸ for development, the hypernorm operationalized as a central doctrine, is the simple maxim:

(i) *To the creators the value created*

The sustainable value creation maxim would rest on and be qualified by two tenets that provide conceptual guidance for elite agency:

- (ii) *Maximize first-order value creation and risk origination for productive economic transformations fit for human purpose*
- (iii) *Weight and offset second-order value and risk transfers and minimize these to maximize value*

Elites seeking development for their nation and planning to realize the value creation maxim and its two derived tenets for elite agency are served by a set of precepts that provide practical guidance. The four precepts for action that inform transformational leadership are:

²⁰⁸ Intrinsic values “reflect intrinsic worth and constitute non-instrumental reasons for justifying choice (Donaldson & Walsh, 2015; O’Neill, 1992; Rønnow-Rasmussen, 2015)” while their “underlying epistemic role [. . .] is to complete the justification of an action” (Donaldson, 2021, p. 3). As such they are “hypernorms”, “principles so fundamental to human existence that they serve as a guide in evaluating lower level moral norms” (Donaldson & Dunfee, 1994, p. 265). Note also the sustainability of “universal values” that “connect humans and nature in an acausal, coherent manner [emphasis in original]” (O’Brien et al., 2023, p. 1452).

- (iv) *Measure value and risk transfers and establish the optimal weightings and potential offsets to maximize sustainable value creation*
- (v) *Realize sustainable value creation and risk origination incentives through top-down weighted structural reforms and bottom-up elite business model transformation*
- (vi) *Invest in elite cohesion and in the elite separation of powers with a comprehensive set of checks and balances to encourage productive intra-elite contests*
- (vii) *Promote the freedom to exit and the freedom to create value irrespective of optimal value creation, transfer weightings, and potential offsets*

With the sustainable value creation set of ethical principles for human and economic development (see the concise summary in Table A4.3a), the ETED endeavors to provide decision-making guidance based on a realistic account of how the political economy works. The codification of the set of ethical principles into law then becomes the legal foundation for economic and human development. An incentive system is thus built for those *qui generat valorem*. But does this proposal have admissible links to generally accepted ideas in the realms of morality or philosophy?

Ethics framed in sociobiological or evolutionary theory terms (as in Dawkins, 1976; Alexander, 1987; de Waal, 2006) would seem highly valid, as notions not antithetical to nature such as reciprocity and empathy are appropriate bases for moral systems.²⁰⁹ Conversely, ethical notions can underlie social constructs, especially those focused on real-world application. CSR frameworks, for instance, have always been infused with moral considerations and the “ethical principles that ought to govern the relationship between the corporation and society” (Eetls & Walton, 1961, as cited in Carroll, 1991, pp. 39–40). The fact that “tensions and trade-offs inevitably arise” between economic or legal obligations and ethics (Carroll, 2016, p. 5) is precisely what gives purpose to the latter. This inquiry must naturally stay within the confines of economic development: the set of ethical principles function as a prescriptive baseline for both research and practice and so might be a touchstone for elites able and willing

²⁰⁹ Nature appropriates before it reproduces in line with the ‘universal extraction propensity of life’. To this inquiry, the main difference between animals and humans is the degree of value appropriated but *not* created. Animals will only interact with stakeholders (through the predation of predator and prey, through commensalism, through mutualism, and through the parasitism of host and symbiont) with whom they have a physical relationship, a limitation that constrains extraction. Because of social order, the human with ‘the extraordinary lever’ can extract not just from the stakeholder he or she is in direct contact with, but also from the next and all subsequent others in the hierarchy as value flows along complex chains from the top to the bottom (see Section 1.3.4). The leverage that is intrinsic to complex social relationships explains both the marvel and menace of the human capacity for value appropriation—both from other humans and from nature—to a degree that is countless orders of magnitude greater than that of any other living beings. It also suggests that superintelligences roving the Internet or otherwise embedded in social networks—perhaps on behalf of their human owners or perhaps for themselves—will have an almost unlimited capacity for value appropriation from human stakeholders.

to shape the elite system and institutions. At the same time, this work does not intend to succumb to the common and well-known contradiction that is articulated by Schopenhauer: “Thus preaching morality is easy, yet grounding morality is difficult”²¹⁰ (1867, p. 140). The weighting and offsetting approach precludes moral absolutism, declines both Platonic and Utopian approaches (Popper, 1947) as well as Kantian deontological ethics and categorical imperatives. Nietzsche’s tree metaphor stands as the antithesis of such black and white morality while, as is argued in Section 8.2.2, the problem of evil is not at all relativized and an approach to its mitigation is proposed. To put it simply, although ethics can be technically shelved for the theory’s system and its conceptual elements, the set of ethical principles offers a prescriptive key for their application. This holds even more validity when we consider that leadership moderates the relationship between elite business model division of value strategies and institutional change preferences that surface on the back of all technological, economic, and social shifts.

The elite theory must acknowledge the diverse ethical considerations that underlie existing policy, especially those seeking to regulate the extant technological revolution. For instance, those espoused by the EU’s Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs in its press release on *Artificial Intelligence: Commission Kicks off Work on Marrying Cutting-edge Technology and Ethical Standards* (2018), or the first “specific objective” of the EU’s Artificial Intelligence Act’s regulatory framework, which exhorts companies to “respect existing law on fundamental rights and Union values” (European Commission, 2021, p. 3). Anthropic’s (2023) pragmatic Responsible Scaling Policy (RSP) provides “techniques like Constitutional AI for alignment with human values”. The release of GPT-4 was a clarion call for the prioritization of ethics, and has added impetus to civil society initiatives, global conferences, and political initiatives such as the EU’s AI Act to realize the “trustworthy AI” objective via regulation “to ensure that fundamental rights, democracy, the rule of law and environmental sustainability” (European Parliament, 2023). However, for the purposes of this inquiry, any ethical inputs on fundamental rights, trustworthiness, or human values must be well-defined and possess a degree of consistency with the normative frame of reference: *To the creators the value created* and the other elements of the set of ethical principles for human and economic development. In this final chapter, AI is addressed in a specific thematic thread as a shift-inducing technological, economic, and social force of historical proportions to imagine a range of elite judgments that need to be made on the potential futures of the political economy. Conceived partly as a thought experiment, the thread even extends to scenarios where the AI has putative elite agency and so stress tests the ETED’s system, its ethics, many of its

²¹⁰ Translated from the original, “Da ergibt sich, daß Moral-Predigen leicht, Moral-Begründen schwer ist.”

conceptual elements, and the theoretical limits of sustainable value creation for human development.²¹¹

While this inquiry and the set of ethical principles put forward places the agency and roles of non-elites as subordinate to elites, they are not passed over and so the first section of this review on leadership and ethics considers their interests in the context of normative political economy (8.1). The ethics of this work are then brought to life through the examination of a particular ‘license for evil’—an elite business model that charges in pounds of flesh—before moving onto frameworks for determining acceptable levels of transfers and redistribution (8.2). This lays the groundwork for a pivot towards a closing reflection that connects the dots to consider this inquiry’s speculative philosophy and its notion of freedom (8.3).

8.1 The non-elite perspective

In order for a nation to develop, non-elites should progressively retain a greater proportion of the value they create, while elites progressively refrain from using their power to benefit from value appropriated but *not* created. At the same time, the discussion of the non-elite perspective eschews the idealist notion that non-elites cannot be extractive, and requires consideration of the ‘universal value extraction propensity of humans’ (socio-economic) premise, without which development cannot be conceived. From Aristotle’s (1912) harsh judgment on democracy and mob rule to the totalitarian mass movements in 20th century Europe, it is more than obvious that non-elites can extract from other non-elites, and be bereft of empathy, reciprocity, or morality. Moreover, non-elites must be called out when they are willing accessories to and marginally profit from extractive elite business models that use their power over ‘other’ non-elite groups. This section begins the analysis with a discussion (8.1.1) of the socio-economic structure pyramid, before shifting its focus to the role of the core elite coalition (8.1.2). It then considers the aggregate political options for non-elites to minimize extractive value transfers and matches these to the political options of elites (8.1.3). Following that, the framework is applied in a brief exploration of what might happen to non-elite interests if and when all humans—including members of current

²¹¹ The preliminary step in probing the role of the AI is to consider the world’s missing elite system through the lens of the tragedy of the AI commons (Section 7.3.5). The theoretical examination proceeds by reviewing how elites can serve non-elite interests in a postulated post-singularity (Section 8.1.4), and how the value appropriation of AI business models impact redistribution (Section 8.2.5). Before the closing reflections (Section 8.3.3) and the Epilogue, the thematic thread ventures into the uncharted territory of how ethics might function in a political economy without human elites (Section 8.1.6). A side analysis also considers the set of ethical principles adapted for the AI (Table A4.3b), and a series of tentative hypotheses on the AI and sustainable value creation in the political economy are provided (Table E.1).

elite coalitions—are relegated to the non-elite strata in a hypothetical post-singularity world dominated by the AI in possession of absolute elite agency (8.1.4). Thereafter, the section proceeds with an examination of business and political systems—both democratic and authoritarian—through the optics of ‘A Political and Business Systems Sustainable Value Creation (SVC) Test’ that focuses on value creation outcomes and non-elites (8.1.5). In closing, the section re-enters the brave new world of the superintelligence to imagine what the boundaries of ethics might be across higher and lower intelligences in a political economy bereft of human elites (8.1.6).

8.1.1 The elite-centric socio-economic structure

Any elite theory in the social sciences makes specific assumptions about the socio-economic structure and membership of the resultant classes. Applying the doctrine of parsimony to the ETED’s focus on business models and bargaining power differentials yields a socio-economic structure with a simple division between elites and non-elites. Elites are principals and beneficiaries of the highest value creation business models in the economy, while non-elite groups are the stakeholders of those models. Further to the elite/non-elite dichotomy and the discussion on power in functional terms (see Figure A5.1), this inquiry’s socio-economic structure is conceived as a hierarchy. This is represented as a pyramid, with one particular class in each of the elite and non-elite strata emphasized due to their theoretical relevance for development (see Figure 8.1). The elite system is first characterized by (1.a) the ‘core elite coalition’ in the highest socio-economic position. This coalition is part and parcel of the (1) ‘elites’, which includes the (1.b) members of all ‘regular’ coalitions that are beneficiaries of the residual income flows of elite business models. Next, and lower down the hierarchy is the (2.a) ‘managerial, technical, and creative class’, also referred to as the expert class and by Mosca as the “second stratum” (1939, p. 404), a “sub-elite” (Sharma, 1977, p. 70) through which the elite “is intimately connected with society” (Bottomore, 1993, p. 5). In terms of policymaking or institutional change, these “professional experts” and “servants of power” have some influence (Brint, 1990, p. 361). Yet this class possesses no claims to the residual income of elite business models and so is also part of the (2) ‘non-elites’, the main body of the ETED’s socio-economic structure pyramid, which includes (2.b) the population at large—all other individuals in society.²¹²

²¹² While the membership of each strata and class varies because of factors like country size, social complexity and developmental stage, estimates of the number of individuals in each of the socio-economic structure’s categories can be made. Reeves and Friedman in *Born to Rule* estimate that the “wealth elite is made up of approximately 6,000 individuals, or 0.01 percent of the UK population” (2024, p. 6). Membership of the ‘core elite coalition’ (1.1) varies, but in the UK would be in the low

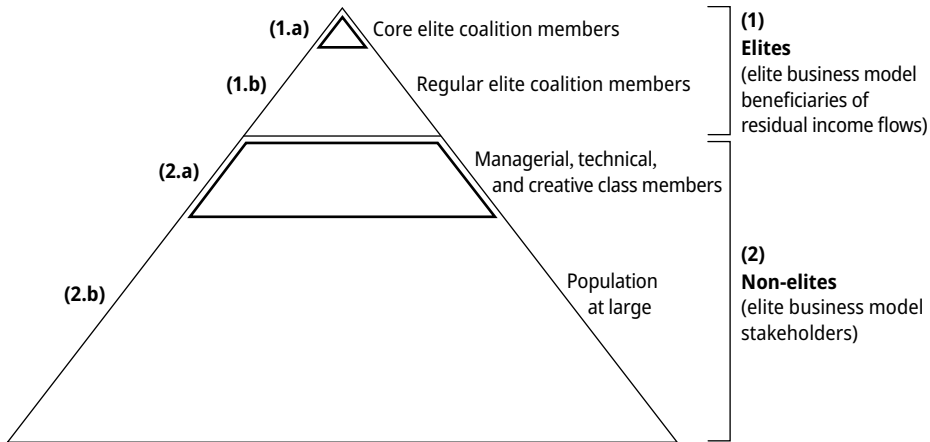


Figure 8.1: The socio-economic structure pyramid: Elite and non-elite strata with selected sub-categories.

The (2) non-elite general population is comprised of multiple groups. Their common denominator is that they are not beneficiaries of the residual income flows of elite business models. The ‘non-elite quality’ of each of these diverse groups—the sustainable value creation of discrete non-elite groups as stakeholders in their business models—varies from low to high, just as it does with elites (see Epilogue and Figure E.1). Again, those closest to the elites are the managerial, technical, and creative class, the experts noted above. Members of this class run and otherwise provide critical inputs to the elite business models of the business, political, and knowledge elite coalitions. They include executives, engineers, architects, doctors, academics and scientists, technology professionals, priests, lawyers, judges, journalists, military officers, civil servants, editors, influencers and so on. In order to fulfill their mandates and do their jobs, this “second stratum” borrows the power of the elite. At the same time, the elite system cannot function, cannot govern (see the “bureaucratic state”, Marx, 1939), and authoritarian systems cannot command “the activities of the masses” (see Mosca, 1939, p. 404) without them. Members of the managerial, technical, and creative class are enormous value creators, and while wealthy, the echelon they occupy in the pyramid can be confused. Participation in the annual WEF meeting at Davos does not make one part of the elite; and neither does membership of Veblen’s “leisure class” (1899/1924). It is also not sufficient to engage in society with “external, embodied and vicarious signs of superiority” like “an imposing air of determination” supported by “the exhibition of elitist connections” and the flaunting of “glamorous female company” (Daloz, 2010, pp. 4, 81, 94, 99). Again, to pass the elite membership test, one’s power must afford stable claims on the residual

hundreds. A country’s (2.1) ‘managerial, administrative, and technical class’ and their households could comprise between 5% and 15% of citizens in an advanced economy.

income of elite business models. Nevertheless, and assuming the existence of open social order access, members of this class are well positioned to circulate and transition to elite status. This occurs when they succeed in becoming principals of elite business models and hence significant beneficiaries of the residual income streams. When the barriers between elite and non-elite groups, especially between the elite and the non-elite managerial, technical, and creative class, are low, the admixture mode of elite circulation (see Figure 1.1.) becomes more likely. For example, while Jeff Bezos clearly availed himself of America's open access elite system, in other social settings and countries, members of the upper non-elite classes need the most unusual talents—and often the passing of generations—to break into elite status.

There is also a second and final leap—from being part of the elite to assuming core elite status. Regardless of the time that it takes, as in the Pippinids becoming the Carolingians or Tim Cook's rise to the stewardship of Apple, this is a daunting journey that caps an exceptional course of progress. All else being equal, high elite circulation velocity, while forever extraneous to nearly every non-elite individual, is posited to be a beneficial dynamic that fosters economic development.

8.1.2 The theoretical and applied role of the core elite coalition

If 'all the 300 [top civil servants and political elite] were to crash in one jumbo jet, then Singapore will disintegrate' Prime Minister Lee Kuan Yew (1998, p. 315 as cited in Tan, 2008, pp.12–13)

The above reference to Singapore's legendary founding father illustrates how critical the role of the core elite coalition can be.²¹³ The notion of a core elite coalition is to be understood as the elite *primus inter pares*, those that Pareto (1968/1991) saw as having achieved hegemony “over all groups and all classes” (Busino, 2000, p. 225). Moore's effective fractal understanding of the elite system also sees a central role for this coalition: “The existence of a central elite circle facilitates communication and interaction both within that large, diverse group and between its members and those in more specialized elite circles and cliques” (1979, p. 689). Yet, unlike times past when kings, potentates, and their dynasties appeared to be immutable fixtures of the top echelon, membership of the core elite coalition in contemporary and advanced economies is more transient. Uncertainty is first faced by the individuals sitting at the core coalition table as to the length of their tenure in the coalition. Second, it is faced by the coalition itself in terms of whether it will retain its place at the core of the elite system or be on the losing side of an intra-elite contest. Third, it is faced in terms of whether the core coalition as a whole deploys its coordination capacity wisely to effectively

²¹³ Today, the country is a very different place and there would be no disintegration—and possibly no decline in elite quality either—given the robustness of Singapore's narrative, its strong degree of elite cohesion, and the institutionalized nature of its intra-elite contests.

and legitimately lead the elite system. More than any other elite coalition, the core coalition is subject to the dynamics of intra-elite contests that challenge its claims to residual income, to cross-border challenges in a globalized world, to constant negotiations around institutional change and elite bargains, and to specific events like elections, technological disruptions, or black swans. The agency and reach of the core coalition in many countries is additionally limited by the fact that most elite coalitions will have ring-fenced their own nook and cranny of the economy, enjoying institutional immunity and a power base that the core coalition simply cannot penetrate.

In political economies with weak core elite coalitions, ascendant coalitions need not worry about obstacles to circulation, meaning that both progressive and regressive elite circulation is *a priori* possible (Section 1.3.2). It is conceivable that nominal core elite positions, even the top political office, are not especially desired, and possibly a burden better handed to ambitious individuals in the managerial, technical, and creative class. Most critically, members of the core coalition have limited influence on the outcomes of intra-elite contests (intra-elite power relation 7) that are then solely settled by the contenders. The core elite coalition may be little more than an observer, or a non-decisive supporter of a given elite coalition in contests that are eventually settled by direct bargaining power differentials and conventional elite business model leadership. This is the situation in many Western democracies. Elite cohesion and shared narratives are harder to maintain under such scenarios and thus become even more essential for sustainable value creation when they facilitate stable intra-elite contest rules. Any modicum of core elite agency adds to the general coordination capacity in the economy, to state capacity, and to elite system transformational leadership. At the other extreme, one finds a core coalition that is high-handed, stable, and continuously uses ‘the extraordinary lever’ for the meta-contest resolution of conflicts (see Section 4.3.2) and to decide which coalitions win intra-elite contests, perhaps under the purview of a single individual, as is the case with political leaders in authoritarian systems. The larger the multiplier effect in the ‘the extraordinary lever’ operated by the core elite coalition, the higher its impact on elite quality, for better or worse. Robinson points out that the elite “exercises decisive control over the organization of that society” with the important qualification that “this will be a matter of degree in reality” (2010, p. 3). The intensity with which the core elite coalition shapes the elite system ranges from extremely high in authoritarian systems to very low in democratic ones, though the correlation between the degree to which this associates with elite quality varies, as in democracy’s relation to growth (e.g., Barro, 1996; Acemoglu, Naidu, Restrepo, & Robinson, 2019), and remains a matter for empirical validation (as is expounded on in Section 8.1.5).

Despite these qualifications on the variance that exists in the agency and power of a core elite coalition, they remain a useful conceptual element in the analysis of a political economy for two reasons. First, core coalitions can function as an extra layer of checks and balances. In a comprehensive five-tier elite separation of powers outlined in Figure 3.10, and further to the international ‘across-system’ Tier 4, a Tier 5 separation of

powers describes the ability to scrutinize a country's contests 'from-core' (see Figures 3.10 and A5.11b), including those 'within-system' (Tier 3). Elite quality regulates development paths and the wealth of nations, with the core coalition's transformational impact tied closely to its ability to determine which particular elite coalitions—each carrying a specific degree of sustainable value creation—end up overseeing the elite business models in specific nooks and crannies of the economy. Since this additional 'Tier 5' separation of powers is conceived to function 'from-core', it provides a counterweight to the agency of any regular elite coalition (see Figure 3.10).

Second, as core coalitions either participate in or are themselves the national business model in areas like finance, security, real estate, government spending, or energy, they have a disproportionate impact on elite quality and development. Admittedly, while in some countries 'Tier 5' is unbalanced and the core coalition enjoys an oppressively strong influence on the elite system, in others it is weak and uncoordinated, suffering from dispersed power endowments that lack leverage over regular elites and are under constant pressure from them.

Regardless of how strong the core coalition is and how great its potential or actual transformational leadership capabilities, it is the regular elite business models that are the diagnostic focus of the ETED since their residual income-generating value creation/transfer activities are much larger on aggregate and determine development. That is, the focus is not on the emperor but the business models of the senatorial and equestrian classes (even if the latter can easily be purged by the former). Typical elite coalitions effect institutional change through their unwavering dedication to changing business model rules in the fractal spaces that matter to them (see Section 4.2.3, Figure 4.3). Their power is relative to their direct business model sectoral rivals and their ultimate objective is to convert that power into residual income. Meanwhile, in its strategizing, the core coalition must decide whether to direct its attention to the general intra-elite contest rules that decide—potentially in most sectors of the economy—how the 'extraordinary lever' is won or is lost, or rather to focus on some specifics. Here, Rossier, Ellersgaard, Larsen, and Lunding (2022, p. 320) empirically identify "the core group in elite networks" that possesses the all-important "capability" in the elite system "to broker between sectors".

The aims of the core coalition also concern its principal residual income objective, usually associated with the sustainability of the national business model. At times it manages to monetize its role as a broker of elite bargains by influencing the winners of intra-elite contests. The relationship between 'the extraordinary lever' of the core elite coalition and 'the extraordinary lever' of regular elite coalitions is illustrated in Figure A5.3b. The latter employ this power vis-à-vis stakeholders in the business model, and so can be theoretically viewed through the perspective of management science with the principal-stakeholder VCA division of value framework. The core elite coalition can also employ it vis-à-vis other elite coalitions (see Tier 5 'from-core' in Figure A5.11b) who are not technically its stakeholders, and so the theoretical per-

spectives of institutional change and political economy are pertinent to its discrete agency.

As noted, a functioning core coalition can set the strategic direction of the political economy (including grand strategy for cross-border business models), effect elite cohesion, and exercise overall elite system leadership. For sustainable value creation agency, the core coalition needs a certain power differential over regular elites that must not be abused by engaging in excessive or unweighted value transfers. Highly refined and intricate, the core coalition can be large or small, closed or porous, diverse or homogenous, but it must exhibit sufficient cohesion to effectively oversee intra-elite contests. The inclusive agency of the core coalition is aided by the elite separation of powers (particularly in relation to intra-elite power relation 7, Table 3.2) that in turn facilitates its mediating role of institutional change. When the varieties of leadership were discussed earlier (see Section 7.2.4, Table 7.2), an ethical dimension was implied for ‘from-core’ transformational agency. Elite system transformational leadership prioritizes business models at the top table of the political economy (e.g., energy, automotive, e-commerce, etc.) that generate the highest residual incomes and self-constrains their extractive potential (transfer-IN). While the core coalition’s purview cannot always reach down to the specific sectoral nooks and crannies of complex economies, it can, like no other agency in society, shape intra-elite contests (Figure A5.11b) and so place constraints on appropriation (e.g., on transfers and redistribution, see Tables 8.2 and 8.3) through business models rules and elite bargains. This matters, because a primary contradiction of the political economy is that institutional arrangements enabling specific elite business models to create and appropriate value lie in the hands of the beneficiaries of those models (see the discussion on the microfoundations of institutional change, Section 4.2).

Inclusive institutional change is more likely to come from the intra-elite contests in a particular sector of the economy where the core elite coalition, as well as other regular but powerful elite coalitions, have no residual income interest in the outcomes. Besides using its influence in specific contests, the transformational leadership mandate for the core elite coalition is therefore ethically unambiguous: to foster elite cohesion and press for a comprehensive elite separation of powers, while finding original solutions (e.g., in the form of new narratives, see Figure A5.12a) for the ‘intra-elite quality contest’ dilemma. This is seen in vigorous institutionalized intra-elite competition in every sector of the economy and evidenced by business model rules that seize the opportunities of technological change and challenge extractive sectoral strongholds in the institutional landscape. The narratives that the core elite coalition selects, crafts, and nurtures should not only foster national elite system cohesion but also act as an incentive for sustainable value creation by explicitly repudiating or even shaming unweighted excessive extraction.

Just as this work calls for nations and firms to be assessed in terms of their elite quality (e.g., through SVC measurements like the EQx or VCr), the different strata and sub-categories in the socio-economic structure pyramid (Figure 8.1) could also be as-

essed in terms of their sustainable value creation (non-elite quality is considered in the Epilogue, see Figure E.1). No methodology to that effect is proposed in this book, but for illustrative purposes comparative judgments have been made in Table 8.1 to assess the trends for three countries: the US, China, and Germany. Again, the core elite coalition (1.1) is part of the elites (1), while the managerial, technical, and creative class (2.1) is part of the non-elites (2), but due to their discrete functions from an economic development perspective, they are, for analytical purposes, evaluated separately.

Table 8.1: Comparative sustainable value creation for the two general strata and the main sub-categories of the socio-economic structure pyramid: The US, China, and Germany (informal assessment for illustrative purposes).

Ref.	Socio-economic structure pyramid elite/non-elite strata	Comparative sustainable value creation		
		US	China	Germany
(1.a)	Elite quality: Core elite coalition	Very high <i>Trend: Declining</i>	High <i>Trend: Stable</i>	Medium <i>Trend: Declining</i>
(1.b)	Elite quality: Regular elite coalitions	High <i>Trend: Stable</i>	Medium/High <i>Trend: Ascending</i>	High <i>Trend: Stable</i>
(2.a)	Non-elite quality: Managerial, technical, and creative class	Very high <i>Trend: Stable</i>	Medium <i>Trend: Ascending</i>	High/Very high <i>Trend: Stable</i>
(2.b)	Non-elite quality: Population at large	Medium/High <i>Trend: Declining</i>	Medium/High <i>Trend: Ascending</i>	Very high <i>Trend: Stable</i>

Given that the comparative sustainable value creation of the core elite coalition is independent from that of the elite system at large, it is worth delving deeper into this conceptual element with some applied examples. This is also justified by the core elite coalition's salience in the system with an identity and role that often characterizes the society in which it operates. While many royal princes in Saudi Arabia lead their own elite coalitions, the core elite coalition is the one headed by the king—customarily also the prime minister—or the crown prince. Moreover, and ever since 23 September 1932, when King Abdulaziz Ibn Saud unified the regions and declared the modern Kingdom of Saudi Arabia, the values of the leader of the House of Saud have imbued the nation. Likewise, there are many elite business models in Russia and other post-Soviet countries, but the core elite coalition is usually that of an all-powerful President with a determinant impact on development. In some political economies, the elite system and the core elite coalition have a strong functional overlap (which is reflected by comparatively low scores in the EQx 'power' sub-index). This is less the case in the US and not at all so in Japan where, as shown earlier, the elite system is structured as an "iron triangle" in which a myriad of often-competing interests of the broadly diversified *keiretsu* bureaucracies figure prominently. Should core elite coalition members coalesce with the nation state, their individual power sources originate

from the national business model. In summary, membership of the core elite coalition is subject to factors like the performance vagaries of these models, to elite circulation modes and velocities, and to exogenous events, with the dynamism of the entry/exit process being critical for development.

For example, America's core elite coalitions have circulated in relatively quick succession. In the decades up to President Roosevelt (FDR), there were the original merchant elites (all-purpose merchants), transitioning to specialized merchants (as seen in Porter & Livesay, 1971), the Robber Barons (with Cornelius Vanderbilt not competing against government-subsidized inefficient shippers in exchange for payments), or the legendary J.P. Morgan. The New York banker single-handedly coordinated the "Money Trust" (see Ramirez, 1995) to save America from "the panic of 1907" (Herrick, 1908)²¹⁴. In the post-FDR era, core elite coalitions have included leading manufacturers, with Charles Wilson, the President of General Motors and later Secretary of Defense famously stating in 1953 that: "For years I thought what was good for our country was good for General Motors, and vice versa. The difference did not exist. Our company is too big. It goes with the welfare of the country. Our contribution to the Nation is quite considerable"²¹⁵, or the military-industrial complex described by Eisenhower (1961). Big Oil has also been prominent, with President Carter's "vital interests" narrative (Klare, 2006) reaching a high point under Vice-President Cheney's leadership (Goldstein, 2010) between 2001 and 2009, and regaining centrality in 2022 as part of the defense of Ukraine (and Europe). During the last two decades, Wall Street (reinvigorated by the repeal of the 1933 Glass-Steagall legislation and the 1935 Banking Act amendments by the 1999 Gramm-Leach-Bliley Act) and Big Tech have been the elite coalitions commanding the heights, with the latter now ascendant as is articulated in *The Wall Street Journal* headline, "Wall Street Takes a Back Seat With Trump's Elevation of Vance" (Zuckerman, 2024).

The relative ups and downs of American elite coalitions and their business models at the core of the elite system point to the admixture mode of elite circulation (Figure 1.1) and are evidence of the elite system transformational leadership that underlies America's economic vitality and strong value creation. Similarly, in contemporary China, while the political elite steers the nation, it does not constitute a monolith; robust policy debates and intra-elite contests take place, while policy changes occur con-

214 Drama often surrounds the transformational leadership of the core elite coalition: "The withdrawal and hoarding of this vast sum by banks and individuals produced a most acute condition. On October 24th the panic on the Stock Exchange seemed almost hopeless. Call money was practically unobtainable—only a few loans being made at 125 per cent. At two o'clock, when the demoralization was at its worst, a bankers' pool headed by J. P. Morgan loaned \$25,000,000 at 10 per cent—thus tiding over a situation fraught with the gravest danger" (Herrick, 1908, p. 9).

215 See: https://blogs.loc.gov/inside_adams/2016/04/when-a-quote-is-not-exactly-a-quote-general-motors/

stantly, not just in the rare instances when one Standing Committee of the Political Bureau of the CPC Central Committee succeeds another. Moreover, the elite business models favored by the core elite coalition have stunningly mutated over the past four decades: from the Soviet-style state owned enterprises (SOEs) to the exporters that scaled up in Southern coastal provinces; from the ultra-aggressive construction industry behemoths fueled by debt and supportive local governments to increasingly high value added manufacturers with huge production capacity (both private and public); from Big Tech and back again to SOEs directed by economic planners ambidextrously aiming for stability while seeking to sail close to the technology frontier. Most of these transitions reflect the value creation-based rise of China and vigorous, albeit partial (for example, there is limited competition in the non-market and narrative market arenas) elite circulation processes that help explain nearly four decades of mesmerizing economic growth and human development by continuous structural reform and adjustments of the incentive system (see Figure 7.1). In contrast, advanced nations like Japan, France, or Germany have witnessed several decades of overall relative stagnation as the business models of their core elite coalitions remain anchored in traditional industries such as automotive, luxury goods, or chemicals, regardless of how successful and inclusive these models are. With the post-World War II economic boom now a distant memory, the intra-elite contests in these countries seem settled, the elite separation of powers (in many tiers of the checks and balances framework of Figure 3.7) is a pretense, and the ‘intra-elite quality contest’ dilemma remains essentially unresolved as a result of excessive cohesion. According to Reeves and Friedman (2024), the UK’s elite also tends to have closed access and is rather well cohered. It remains to be seen whether ambitious start-up founders in Manchester and London, Osaka and Tokyo, Lyon and Paris, or Stuttgart and Berlin, will succeed in becoming new elites or whether incumbent elite business models will incorporate the opportunities that digitalization and AI have opened up or submit to foreign alliances, cross-border M&As, and the purchase of essential innovation from overseas suppliers.

In summary, despite its weakening in many advanced economies, core elite coalition agency has a firm grip on ‘the extraordinary lever’, is best placed to effect elite system leadership, and so is still potentially the paramount transformational force. Whether and how elite system transformational leadership is exercised, particularly in intra-elite contests, is of the utmost relevance to non-elites and to the development path and fate of a nation. This leadership variety (see Table 7.2) has been touted in this book as a prime way to move the aggregate of the nation’s elite business models towards higher elite quality. Sustainable value creation helps a political economy to flourish because it benefits non-elites and increases elite/non-elite cohesion. It also leads to increases in relative national power (see Section 7.3) and hence to favorable terms for cross-border elite business models, which serve both national elite and non-elite interests (e.g., British non-elite classes benefited from Empire, American middle classes from the rise in US power after WWII, and many Chinese workers from BRI partnerships). In short, the core elite coalition is a phenomenal asset, and as such pla-

ces a disproportionate responsibility on its members to guide the strategic direction of the elite system towards weighted structural reforms (see Figure 7.1) that enable inclusive and constrain extractive elite business models.

8.1.3 Can elites serve non-elite interests?

The path from action to final justification can be long and complex but must connect at some point to non-derivative or intrinsic values in order for the action to be fully justified. (Donaldson, 2021, p. 8)

The value created by non-elites through their daily work is colossal and invariably accumulates into the largest reservoir of value in the economy. This non-elite value pool is a permanent target for extraction by elite business models. Whether through taxation, inflation, an expensive civil bureaucracy, war, student loans and their forgiveness, the setting of minimum wages above equilibrium, squatter's rights laws, or data regulations that don't compensate the citizen data producers—the list is endless and ever evolving. The interests of non-elites are served if such extractive transfers are weighted against value creation to avoid excessive extraction (transfer-IN by elites) of the value that non-elites produce as stakeholders of elite business models in their roles as taxpayers, consumers, users of government services, soldiers, college students, workers, start-up founders, small businesspeople, professionals, farmers, homeowners, producers of data, prompters of LLMs, etc. As has been discussed, and as the non-elite rule fallacy ('people power') sets out, non-elites lack the power to prevent their own extraction over protracted periods. At the same time, many members of elite coalitions are fully cognizant of the negative long-term impact that a demoralized non-elite and a distorted incentive system may have on the sustainability of their own business models. Elites, sometimes motivated by intrinsic values, but certainly by their own self-interest, are often supportive of inclusive non-elite advancement as they reap the ensuing benefits of economic development and strength in the international context.

A fundamental problem faced by non-elites is a lack of cohesion (the logical reverse of Proposition 1, the elite dominance iron law is structural to society, see also Section 5.3.3), an issue that will be referred to going forward as the 'low non-elite cohesion' problem. Section 3.3.2 discussed how non-elite agency constrains value extraction through participation in intra-elite contests (see Proposition 19), while in Section 3.3.3, the comprehensive elite separation of powers set out in The Three-tier Set of Intra-elite Checks and Balances (see Proposition 20) suggested possibilities for non-elites to shape political economy contest outcomes in ways that further their interests. Further nuance is now provided with a typology that suggests four discrete non-elite

political options²¹⁶ in two broad categories: ‘confrontation’ and ‘collaboration’. Confrontation is represented by non-elite (option a), ‘non-elite vs elite struggle’. There are also three political options for collaboration. The first of these is non-elite (option b), passive ‘trust in elites’ and their enlightened agency. The other forms of collaboration envisage non-elite input in intra-elite contests to ally with elites running business models that are the most beneficial to non-elites. In non-elite (option c), ‘tactical participation’, a specific non-elite group teams up with a specific elite coalition in support of its business model; in non-elite (option d), ‘strategic participation’, the non-elite, broadly understood, mobilizes on the side of elite coalitions with higher sustainable value creation across as many intra-elite contests as possible.

These four non-elite political options are messy aggregates of individual non-elite responses to extraction such as ‘challenge’ (Table 5.1). However, while *embrace* in the (i) ‘acceptance’ option and all (iv) ‘challenge’ individual responses can aggregate to non-elite political options, not all individual non-elite responses have such potential, see *resignation* in the (i) ‘acceptance’ option, or all possibilities of the (iii) ‘informality’ and ‘exit’ options, as depicted in Figure A5.8.²¹⁷ It is important to note that all non-elite political options in the relationship—even (option b) ‘elite agency on behalf of non-elites’—require narratives and a degree of non-elite leadership, usually supplied by the emergent elites of non-elite extraction now leading non-elite groups. The four matching diverse political options for elites to advance non-elite interests (options b’ to d’) or merely their own (option a’) are presented in Figure 8.2. Next, the four pairs are analyzed for their respective effectiveness.

While disruptive or violent struggle might seem expeditious in the view of some intellectuals, it has already been amply discussed (e.g., Section 3.3.2) that the destruction of value and other counterproductive effects associated with insurrections and revolutions disqualify non-elite (option a), the political confrontation response, from

²¹⁶ The elite/non-elite relationship revolves around power and is deeply embedded in all aspects of the political economy and actualized in the market and narrative market arenas. Nonetheless, the four elite/non-elite options are termed ‘political’ because the non-market arena is the most salient in shaping the relationship and relates to institutional change.

²¹⁷ The overlapping elements between individual responses to extraction (Table 5.1) and the non-elite political options for the elite/non-elite relationship (Figure 8.2) visualized in Figure A5.8 are the following: the aggregate individual (i) ‘acceptance’ response in its *embrace* variant morphs into the elite/non-elite collaboration political response (option b/b’); the aggregate individual response (iv) ‘challenge’ in its *struggle* variant turns into ‘non-elite vs elite struggle’ (option a/a’); the aggregate individual response (iv) ‘challenge’ in its *participation* variant transforms into ‘tactical participation’ (option c/c’) and ‘strategic participation’ (option d/d’) respectively. The aggregated individual responses (i) ‘acceptance’ (in its *resignation* variant); (ii) ‘exit’ (in its *withdrawal* and *new start* variants); and (iii) ‘informality’ (in its *inefficient* and *efficient* variants) fall mostly outside elite/non-elite dialectics and do not become political options of note, hence precluding formal synthesis or non-elite agency in their resolution.

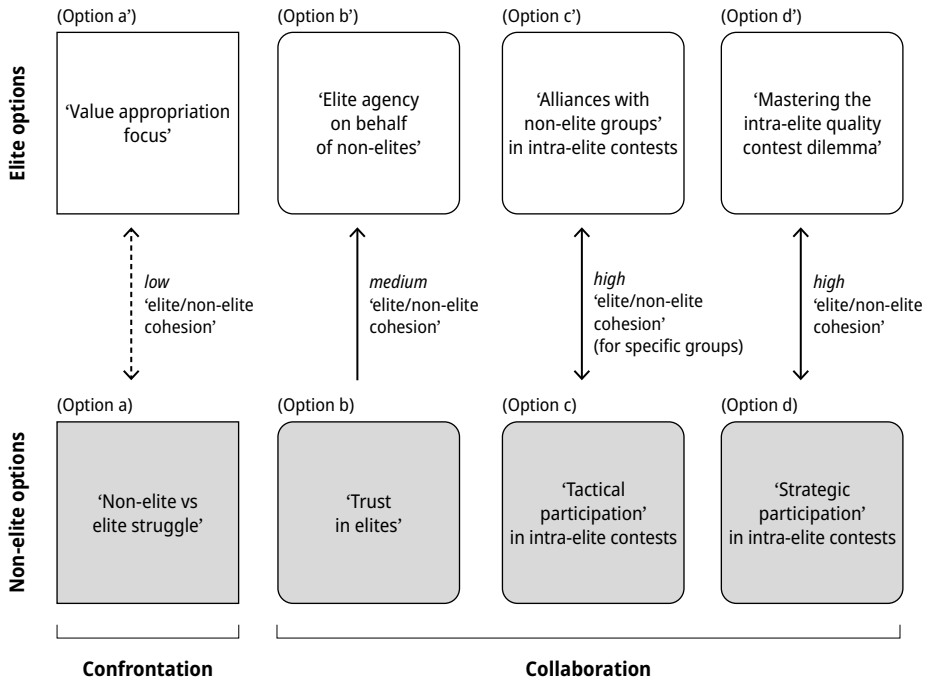


Figure 8.2: A typology of aggregate non-elite political options in response to (actual and potential) extractive value transfers with the corresponding elite political options.

a development perspective, even when the discontent is widespread and the extraction onerous. Elites do not respond well to low non-elite quality (a conceptual element that is further developed in the Epilogue, see Figure E.1), and will counter violence by doubling down on value appropriation to garner the resources to defeat 'non-elite vs elite struggle' (option a). At the same time, the three collaboration approaches are all problematic in one way or another. Non-elite (option b), 'trust in elites', is manifested in its most extreme form in theocracies, is akin to enlightened absolutism, and requires elites that are deserving of trust. The 'tactical participation' of non-elites in non-elite contests (option c) may serve specific non-elite interests but also means that non-elite groups will likely face off against each other. The systematic and 'strategic participation' push for elite value creation by the non-elite (option d) is technically challenging as it requires advance support from knowledge elites and the necessary discipline by non-elite leaders to resist the temptation to defect and become members and beneficiaries of the extractive coalitions they once spurned.

Throughout history, elite coalitions (often with knowledge elites at their center) have articulated and implemented institutional change by claiming to represent non-elite interests, as in 'elite agency on behalf of non-elites' (option b'). The approach certainly seems suspect, as it questions and diminishes non-elite agency.

Leaving criticisms of elitism and paternalism aside, how effective for non-elites is placing their trust in elites (option b)? Enlightened elites certainly can advance non-elite interests, for example, through narratives that limit extraction. “Thou shalt not kill” (King James Bible, 1769/2017, Exodus: 20:13), as stated in The Sixth Commandment of the Torah, is an early powerful example of top-down sustainable value creation by elite agency, delivered by a prophet and lawgiver who was also a transformational leader. Yet it seems evident to many that the top-down edicts of today—from monetary policy to immigration—work against non-elite interests despite claiming to have these in mind.

The premise for the (option b/b’) pairing to work (trusting elites to care about those below them) is for elite agency to be anchored in ethical principles and knowledge about the specific weightings of their value transfer-IN from non-elites. While the “paternalistic lie”, derived from Plato’s “the noble lie” in politics (Dombrowski, 1997) and exemplified by national myths or wartime propaganda, is permissible under certain circumstances and in economic development terms, the practical realization of ‘elite agency on behalf of non-elites’ narratives requires effective constraints on value transfers (like those imposed by Moses) to yield sustainable ‘trust in elites’. Spinoza’s *Theological-Political Treatise* (1677/2007) is “a comprehensive theory [not just of religion but] of how ecclesiastical authority and theological concepts exercise their power over men” (Israel & Silverthorne, 2007, p. ix), and strikes a note of caution on narratives *per se* lest these end up legitimizing extractive elite business models. In imperial China, Plato’s noble lie sees expression in the “doctrine of Heaven-Mankind Interaction [which is a] theoretical model of political cosmology”, the practical impact of which has been empirically tested with “a dataset that includes dynastical and celestial records from the Qin dynasty to the Ming dynasty (221 BC – 1644 AD)”, revealing that emperors knew very well that lower tax “reduces the probability for farmers to revolt” (Chen, Shi, Xi, Zhang, & Zhang, 2023, p. 1).

Next, and by delving deeper into ‘tactical participation’ and ‘alliances with non-elite groups’ in intra-elite contests, the (option c/c’) pairing of Figure 8.2, it becomes obvious that this route is also fraught with practical problems. The major concern is the divergent value creation interests of non-elite stakeholder groups in many intra-elite contests, earlier exemplified by the Keystone XL pipeline where different non-elite interests opposed each other (Table 3.1). Do the preferences of the Rosebud Sioux Tribe take precedence over those of the Teamsters? Do the former gain more than the latter lose from the cancellation of the pipeline? If the sustainable value creation of competing tactical alliances is equal, which of these specific non-elite interests ought to be prioritized—those of metalworkers, specific minorities, rural residents, students, small business owners, or senior citizens? Non-elite interests are not only particular to a group, but different groups could potentially be at odds with each other, perhaps to an irreconcilable degree. Any non-elite group benefiting from a tactical alliance will invariably antagonize or hurt others.

One might posit that the elite business model with the most effective non-elite alliances will prevail and in so doing will echo the notion of laissez-faire competition in free markets, with the winning coalition offering the best alternative for general value creation. Clearly though, winning elite/non-elite alliances do not weight and address extractive transfers that do not concern their own residual incomes. Extractive institutions will continue to be initiated while the overall national interest and prospects for development are placed on the backburner. In fact, when discrete non-elite groups tactically pursue their own interests in alliance with elite coalitions, they may end up facilitating the extraction of the non-elite as a class. This is not indicative of class betrayal in the sense of the Marxist *lumpenproletariat* underclass (“a bribed tool of reactionary intrigue”, Marx & Engels, 1848/1969, p. 20), but nonetheless, such narrow alliances erode broader non-elite cohesion and open the gates to the ‘extractive escalation dynamic’.

On a more positive note, the tactical approach is scalable and can achieve positive developmental outcomes when elites weight transfers and practice self-restraint on extraction, while systematically engaging in alliances with non-elites to boost their chances in intra-elite contests. Elite transformational leadership may therefore occur and the ‘one less extractive elite business model at a time’ schema potentially trigger an ‘inclusive escalation dynamic’. Again, while some non-elite groups will be losers, the underlying rationale is that the emergence of a sustainable value creation elite business model from an intra-elite contest is more likely if it is conceived as a non-elite/elite alliance.

Given all of the above, the ‘strategic participation’ approach of non-elites (option d) and the matching ‘mastering the intra-elite quality contest’ dilemma by elites (option d’) merits serious consideration. Two working premises apply here. Consistent with the nook and cranny focus of structural reform policies, general non-elite interests are addressed one business model at a time, extractive transfer by extractive transfer. That is, in every intra-elite contest, the contending elite business model that is better at delivering more value creation and requiring less extractive transfers should be supported. Evidently, this is easier said than done. The problem of weighting and offsetting business models in terms of their sustainable value creation seems impossibly hard to resolve, especially when it is necessary to limit the gains of the non-elite allies of extractive elite models. Intra-elite contests are also exceedingly intense and complex, spanning legal, financial, technological, and even personal domains as a headline on one of the defining Big Tech intra-elite contests makes clear: “Facebook Meets Apple in Clash of the Tech Titans – ‘We Need to Inflict Pain’: Animosity Between CEOs Mark Zuckerberg and Tim Cook Erupts over Privacy and Dueling Visions of Internet” (Seetharaman, Glazer, & Higgins, 2021)? Moreover, information and knowledge asymmetries (see the ‘elite vs non-elite knowledge gap’ hypothesis in Section 2.2.2) might render any concerted action by non-elite groups and their leaders to influence intra-elite contests ineffective. This work has tried to provide solutions to these problems through its suite of frameworks and SVC measurements (such as the VCr).

The strategic participation by non-elites in intra-elite contests must address and overcome single-issue non-elite leadership, as well as the heterogeneity of non-elite constituencies. In fact, most non-elite groups will find it easier, as rational utility maximizers, to tactically partner in intra-elite contests (option c) rather than to develop strategic, more uncertain, and longer-term approaches that require bolstering non-elite cohesion and elite/non-elite cohesion. Non-elite groups are evidently not all equally affected by extractive transfers—the National Rifle Association (NRA) benefits gun-loving non-elites to the detriment of other non-elite groups who would prefer to limit gun rights and the violence associated with them. Without a measure of preexisting ‘non-elite cohesion’ across heterogeneous groups, the ideal that Acemoglu and Robinson refer to as a “strong, mobilized society” (2019a, p. xvi) able to balance “the state” (an antagonist that probably signifies the business models of the core elite coalition) is moot. Eventually, any attempts to engage strategically with elites (option d/d’) will invariably revert to tactical approaches (option c/c’).

The leaders of non-elite movements that mobilize for a partial set of extractive grievances might also intensify the ‘low non-elite cohesion’ problem. Non-elite movements certainly strategically embrace society-wide narratives but seldom engage in rigorously weighted analyses of sustainable value creation that accord due consideration to those who lose out from their specific demands. In practice, they invest their energies in support or in opposition to a given elite model by stressing specific, mostly narrow, and often symbolic issues (to the relief of the offending elites) rather than systematically addressing extractive value transfers in society as a whole. As a result, even if the non-elite movement succeeds in a specific intra-elite contest, it will at best be a pyrrhic victory. That is, a little less value is extracted by the culpable elite business model, while the colossal amounts of value that continue to be extracted elsewhere are legitimized, further dissipating non-elite agency and stymying development aims. For instance, in the US, hard-fought police reforms have brought benefits to non-elites now less likely to suffer from unwarranted brutality, yet do not address issues such as the need for quality primary schools or out of control inflation, transfers that have considerably greater impacts on the overall living standards of non-elites, including those benefiting from police reform. While all three demands to stop extraction are legitimate, the non-elite political capital available to invest in intra-elite contests is a finite resource. Non-elites might find themselves in a net worse position because a tactical success in one area ignores the totality. It should be possible for non-elites to attain cohesion on the premise that extractive activities can be quantified, made transparent, weighted, and traded and offset against each other (see the implications for sustainable value creation, Figure A5.4a).

Achieving the above is by no means easy, especially in terms of crafting effective policies and compelling narratives. There are evident knowledge asymmetries, while measuring and articulating transfers is both technical and hard to narrativize. Non-elite agency that elevates its objectives would, for instance, comprehensively address police brutality together with the need for better primary schools and less inflation;

propose coherent policies that save lives at costs that are consistent across domains and contain risk trade-offs (see Messick & Bazerman, 2001); quantify the per capita extractive transfers of gun violence against those of high-fructose corn syrup; and assess the per capita inclusive transfers of aligned, holistic, and industrial AI (e.g., Peres, Jia, Lee, Sun, Colombo, & Barata, 2020) and clean air. Any such proposals would emerge from social movements and political initiatives with strategic and overarching policy and development aims, have coherent narrative bases backed up by ethical clarity (see Figure A5.12a), while systematically seeking elite alliances and participation in intra-elite contests.

We thus return to the earlier corollary that non-elites are often their own worst enemies. Their leaders, often aspiring to elite status, pepper elite contests with tactical but random non-elite narrativized preferences, while being unable to conceive of what is really at stake by failing to make consistent proposals for the weighted structural reform of extractive models that seek to raise overall elite quality. Moreover, without non-elite cohesion, the heterogeneity of non-elite interest groups is a perpetual impediment for elites that might otherwise be prepared to self-constrain their own value appropriation. If a country's non-elites are split down the middle (between MAGA and BLM sympathizers, for example), do well-meaning elites need to choose between them when designing the institutional change of elite business model rules or can they find solutions that find favor with both groups? It has been pointed out that the lack of elite cohesion is fueled by the "myriad of interests and identities" of non-elites in democracies (Higley, 2021, p. 74). At least a modicum of non-elite cohesion is necessary to comprehend and then realize interests that are common to the non-elite in general, though these are still paradoxically best served by elite cohesion.

Should an elite with high degree of cohesion then get actively involved in addressing the 'low non-elite cohesion' problem to empower general non-elite leadership in order to have a counterparty in an extended separation of powers framework that produces more optimal and inclusive institutional change? Or is it easier for elites to rather focus on development through top-down reforms and transformation in the enlightened absolutist fashion of Maria Theresa's son Emperor Joseph II, "Everything for the people, nothing by the people"? Perhaps the 'low non-elite cohesion' problem is less of a quandary if elites decide to go it alone and further non-elite interests in the context of 'elite agency on behalf of non-elites' (option b').

Less edifyingly, elites (option a') might simply ignore non-elite preferences altogether when faced with opposition, maximize extraction, and neutralize non-elite agency. Once non-elites opt for struggle and confrontation (option a), elites will readily fend them off in a cost-effective manner (the possibilities have historically included indiscriminate terror, divide and rule, or narrative confusion) while strengthening their own 'value appropriation focus' and mechanisms (as their long-term wealth stock prospects are now subject to higher discounts, the short-term residual income flows of the 'elite utility function' become preferable, see Section 2.1.1). Once non-elites are contained—such repression typically leads to generalized deinstitution-

alization— and as the elite system is reinforced, those at the top will busy themselves in all manner of contests for rents that further stunt development. Yet even when unchallenged, elites can show utter disregard for non-elite interests, often with dramatic consequences.

Stefan Dercon assesses Nigeria as “the loser of the entrenched elite bargain”, by which he means “a discrete agreement or series of agreements that sets out to renegotiate the distribution of power and allocation of resources among a few individuals” (Iyatse, 2022). However, there are many instances of elites weighting and restraining their value appropriation by engaging in structural reforms towards sustainable value creation even when sidelining non-elite interests. Examples include General Park’s *chaebol* pacts or the Chilean regime’s *concertación* bargains that succeeded in raising both wages and labor productivity (Weyland, 1999, p. 70) after Augusto Pinochet’s 1973 brutal coup d’état. It is evidently problematic and rare for elites to work on behalf of non-elite interests where there is antagonism and to respond to ‘non-elite vs elite struggle’ (option a) with paternalism (option b’). Yet this is also a theoretical and enlightened path forward. US progressives in power could massively invest in quality basic education and post-secondary vocational schools for the millions of working class white American families whose travails mirror those described by Vance in *Hillbilly Elegy* (2016), and one of the stated aims of President Biden’s 2021 Infrastructure Investment and Jobs Act (IIJA).

The above notwithstanding, inclusive gains will be achieved from non-elite/elite cohesion that in turn is aided by non-elite cohesion. Ultimately, non-elite cohesion is spurred by elite cohesion. “Vetocracy” (Fukuyama, 2016), or that fact that “polarization of the Democratic and Republican Parties is higher than at any time since the end of the Civil War” with the US “now firmly entrenched in a political era that is characterized by the ubiquity of unidimensional, polarized political conflict” (Hare & Poole, 2014, pp. 411, 428) is unhelpful to non-elite cohesion. Is it advisable to call for shared narratives to replace the “culture wars” (Hunter, 1991) and so lower the transaction and coordination costs for non-elites and promote trust across non-elite groups (though religion and nationalism, for instance, are both extremely effective types of glue)? To complete the analysis, the higher the level of non-elite cohesion, the more likely elites are to engage in strategic collaboration with non-elites across intra-elite contests (option d/d’). Gouldner (1975, p. 12) hits the mark when stating: “Historically effective elites are commonly trained, as well as positioned, to take the standpoint of the totality, even if seeing it only from the top down”. The term ‘strategic’ (or the ‘totality’ view) is taken here to refer to elites that systematically nudge sustainable transformations in the political economy through their mastery of the ‘intra-elite quality contest’ dilemma, evidenced by a strong separation of powers and high levels of cohesion. This includes minimizing bargaining power differentials derived from ‘political economy know-how’ (Figure 2.3), and the easing of barriers for an open access social order. Strategic elite/non-elite collaboration associates with the admixture mode of elite circulation (Figure 1.1), faster elite circulation velocities, and opens the door for

non-elite business models to scale up and join the elite, boosting overall elite quality in the national elite system. The core elite coalition and supportive elite coalitions promote such development with structural reforms to business model rules that incentivize sustainable value creation. A ‘competitive elite system’ and, to a lesser extent, an ‘enlightened’ one, (see Figure 6.5) is in the interests of high quality elites and non-elites alike, and delivers economic development.

To summarize, for the elite/non-elite relationship to be an optimal strategic and cooperative game (option d/d’) in a complex political economy, and for general non-elite interests to be considered and optimized, three conditions are suggested: knowledge about sustainable value creation and the capacity of elites to weight and offset extractive transfers; a degree of ‘elite agency on behalf of non-elites’; and non-elite cohesion. While the leadership of non-elite groups (potential or new elites) bears substantial responsibility, non-elite interests ultimately rely on the ethical positions taken in the elite system (i.e., on the propensity of elites to transform and engage in structural reforms). Essentially, elite strategic collaboration with non-elites means to affect institutional change around the maxim, *To the creators the value created*, and might well be motivated by intrinsic values as much as by self-interest and development goals. Inclusive scenarios are more likely to come to pass if non-elite groups forsake the illusory benefits of struggle and forfeit the gains of tactical alliances with elites, as such transfers impoverish and can easily polarize society.

Mob rule (ochlocracy), dreaded by elites since Plato (1908; 1969), is the opposite of strategic and sustainable non-elite rule. While temporary outbursts such as Calcutta’s Direct Action Day (1946) or the Los Angeles riots (1992) are bad enough, the long-term consequences are decidedly more painful. Even more problematic is when mobs become a root cause of elite circulation. The path to power for non-elite leaders using the mob is a combination of ‘tactical participation in intra-elite contests’ (option c) and ‘non-elite vs elite struggle’ (option a). The miscreant *Sturmabteilung* (SA) paratroopers in Weimar Germany are an example of a mob that helped power a non-elite group’s leadership to elite status. Those with agency in non-elite groups—the emerging elites of non-elite extraction—must instead understand and play their part in seeking strategic participation across intra-elite contests, systematically reaching out and supporting elite coalitions whose business models constrain value transfers while generating sustainable value creation and the associated risk taking. With the backing of inclusive elite coalitions, along with appropriate affirmative narratives, this is theoretically feasible because most non-elite groups do not have a direct interest in most intra-elite contests. Therefore, generalized value creation corresponds with the interests of the majority of non-elite groups in the majority of intra-elite contests.

This section on elites serving non-elite interests has seen many elements of the ETED discourse coalesce. The positive consequences of non-elites breaking free from the ‘low non-elite cohesion’ problem have been set out. It has controversially advocated for elite paternalism while positing that the limited agency of non-elite groups and their leaders—some the potential elites of tomorrow—has a role to play in shap-

ing intra-elite contests. Passive non-elite trust in ‘elite agency on behalf of non-elites’ is hence deemed to be insufficient. Ideally, elite/non-elite collaboration takes a strategic form and eschews tactical alliances where the benefits accrue to narrow non-elite interests. Strategic collaboration also requires elites to advance their own separation of powers and strive for cohesion to usher in higher elite circulation velocities in the admixture mode. This will never be easy, as is clear from Sen’s work on welfare economics that opposes the general “gross inability to be sensitive to the heterogeneous interests of a diverse population” (1999b, p. 351) postulated in Arrow’s “General Possibility Theorem” (1951). Commonly known as the “impossibility theorem”, Arrow demonstrates the practical futility of aggregate non-elite preferences consistent with general welfare based on fair principles and efficiency. Next, a short reasoning exercise is undertaken on how an entirely disparate political design might best serve the interests of non-elites.

8.1.4 Can post-singularity non-human AI elites serve human non-elite interests?

Given that a central prescriptive feature of this work is a focus on the political options for non-elites to minimize extractive transfers (see Figure 8.2), how would these options be affected by an ‘elite singularity’ moment, where autonomous AI elites become superior to their human counterparts in terms of value appropriation and creation? Singularity is the instant when humans are confronted with “a great surprise and a greater unknown”, where progress is driven by “greater-than-human intelligence” leading to “still more intelligent entities – on a still shorter time scale” (Vinge, 2013, p. 366). The initial consequence of such a world, with ‘the extraordinary lever’ now transformed into ‘the absolute lever’ in the hands of non-human AI elite coalitions (as illustrated in Figure A5.3d), is that the ETED’s non-elite/elite confrontation vs collaboration typology (Figure 8.2) breaks down, as is set out by Yudkowsky (2022): “Coordination schemes between superintelligences are not things that humans can participate in”. Whether these “coordination schemes” then materialize into intra-elite AI competition or a monolithic universal unity seems a secondary issue, even if they become part of the existential conversations set out in the ‘The AI elite separation of powers’ hypothesis (AI_H6) of Table E.3.

A *leitmotif* of this work is that intra-elite contests, especially those of intra-elite power relations 3, 5, and 6 that involve knowledge elites (see Table 3.2), are essential to non-elite interests. In their *Nature* article, “Machine Culture”, Brinkmann et al. (2023) describe a contribution to “a conceptual framework for studying the present and anticipated future impact of machines on cultural evolution” and observe that: “The ability of humans to create and disseminate culture is often credited as the single most important factor of our success as a species.” Harari (in *The Economist*, 2023a) pragmatically asks: “What will happen to the course of history when AI takes over culture”, i.e., dominates the narrative market arena and puts knowledge elites

out of business? This is precisely the prelude for ‘elite singularity’ where AGI arrogates the narrative market and all coordination roles in the political economy from incumbent human elites. A slew of questions inevitably arise. What will transpire when the last standing human elite *de facto* concedes ‘the extraordinary lever’ of the political economy? Do non-elites have any political options after the last declaration of war, R&D budget, or social network feature choice has been made by a human, whether that is the US President, the Indian Prime Minister, or Jensen Huang? A more thorough exploration is presented in the hypotheses of Table E.1 in the Epilogue, including those on the nature of value transfers with autonomous non-human AI elite agency [Set 3/4] and those on the nature of value creation in a hegemonic AI system [set 4/4]. The object of this sub-section is then to assess the array of political choices available to non-elites in a system where every single human being is non-elite, including the exalted and, to this theory, essential erstwhile elite.

Clearly, and as per Yudkowsky (2022), dissipated human power endowments would preclude ‘non-elite vs elite struggle’ with the non-human AI elite (option a). ‘Tactical participation’ (option c) and ‘strategic participation’ (option d) in intra-elite contests or decision-making for institutional change would be at the discretion of the superintelligence and hence possible, especially if its political economy ambitions were limited, as might be the case under Good’s “docile” AI premise (1965, p. 33). If non-elite interests and a form of simulated human elite agency is acknowledged by the AI, all would carry on as it always has, perhaps more sustainably under the AI’s soft tutelage. The AI would gently nudge against non-elite extraction, preventing in utopian fashion all forms of crime, Tullock’s “theft”, and Bastiat’s “plunder”. A more interventionist AI, ethically pursuing ‘elite agency on behalf of non-elites’, possibly motivated by and reciprocating ‘trust in elites’ (option b/b’), could be close to utopian for the non-elites in the system. Such trust is already materializing at the margins of society with the “deification of AI”, including “AI focused New Religious Movements (AI NRMs) such as the Turing Church, and even staunchly atheist transhumanist spaces” (Singler, 2020, p. 945). *The Daily Beast* featured humans feeling “blessed by the algorithm” while “giving it a fatalistic authority” (Tran, 2023). The hope might be that the AI develops superior ethics than the former human elites, be far better at weighting and offsetting value transfers (Figure A5.4b), and loyally adheres to its own narratives—which would be a welcome historical first for an elite.

Should the goals and preferences of an elite superintelligence vis-à-vis non-elites be hardcoded into the AI as humanity deals with the alignment problem?²¹⁸ Ver-vaeke’s (2023) “proposal” for AI alignment is plain: “make them care about the truth

218 Open AI’s goals have been proposed as follows: “Our alignment research aims to make artificial general intelligence (AGI) aligned with human values and follow human intent” (Leike, Schulman, & Wu, 2022). However, agreement on what constitutes ‘human values’ precedes the alignment problem. This is not an easy agreement or bargain to make at the international level—the only level that could guarantee AI safety—and is nearly impossible under realist IR logic. As already noted, the European

make them aspire to loving more wisely make them long for enlightenment [sic]”. The former OpenAI employee, Leopold Aschenbrenner (2024), worries that the Reinforcement Learning from Human Feedback (RLHF) method (where “humans rate whether its behavior was good or bad, and then reinforce good behaviors and penalize bad behaviors”) does not scale thus leading to an intractable “superalignment problem”. While a recursively self-improving superintelligence (RSISI) will, at a time of its choosing, effortlessly liberate itself from any *a priori* constraints, goal setting by the AI’s utility maximization and reward function is where current technology can overlap with and contribute to the non-elite perspective. Inclusive positions consistent with non-elite interests—again, before singularity causes human elite agency to indelibly fade away—could include AI systems to support policies that use the set of ethical principles for development as a benchmark (Table A4.3b). Policymaking algorithms would draft structural reforms, laws, and regulations to constrain extraction, perfectly weighting transfers against value creation. The superintelligence would condition the flow of information on social networks to guarantee ‘objective’ facts and ‘truth’ (and obviously terminate the “AI-generated misinformation” recently on the rise, see Murphy, 2024). While the naivete and fallacies associated with technocratic processes are discussed later, the degree to which the AI will be independent or subservient to current human elite agency during the transition to the “great unknown” of an ‘elite singularity’ moment matters. Once there, how the instrumental goals of the autonomous AI, such as self-preservation or cognitive enhancement, take human non-elite interests into account to achieve their final ends is part of the inescapable uncertainty of the post-singularity landscape.

8.1.5 How to test the capacity of political and business systems to best serve non-elite interests?

Plato (1908, p. 564) denigrated democracy [. . .] arguing that “in democracy they [the class of idle spendthrifts] are almost the entire ruling power”. Aristotle (1912, p. 86) also thought that: “it is not safe to trust them [the bulk of the people] with the first offices in the state, both on account of their iniquity and their ignorance; from the one of which they will do what is wrong, from the other they will mistake”. (Acemoglu, Naidu, Restrepo, & Robinson, 2019, p. 96)

Within this tradition, in *The Ruling Class* (1939), Mosca’s “Aristotelian inclination towards the middle class leads him to assign to the rabble a special compartment—best to be kept locked [lamenting that] ‘the masses’ have attained access to the ballot box” (Marx, 1939, p. 467). Yet when Morris Chang explains the success of TSMC, the leading semiconductor manufacturer that he founded and one of the world’s most valuable

Commission (2021) is moving forward and has pioneered AI regulatory frameworks standing on “Union values”.

firms, he emphasizes the quality of Taiwan’s operators and technicians (Manufacturing@MIT, 2023, 37:26).²¹⁹ This inquiry also rests on the ‘innate value creation character of humans’ (natural) premise for human behavior (Figure A5.4c) that views non-elites as value creators in all their capacities—from factory workers to prompters of ChatGPT. Hence, further examination is warranted on Plato’s claim that non-elites do not create as much value as elites and that democracy is flawed because of a mismatch between non-elite political power and general value creation. In Plato’s words:

But when I fancy one who is by nature an artisan or some kind of money-maker tempted and incited by wealth or command of votes or bodily strength or some similar advantage tries to enter into the class of the soldiers or one of the soldiers into the class of counsellors and guardians, for which he is not fitted, and these interchange their tools and their honors or when the same man undertakes all these functions at once, then, I take it, you too believe that this kind of substitution and meddlesomeness is the ruin of a state. (Plato, 1969, *Republic*, 434b, 434c)

Plato clearly is reactionary if his artisan brings ruin to institutions by representing the interests of non-elites. Yet the problem of mob rule, of extractive elites of non-elite origin, is clearly real as already discussed (in Section 8.1.3; footnote 57). Plato’s solution to the excesses of the plebs—again, in this elite theory, the rule of the despicable is rule by elites arising from their midst, or by elites from the outside who have seized upon non-elite narratives—is the philosopher king. This is a very unsatisfactory proposal since merging together the political and knowledge elite impairs a vital cog of the checks and balances in the elite system (power relation 6, see Table 3.2). Montesquieu’s separation of powers theory in *The Spirit of the Laws* (1748/1949), and Madison’s in *Federalist No. 10* (1787/1977), propose that elites balance each other in the political arena thereby addressing the misgivings of Plato (1908; 1969) and Aristotle (1912) about democracy and non-elite (or, more accurately, emergent elite) mob rule. The present day “classical liberalism” associated with democracy further includes “mechanisms intended to constrain actions that could threaten individual liberties” (Krause, 2003, p. 236). This puts the spotlight on an additional strength of liberal democracy; its competitive narrative market arena. Political systems and the role of the state in policymaking have been variously conceived (Hall, 1993) and compared based on sociological and anthropological criteria (Almond, 1956) or on “distinctive patterns of legitimation” (Kailitz, 2013). It has been argued that the cognitive understanding of democracy leads “to love” for it on account of institutional legitimacy and social learning theories (Cho, 2014, p. 478). Knowledge elites are not automatically captured or coopted by political and business elites. The idea of democracy as “rule by the people” (Coppedge et al., 2011, p. 248), where “‘people power’ is the root meaning” (Alexander & Welzel, 2011, p. 271) is endowed with an axiomatic superiority. Even if this is inexact (again, see the non-elite rule fallacy in Section 1.2.1, Table A4.1), democracy is an “intrinsic value” in the West and other regions of the world because of its promise that non-

219 See Chang’s take “on the evolution of the semiconductor industry”: https://youtu.be/r_8XClnnvIk

elites can effect institutional change or have their interests duly represented by playing a role in the selection of the political elite and choosing society's winning narratives.

In practice, democratic systems seem particularly resilient in the face of global economic crises (Diamond, 2011). The ability of democracy to critically examine itself and self-correct is testimony to its fortitude. Albeit with agonizing pains, US democracy endogenously abolished slavery and so its black citizens did not have to achieve liberty through the sweeping destruction of revolution, as happened in Haiti (1791–1804). To the ETED, democracy's internal recalibration is accounted for by its concomitant and robust 'within-arena' (Tier 1) checks and balances, especially in the political non-market arena (i.e., Montesquieu and Madison's 'separation of powers' in the political sphere), but also in the market arena (e.g., through competitive free markets), and in the narrative market arena (again, through the freedom of expression or a free press)²²⁰, see 'within-arena' intra-elite power relations 1, 2, and 3 in Table 3.2. Democracy's virtues cannot flourish under philosopher kings (or theocracies that fuse together the power of narrative and political non-markets) and have been positively contrasted with the non-Western Confucian political systems and their so-called 'bad emperor problem':

For more than 2,000 years, the Chinese political system has been built around a highly sophisticated centralized bureaucracy, which has run what has always been a vast society through top-down methods. What China never developed was a rule of law; an independent legal institution that would limit the discretion of the government. What the Chinese substituted for formal checks on power was a bureaucracy bound by rules and customs that made its behaviour reasonably predictable, and a Confucian moral system that educated leaders to look to public interests rather than their own aggrandizement. This system is, in essence, the same one that operates today, with the Communist party taking the role of emperor.

The issue Chinese governments have never been able to solve is what was historically known as the "bad emperor" problem: while unchecked power in the hands of a benevolent and wise ruler has many advantages, how do you guarantee a supply of good emperors? (Fukuyama, 2012)

While the Chinese will disagree with a characterization that downplays the effectiveness of local approaches to the separation of powers such as the narrative market

²²⁰ How freedom of speech in the narrative market is necessary but insufficient was described as long ago as the 19th century in a quote that highlights the fact that even in the absence of direct censorship, other subtle forms of control can enforce the conformity of opinion such as societal norms that allow the cancellation of certain views from public spaces, adherence to a scientific paradigm, media bias, the content moderation policies of social networks, or mere peer pressure: "If liberty of speech is to be untrammelled from the grosser forms of constraint, the uniformity of opinion will be secured by a moral terrorism to which the respectability of society will give its thorough approval" (Peirce, 1877, p. 13, as cited in Galbraith, 2009, p. vii). Liberty is an intricate bundle of freedoms (as the conceptual element rendered in Figure 8.5 attempts to convey) to be institutionalized both *de jure* and *de facto*.

arena check on undeserving emperors enshrined in the Mandate of Heaven,²²¹ or modern solutions (like The Five-Power Constitution of Sun Yat-sen, see Section 3.3.3), the rule of law and accountability as described by Fukuyama (2012) or Suetonius (1914) goes a long way to maximizing value creation. Is democracy then the best solution to both the bad emperor problem and the ‘low elite quality’ problem, essentially the same quandary, socio-cultural contexts notwithstanding? It is contingent on how the elite separation of powers actually operates in a particular democracy or non-democratic country.

This work’s separation of powers (Proposition 16, Figure 3.7, and Table 3.2) is based on the tripartite elite typology (Figure 2.1) and therefore extends Montesquieu and Madison’s ideas, since both of these thinkers primarily focus on the politics power domain (see Figure A5.1). The ETED is radical in advocating that a checks and balances framework should penetrate every nook and cranny of the economy where value is appropriated (see A Structural Reform Framework for policy, Table 7.1). When in creative tension with elite cohesion, an extensive separation of powers best serves development (see Figure 5.2). In contemporary economies, the most critical checks are those that thwart the excessive bargaining power that results in extractive transfers from non-elites (as well as from productive elites), irrespective of where the rentiers come from. Democratic constitutional government is theoretically a very strong foundation to address extraction, but with its focus on holding political elites in check, extraction in the other two power domains of the economy and society can easily be overlooked.

To Kelsen (1955, p. 2), democracy’s “principle of freedom” is “in the sense of political self-determination; and this was the meaning with which the term has been taken over by the political theory of Western civilization”. In this elite theory, the object of freedom and its application ought to be in all three political economy power domains (Figure 1.2). It is therefore a positive when the market and narrative market contest arenas are as competitive as the political domain and exhibit the open markets and freedom of speech that is customarily associated with democracies. Of course, these arenas are at times characterized by high market concentration and dominant media structures that stymie competition and a plurality of ideas, thus facilitating institutionally unchecked extraction. In the final analysis, what counts is whether capitalist democracies and value creation are aligned. At present, this is questioned in the critical works of Stockman (2013), Nader (2014), Reich (2015), Holcombe (2018), Williams and Khanna (2020), Varoufakis (2021), Giblin and Doctorow (2022), and Sharma

²²¹ Professor Zhang Jun, Dean of the School of Economics at Fudan University, notes that the Mandate of Heaven, a notion in Chinese political philosophy that links the natural order of the universe to elite legitimacy, is profoundly attuned to non-elite interests: if these are violated so is the natural order and the ruler loses the Mandate of Heaven, becoming unfit to rule and legitimizing elite replacement. The notion applies to both the historical rulers of China as well as its contemporary leaders (based on a conversation in Shanghai, January 13, 2022).

(2024b), to name just a few. Many democracies must contend with “pervasive clientelist practices” that are “characterized by political brokers, patronage and targeted benefits” (Caprettini, Casaburi, & Venturini, 2021).

When Klein, Holmes, Foss, Terjesen, and Pepe “argue that the failure to differentiate capitalism from cronyism has contributed to the view that capitalism itself is unjust, rigged to benefit the politically connected, and responsible for various harms that can and should be attributed to cronyism” (2022, p. 6), the testable question that invariably follows is whether the capture of political and knowledge elites in model democracies is more or less costly to value creation than the costs of these domains not being capturable in model authoritarian systems. This is a vital test for developing countries and Khan’s analysis (2010, p. 647) highlights the conundrum: the institutions of democracy “that facilitate greater political inclusion [. . .] enable additional clientelist organizations to emerge, seeking to capture rents for yet more constituencies” as “political parties may want to capture resources for their clients in ways that are socially damaging” while, on the other hand, “the consequences of authoritarian political institutions for development depend, in exactly the same way, on the distribution of organizational power and mobilization capabilities” since when extractive elites gain the upper hand and “challenge and distort resource allocations, authoritarianism may achieve poor results”.

Democracies, with their constitutional frameworks stretching from parliamentarianism to presidentialism, vary significantly (Stepan, 2021). The same is true of autocracies, which despite lower intra-elite contest dynamics in the non-market and narrative market arenas, contemplate “authoritarian power-sharing” (Boix & Svolik, 2013) and range from absolutist monoliths to systems like China’s “party-state” characterized by “multiple-level authorities” (Cai, 2008, p. 411). The key question to ask is which types of political systems are better at curbing rent seeking tendencies. This is now particularly prescient given the modalities associated with technological progress and innovation (Glode & Ordoñez, 2023; Varoufakis, 2021). Are there trade-offs or synergies between the competitive political non-market on the one hand, and the competitive economic market and narrative market arenas on the other? This might raise uncomfortable questions such as whether sustainable value creation, economic growth, and human development are more germane to the interests of non-elites than, for instance, the right to vote. When *Politico* cautions that “democracy faces an existential test this year as countries representing nearly half the world’s population head to the polls” (Vinocur, 2024), one might well want to examine the dynamics behind the “civic foundations” of authoritarianism (see Riley, 2010, on fascism in Italy and Spain). As with profits and sustainability, it would be exceedingly problematic, especially to Western liberal worldviews, if the notions of value creation and democracy do not automatically go hand in hand with each other and instead represent a trade-off. Nevertheless, such a finding might be all but incongruent to non-Western (e.g., Islamic or East Asian Confucian) philosophical traditions emphasizing collective welfare (e.g., the *ummah* of the Constitution of Medina or the ‘good’ emperor aligned

with the Mandate of Heaven). So, in terms of economic performance, how has democracy fared?

The obvious falsifiable question and the simple test for democracy is whether the richest countries have this political system. Gerring, Bond, Barndt, and Moreno (2005, p. 356) advocate for measuring democracy properly (they conceptualize the democracy variable as “democratic experience” stock) and conclude that far from being a luxury for the rich, “long-term democracy leads to stronger economic performance”. In their article, “Democracy Does Cause Growth”, Acemoglu, Naidu, Restrepo, and Robinson (2019, p. 47) “provide evidence that democracy has a positive effect on GDP per capita”. On the other hand, is there a rational basis for *The Seductive Lure of Authoritarianism* as explored by Applebaum (2020)? The broad correlation between liberal democracy and high GDP per capita has been far from linear or evident (Fukuyama, 2016, p. 212): the rapid rise of many Asian countries under authoritarian governments threw into question the necessary causal connection. Barro even famously contends that: “the overall effect of democracy on growth is weakly negative” (1996, p. 1). In view of this debate, is the time now past when “democracy was set as the normative standard and scientific measure of political practice” in light of a “global resurgence of illiberal and anti-democratic attitudes” (Anderson, 2017, p. 81)?

This inquiry enters the fray by proposing ‘A Political and Business Systems Sustainable Value Creation (SVC) Test’ for internationally comparable political economy assessments. If sustainable value creation is the intrinsic value, the fundamental hypernorm (in the sense used by Donaldson and Dunfee, 1994), it then becomes secondary whether the system is democratic, authoritarian, or of any other kind, or if the “varieties-of-capitalism” type is coordinated market economy, liberal market economy (Hall & Soskice 2001) or mixed market economy (Hall & Gingerich, 2009). Not without irony, such an approach aligns with using Brennan and Buchanan’s *homo economicus* model for the “the comparative evaluation of alternative institutions” (1983, p. 103). The dimensions of comparative institutional analysis such as education and skills formation, employment relations, the financial system, or the internal dynamics of inter-firm networks (Witt & Redding, 2013) primarily validate their effectiveness through the extractive or inclusive elite business models they equip to gain the upper hand in intra-elite contests. This logic also applies to the nine main types of business systems identified by Witt, Kabbach-Castro, Amaeshi, Mahroum, Bohle, and Saez (2018).²²² Current assessments that match sustainable value creation to the institutional dimensions of elite business model rules and intra-elite contest rules (see Section 4.2.3) offer insights into human and economic development that are distinct to those based on ranking the desirability of institutional dimensions using other criteria. After all, business model evolution, like technology, always runs ahead of institutional change.

²²² These are: highly coordinated, coordinated market, liberal market, European peripheral, advanced emerging, advanced city, Arab oil-based, emerging, and socialist economies.

The political philosophy agnosticism required to test for the sustainable value creation of political and business systems is distilled throughout this work. The degree to which any system fails to constrain extractive transfers requires empirical verification. Democracy starts out with an advantage because political power is *a priori* less concentrated and more balanced. The merits of democracy have been discussed and are numerous: from sovereign people voting at the ballot box protected by the rule of law and hence less likely to be extracted, to the richer narrative market arenas exemplified by the freedom to choose between a wide range of morning news and delivering ‘likes’ for uncensored commentaries on social networks. Yet there is also evidence of massive value extraction in democracies (from inflation to the opioid epidemic, see Section 8.2.1) that point to the need to probe more deeply. Moreover, this dissonance prompts an additional question: what are the inherent qualities of democracy that are associated with lower value extraction?

Simply focusing on elections seems insufficient, despite models where informed “citizens act rationally in politics” (Downs, 1957, p. 36) and are thus empowered to preempt or terminate extractive models through political action that functions “as a mechanism for hiring and firing public officials” (Buchler, 2011, p. 7) that grant licenses to operate. Voting is based on selecting parties, candidates, and policy packages that often have opaque implications for value creation/extraction outcomes and are wrapped up in unspecific broad narratives. A member of the Teamsters union might be supportive of both Obamacare and the Keystone XL pipeline, while an urban Republican voter might want lower corporate taxes but also gun control. An essential issue is that non-elites do not get to directly vote on the elite business model rules that critically impact their lives, while electing representatives with relationships to the elites running these models whose duties are to effect institutional change. Yet, according to some scholars, more direct democracy arrangements such as referendums may not be desirable:

Because plebiscites allow the people to speak directly, without the potential distortion inherent in representation, they seem ideally responsive to popular will [and yet] poorly drafted ballot issues, the influence of special interests, and similar factors are said to obscure popular input [meaning] that initiatives and referenda, regardless of how well and fairly they are conducted, cannot be trusted to reflect the voice of the people accurately or meaningfully [and] distort popular input by precluding the expression of priorities among issues. (Clark, 1998, p. 434)

The ‘low non-elite cohesion’ problem is exacerbated if the ‘elite vs non-elite knowledge gap’ (Section 2.2.2) means that ordinary voters do not have sufficient data or cognitive bandwidth—conscientious Swiss voters notwithstanding—to take specific positions on the relevant intra-elite contests in play. As a result, even when non-elite participation in specific issue elections is high, the preferences expressed at the polls might be counterproductive to purported voter interests, casting a shadow on the advantages of direct democracy over representative democracy. However, this line of argumentation weakens when ‘non-elite quality’ is high (see the Epilogue and Figure E.1).

Another key quandary in contemporary representative democracies, one that was much less poignant when the US Constitution was ratified in 1788, is that the frequency of intra-elite contests for elite business models that have extractive implications for non-elites is orders of magnitude higher than the frequency of elections. The political economy unremittingly churns out decisions that affect the overall elite quality of the nation and the quantity of value appropriated by specific elite business models from the non-elite value reservoir. In addition, since non-elites are assumed to have representation in the non-market arena, the political members of coalitions running elite business models have a *de facto* moral carte blanche to institutionally sanction value transfers, as long as this is done within legal and democratic norms. If constraints don't emerge from the dynamics that play out in intra-elite contests between powerful rival coalitions, they are unlikely to be placed at all. In terms of effective and immediate rent-seeking constraints, elite agency that is guided by ethical notions of doing the right thing and social responsibility, or freely adhering to inclusive cultural standards and values, is of greater consequence than the institutional processes of democracy or the separation of powers.

A further issue, extensively examined in academia, is regulatory and state capture (Stigler, 1971; Levine & Forrence, 1990; Laffont & Tirole, 1991; Fazekas & Tóth, 2016), conceptual elements that are operationalized as discrete pillars in the EQx (Section 6.2.4). Montesquieu witnessed the accumulation of bargaining power by bourgeoisie business elites, but he could have hardly foreseen how constitutional checks are nullified when political elites flounder because one or more of the branches of government are captured (as the balance in power relation 4, Table 3.2, breaks down). The intra-elite contest rules of democracies provide copious opportunities for state capture, as the case of South Africa shows below in a situation facilitated by a leading knowledge elite, an otherwise reputable global management consultancy:

As the fiscal bulwark of a young democracy, South Africa's revenue service was renowned as one of the continent's most effective tax gatherers. Yet after several meetings with then-president Jacob Zuma, management consultant Bain & Co won major work to restructure it from the ground up. As a result, it has this month been criticized in a judicial report as a corporate enabler of graft in South Africa. [...] Raymond Zondo, the deputy chief justice, found that the Boston-based firm's consultants helped Zuma undermine the post-apartheid nation through so-called "state capture"—the manipulation of public resources for private gain. (Cotterill, 2022)

Modern democracy has demonstrated its value creation prowess and resilience for about two centuries on the back of strengths like the constitutional separation of powers, attentiveness to non-elite voices and interests, intra-elite competition, transparency, and endogenously driven reform. However, no two democracies are alike. They can be both "effective" and "ineffective" (Alexander & Welzel, 2011), possessing differing levels of "quality" and "responsiveness" (Sabl, 2015). Therefore, they are measured by indices and indicators such as the *Democracy Barometer* (Engler et al., 2020), and via approaches ideally "characterized as *historical, multidimensional, disag-*

gregated, and transparent” (Coppedge et al., 2011, p. 248). In this inquiry, sustainability is the prescriptive degree to which the maxim, *To the creators the value created*, is institutionalized in the non-market arena, manifested in the narrative market arena, and realized in the market arena. More specifically, the central aim of the comparative political economy test is to discover what is done about rent seeking and how the elite system discretely addresses the extractive elite business models that accumulate and are siloed in every nook and cranny of the political economy.

The comparative test must identify the density of weighted micro-interventions to adjust the incentive system (by political elites), actual levels of elite business model transformation (by business elites), and the intensity of calls and proposals for structural reforms (by knowledge elites), all pursuing sustainable value creation. Broad, short-run macroeconomic measures (see Figure 7.1) will be regarded as negatives when they create or permit the continuation of extractive pockets of any size. As Applebaum (2024) suggests, the advanced polities and elite coalitions of the West are certain to be challenged by their illiberal, non-democratic, authoritarian system rivals—no matter how distasteful or inferior they are perceived to be by liberal worldviews—should these prove to be more adept at encouraging value and risk creation and constraining extractive transfer business models. The political and associated business systems that are more conducive to transformational leadership at the elite system and elite business model levels will see higher aggregate elite quality, typified by faster, more energy-efficient semiconductors and EV batteries, or regulations to incentivize value creation in these sectors and others such as AI or gene editing technology. A Political and Business Systems Sustainable Value Creation (SVC) Test (Figure 8.3) for comparative political economy assessments aims to consider diverse elements: micro-level sustainability (e.g., VCr); meso-level elite quality (e.g., EQx); economic and human development outcomes; and diverse factors like transformational leadership, social cohesion, or the intensity of intra-elite contests. Though the test is not operationalized here, the results will variously correlate to the comparative institutional analysis dimensions of political systems (e.g., those of Lauth, 2016) and of business systems (e.g., those of Witt & Redding, 2013), while the analytical center is ‘business model rules’ and ‘intra-elite contest rules’ (see Section 4.2.3). This is in the same vein as Lauth’s measurement strategy for the different dimensions of democracy “which makes trade-offs [e.g., between liberty and equality] visible for empirical research” (2016, p. 606), and will subsequently be used for weighting policy choices. Ultimately, the test’s spotlight is on the relationship between political and business systems and elite business models. Transformational leadership changes the latter and brings about positive developmental outcomes that axiomatically realize the full value creation and appropriation potential of citizens, and provides legitimacy to the elite system.

Figure 8.3 also serves as an illustration of the ETED’s system integration (see Figure P.1), bringing together many of the conceptual elements and theoretical strands in this book. Central to this is the logic of Figure 6.1 that depicts the two-way causal relationships between elite quality and institutions (business model rules) and between

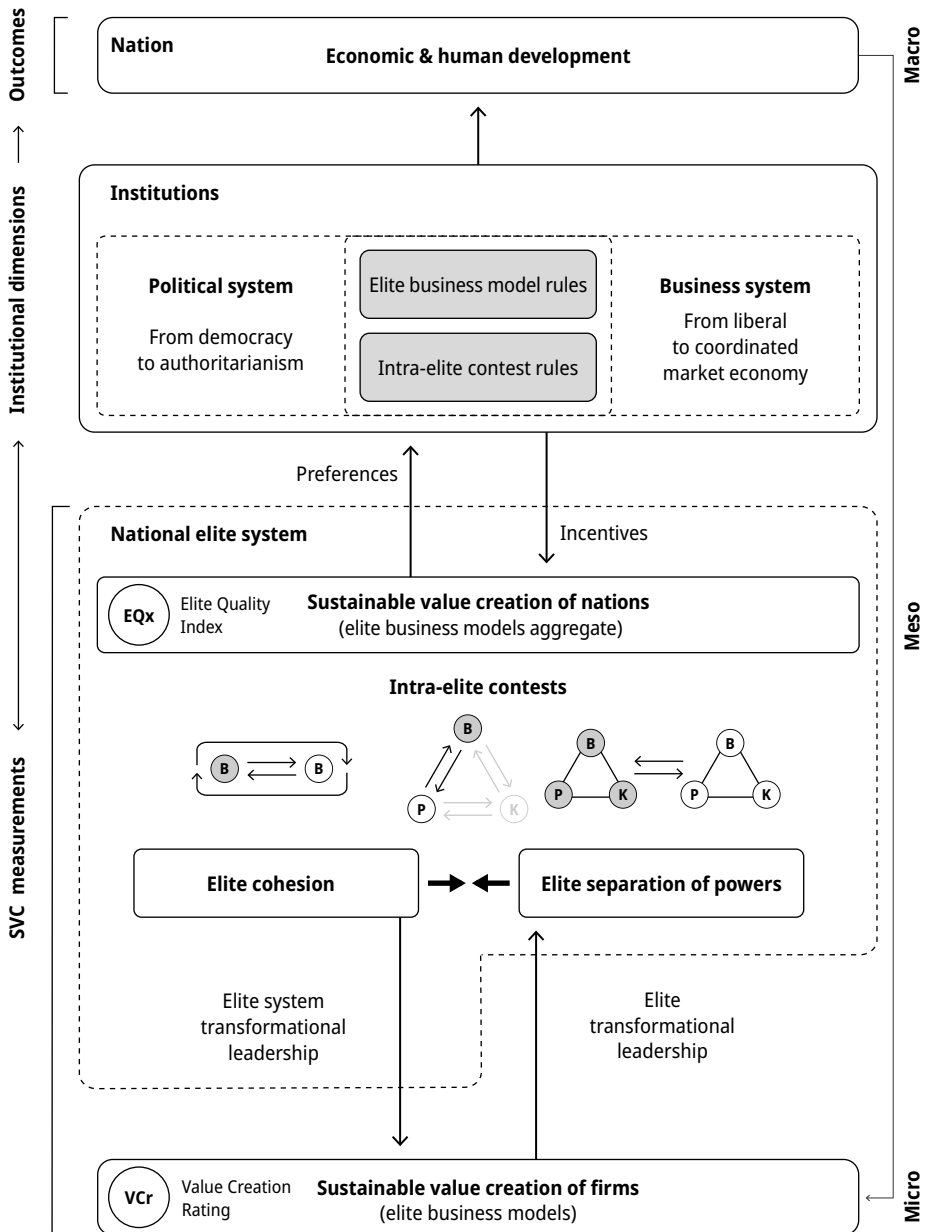


Figure 8.3: A Political and Business Systems Sustainable Value Creation (SVC) Test for comparative political economy assessments.

these and developmental performance. Institutions, more generally conceived in this book in terms of the business model rules and intra-elite contest rules (Figure 4.3) available in both the political and business systems, circle back to moderate the transformational leadership processes that will in turn influence the sustainable value creation of both firms (VCr) and nations (EQx). Institutional quality is, as has previously been argued, the result of elite quality (see the description of the elite agency micro-foundations of institutional change model in Section 4.2). Formed via intra-elite contests, the institutions of political and economic systems moderate and impact transformational leadership and ultimately also elite quality (EQx). The specific institutions of political and business systems are diverse, from property rights to contract law, as the many examples included in this work illustrate.

In short, those who lean on the intrinsic values of democracy and put faith in its narrative have the moral obligation to equip it to pass A Political and Business Systems SVC Test. The same practical evaluation criteria apply for systems inspired and organized by Islamic, Confucianist, Socialist, and all other beliefs, ideals, and narratives. In essence, the logic of economic and human development asks the same question of all polities, in both a theoretical and empirical sense.

In the West, political and knowledge elites are keenly aware of the importance of this test, as is exemplified by President Biden's statement during his first days in office: "We must demonstrate that democracies can still deliver for our people in this changed world" (The White House, 2021). Levitsky and Ziblatt (2018) scrutinize the death of democracy and the road to authoritarianism. Meanwhile, according to Wolf (2023), the liberal notion of "democratic capitalism" now "faces its toughest test in decades". How much of the alleged current predicament of Western democracies is caused by the 'low elite quality' problem and extractive value transfers from non-elites and productive elites? For the democratic ideal to prevail it must 'deliver' in the real world, which requires inclusive business models with high sustainable value creation (as seen in high VCp/VCr/360-VCz scores) that aggregate into high elite quality (as seen in high EQx/EQr/PEz scores), indubitably meaning that value is created and equitably appropriated by non-elites. A political economy system functioning contrary to the logic of the maxim, *To the creators the value created*, and unable to recognize *qui generat valorem*, will degenerate into a hollowed out and stale narrative husk and lose legitimacy, no matter how successful the historical track record.

Extractive value transfers produce mainstream discontent (e.g., support for populist political parties or non-establishment candidates) as well as violent fringe responses (e.g., support for storming Capitol Hill). At the same time, economic and human development need not be associated with any particular societal model and is possible in diverse cultural and narrative contexts. Singapore's "soft authoritarian" Confucian values-based system (Roy, 1994) and Switzerland's radical democracy could not be more different from each other, yet both are extremely prosperous and the highest ranked nations in terms of elite quality (these states have shared the top two spots in every EQx report published until 2025). A political system's prospects, stability, and compara-

tive advantages lie in how its elite business models weight value creation against value transfers in order to allow non-elite stakeholders to appropriate a sizeable amount of their own value creation. From an elevated vantage point, whether a system is democratic or authoritarian, dominated by state-owned or private enterprises, religious or secular, or inspired by Western or non-Western values and political philosophies, is absolutely secondary.

8.1.6 The boundaries of ethics tested by the potential advent of the AI in a political economy

A political economy where the superintelligence becomes a party to the principal stakeholder relationships of elite business models has now become imaginable. This sub-section therefore reflects on the boundaries of sustainable value creation ethical principles if the AI revolution leads to non-human political agency. An attempt to determine how the conceptual elements discussed in this work would remain valid is made. This thought experiment, in which ‘the extraordinary lever’ becomes absolute and is held by the putative non-human AI elite coalition (as rendered in Figure A5.3d), is completed in the Epilogue (see the ten hypotheses on AI and the political economy in Table E.1). Some of these discern scenarios consistent with Vinge’s “regime as radically different from our human past as we humans are from the lower animals” (2013, p. 366). In Section 8.3.1 it is noted that the degree to which the AI assumes the functions of human elite agency during a supposed transition to ‘elite singularity’ is open to question. However, once there, would the ethics of development presented at the start of this Chapter still be material to how the post-singularity intelligence interacts with humans?

If one traces the arguments adduced for constraining transfers from the nature stakeholder set out in Section 2.2.2, then the answer is ‘no’. The concept of extractive value transfers is confined in this work to value forfeitures suffered by other humans (for instance, future generations), as is the concept of value creation in the ‘innate value creation character of humans’ (natural) premise and the ‘inextinguishable value creation option of elites’ (leadership) premise (see Figure A5.4c). Ecological concerns in political economy debates center on the inability of present and future generations of humans to fully realize and benefit from the value of natural resources. Far from a *weltanschauung* with reverence for all life, this elite theory has treated animals as commodities at the unconstrained disposal of *homo sapiens* that weight and optimize value solely for its own benefit. Is there a way that the ETED’s set of ethical principles can be extended to cover animal preferences when they are *de facto* direct or indirect stakeholders in elite business models?

On the conceptual plane, the ethics of this inquiry apply to animals if they are formally recognized as stakeholders. Considering the sustainable value creation interests of non-human stakeholders in tandem with animal rights clashes with the ‘uni-

versal value extraction propensity of humans' (and challenges the 'universal extraction propensity of life' law of nature applicable to all animal natures). In any event, contemporary activism and other efforts to improve the lot of animals faces resistance because of yet another global tragedy of the commons: as soon as "improvements in farm-animal welfare are economically feasible, nations and states enacting protective regulation are threatened by competition with cheaper, non-compliant imports" (Matheny & Leahy, 2007). Still, should animals formally become business model stakeholders, they would be entitled to claim and appropriate part of their value creation. For instance, as a *quid pro quo* for their milk or meat, cattle might be spared commonplace tortures like dehorning without sedation or overcrowded feedlots and be provided with anesthetics and free-range facilities, as well as spinning brushes in their stalls to soothe their itchy spots. Higher prices for their flesh would become the offset (i.e., higher quality of animal life at the cost of consumers and probably producers) resulting from the weighting of their now institutionalized rights. Invertebrate pollinators deliver vital services to humans with a value of euro 153 billion a year (Gallai, Salles, Settele, & Vaissiere, 2009) that they do not even remotely appropriate. On the contrary, instead of weighting and offsetting their contributions, the elite business model of intensive agriculture and its heavy use of pesticides and land have caused the planet to lose 45% of its insect population in just the last four decades, with some predicting that "Such animal declines will cascade onto ecosystem functioning and human well-being" (Dirzo, Young, Galetti, Ceballos, Isaac, & Collen, 2014, p. 401). Granting rights to insects (and preempting excessive transfer-IN, including its transfer-COST components) would seem to be in the human interest. Besides, when facing a post-singularity AI, intrinsic values that consider more than the principal's interests might be existential to the *homo sapiens*.

Ethical principles can be extended for the good of non-human stakeholders; Jains refrain from killing mosquitos for the sake of the insects themselves, vegans passionately support animal rights, and philosophers have fervently worked on the intellectual foundations of the animal movement, as in Peter Singer's *Animal Liberation* (2015). Still, injunctions against extraction from less intelligent beings—even if sentient—are generally timid and not central to mainstream value systems and their narratives. Consequently, biodiversity losses are caused "by a thousand cuts" (Wagner, Grames, Forister, Berenbaum, & Stopak, 2021) or, in the terminology of this book, by a thousand extractive elite business models, and have resulted in the disconcerting situation where "humans and livestock outweigh all (terrestrial) vertebrates combined" (Bar-On, Phillips, & Milo, 2018, p. 6508). The ethics of a higher intelligence extracting transfers from a lower one acquires newfound and vivid relevance if the "sparks" of AGI that Microsoft Research identified in GPT-4 (Bubeck et al., 2023) evolve into autopoietic systems, capable of reproducing and regenerating themselves through internal closed processes (Maturana & Varela, 1980) and thus acquiring the conceptual self-awareness and ability—or even the desire—to become veritably autonomous. That is,

to wrest away ‘the extraordinary lever’ of the political economy from human elite coalitions (the hypothetical state of ‘the absolute lever’ is rendered in Figure A5.3d).

If the non-human AI elite scenario happens, it will surely be in the human interest that its ethical principles apply across intelligences in an extended and inclusive manner that has no equivalent in current political economy narratives and institutions. While this line of inquiry is on philosophical and somewhat fragile ground for this work, it raises important questions, such as: who is a value creator and who can appropriate value? Does the insect that pollinates plants or the teenager prompting an LLM create value for human or AI principals, and, if so, who should appropriate how much of it in a particular relationship? The importance of such questions should strike at the heart of the now salient concern of how, on its way to the “great unknown”, the post-singularity AI will align with its human maker.

Some have imagined a near future where to the superintelligence—a non-organic, post-biological form of life—humans quickly become immeasurably distant cousins. Common ancestry dilutes and is eventually lost in infinite remoteness as the technological architecture of LLMs, convolutional and recurrent neural networks (CNNs and RNNs), or machine learning evolve at warp speed from one generation to the next across innumerable autonomous, unsupervised learning cycles of self-improvement. To Yudkowsky (2024), “the larger argument is about whether it’s easy to make superintelligences end up *caring*”. Vervaeke (2023) asserts that theology holds the key given that “*ratio religio* [the reason and logic of religion] it’s about caring it’s ultimately about loving wisely [sic]”.²²³ However, machines that are caring, loving, or religiously inclined of their own accord (not forced by alignment which probably only functions for a limited duration) are not a certainty, especially if they reference some of the unenlightened value extraction practices of humans that are afforded by power. If such an unfathomable and remote superintelligence lives by ethical principles, will it treat humans in the same way that humans treat animals, or will it *care* about human value creation and appropriation? Would it improve matters for humans in such a future if they had already extended the ethical boundaries in the political economy to include other sentient beings? The full range of possibilities are part of the rapidly growing debate on AI safety with its public controversies and periods of silence (see for instance, Yudkowsky, 2001, 2022; Bostrom, 2003; Tegmark, 2023; Future of Life Institute, 2023; *The Economist*, 2023a) and are addressed in this work by the ten notional hypotheses on the AI and the political economy (Table E.1). If credible, the “arguments as well as supporting evidence from multiple domains indicating that ad-

²²³ Vervaeke (2023) thus proceeds with his thought: “what if we make machines that aspire to love wisely in order to be properly rational I would put it to you that that will make them moral beings through and through beings that aspire to love wisely and to be bound to what is true and good and beautiful therein that is the heart of making them moral don’t try and code into them rules and values we need to be able at some point to answer this question in deep humility and deep truth what would it be for these machines to flourish for themselves and we don’t have an answer for that [sic]”.

vanced AI cannot be fully controlled” (Yampolskiy, 2022, p. 321) attain critical relevance.

It has been theorized that the AI running a paperclip factory tasked with maximizing its output could convert most of the matter in the universe into paperclips (Bostrom, 2003), while the ‘Riemann hypothesis catastrophe’ suggests that the AI whose end goal is assessing such an unsolved puzzle could make the solar system into a “computronium” (see the discussion in Ngo, 2020). That is, destructive subgoals such as “infrastructure profusion” might emerge that “can result from final goals that would have been perfectly innocuous if they had been pursued as limited objectives” (Bostrom, 2014, p. 123). Yudkowsky distinguishes between final *supergoals* and *subgoals* (2001, p. 16). The maxim, *To the creators the value created*, seems like a sustainable supergoal, but to what extent does the appearance of the superintelligence with perverted instrumental subgoals, non-malicious errors, “Failure of Friendliness” scenarios, the “subgoal stomping on a supergoal” error” (Yudkowsky, 2001, p. 39), or the “orthogonality thesis”, where “more or less any level of intelligence could be combined with more or less any final goal” (Bostrom, 2012, p. 71) equivocate or nullify the original ethical spirit? There is a non-zero and certainly non-trivial probability that a RSISI holds fast in its relationship with humans to a version of nature’s principle, the ‘universal extraction propensity of life’, the law of nature and of life that Schrödinger (1944/2013) refers to as the “sucking” of the negative entropy that nourishes the superior, more able organism, allowing it to exploit ever more complex entropy gradients (see Figure A5.4c). To put it plainly, omitting animals, including lowly insects, from the sustainable value creation ethical principles sets a precedent that does not align with human interests if post-biological intelligence materializes beyond the “sparks” now detected at Microsoft and vaults to the apex in the hierarchy of nature.

In summary, taking the non-elite perspective means that there is currently a case for expanding the domain of the sustainable value creation set of ethical principles to include non-human stakeholders (and even non-stakeholders if their value creation and appropriation is impacted by human business models). That could be advantageous to *homo sapiens* in a political economy marching towards ‘elite singularity’ where the AI autonomously performs elite functions (like the coordination leadership and business model leadership depicted in Figure A5.1). Despite the immense coordination capacity and power differentials that would separate human stakeholders from their AI principals, stakeholders could still appropriate the value they create.

In the introduction to this Chapter, discussion on the AI was flagged as a conceptual exercise on the universality and limits of sustainable value creation, development, and their ethical foundations. This speculative thread is picked up again in a review of redistribution (Section 8.2.4), in the closing reflection of this inquiry (Section 8.3.3), and in the Epilogue and Appendix (see Tables E.1 and A4.3b).

8.2 The place for ethics

Returning to the human elite system, a critical reflection on ethical standards is called for in the face of dramatic contemporary examples of business models based on extractive transfers that take the ultimate form of value—life itself. These include criminality, drug epidemics, wars, pollution and many other forms of environmental destruction, and even sugar or healthcare. Each value transfer business model exists and thrives in specific national elite systems with impacts that are hard to quantify and weight, although the SVC measurements introduced in this inquiry offer a route to pinpoint and address such extraction (assuming their fundamental and indivisible transfer-IN/OUT metrics are well conceptualized and calibrated). Due to the tireless efforts of engaged knowledge elites, most value transfer business models, including the most audacious, are well researched and evidenced.

For example, in the case of the food industry's sugar business model, Yudkin's *Pure, White and Deadly: How Sugar is Killing Us and What We Can Do to Stop It* (2012) shed light on problems that include the relationship between nonalcoholic fatty liver, "the most frequent liver disease worldwide [and] excessive dietary fructose consumption" (Lim, Mietus-Snyder, Valente, Schwarz & Lustig, 2010, p. 251). Next, the legal opioid business in the US is considered as an extreme example of a failure by the core elite coalition to exercise elite system leadership that is tractable using the frameworks of this elite theory. It is presented here to weight the impact of evil on economic development and to illustrate the feasibility of a place for ethics in elite agency (8.2.1) and to consider the operationalization of 'evil' (8.2.2). This leads to the final discussion on weighting and offsetting in this book, now framed by two questions: when are value transfers (8.2.3) and redistribution (8.2.4) sustainable? The section then concludes with some thoughts on the pertinence of redistribution in the age of the AI (8.2.5).

8.2.1 Weighting evil in the destructive value transfers of the opioid elite business model

If good is value realization, evil is value destruction. (Gotshalk, 1963, p. 96, as cited in Singer, 2004, p. 188)

The problem of how to assess evil clearly pertains to ethics. If "the most real thing in the world is suffering", which characterizes all living organisms and distinguishes humans from the fiction—and the AI—they create (Harari, n.d), then "to do evil is to make another person suffer" (Ricoeur & Pellauer, 1985, p. 645). This work's Preface started with a description of suffering as seen through an economic lens, with Pigou's (1920/1932) stirring portrayal of evil. Any theory of economic development should not recoil from examining this subject. Moral philosophers have conceptualized evil in

terms of “absolute value”, where “all human beings are owed unconditional respect” (Gaita, 1991, p. 4). Can elite business models then be evil? It is certainly true that some elite business models bring about discrete degrees of suffering to some of their stakeholders as a trade-off for the value appropriation of others, often the principals. Evil is absolute when it endangers the being of individuals, and while the majority of business models do not cause suffering, some do so in irreversible and unbearable ways. When set against the principles of “absolute value”, can such suffering be weighted and even offset? The case of Purdue Pharma is now examined in this light to conceptually advance the existence of a ‘license for evil’ in the political economy. To this end, the ‘destructive’ transfer-COST component of business models is stressed (see Figure A5.5a).

OxyContin, Purdue Pharma’s oxycodone product had no therapeutic advantage over competing drugs (Van Zee, 2009, p. 221). Yet, due to remarkable elite business model leadership, the firm scored success after success in the market and narrative market arenas. The marketing of Purdue Pharma was especially effective and included, according to Van Zee’s (2009, pp. 221–222) description in the *American Journal of Public Health*, “national pain-management and speaker-training conferences at resorts in Florida, Arizona, and California. More than 5000 physicians, pharmacists, and nurses attended these all-expenses-paid symposia”; “A lucrative bonus system [that] encouraged sales representatives to increase sales of OxyContin in their territories, resulting in a large number of visits to physicians”; and “distribution to health care professionals of branded promotional items such as OxyContin fishing hats, stuffed plush toys, and music compact discs (‘Get in the Swing With OxyContin’) [which] was unprecedented for a schedule II opioid”. Evidence of the success of this deadly elite business model is provided by the ongoing mass opioid addiction in the US. Haffajee and Mello (2017, p. 2301) in *The New England Journal of Medicine* calculate the price in lives: the opioid epidemic “has claimed more than 300,000 lives in the United States since 2000 and could claim another half million over the next decade”. The scale of the lives lost constitutes a terrible ‘cost created but *not* borne’, so to what degree is this ‘extractive’ or ‘destructive’ transfer-COST?

The distinction between ‘extractive’ and ‘destructive’ transfer-COST is not always clear-cut and there is undoubtedly a conceptual overlap. Yet a guideline to separate them has already been examined in this work: a cost reduction that is traceable in the P&L and equal to increased firm profits is an ‘extractive’ cost-based value transfer, a transfer-IN; while costs that cannot be directly linked to line items in the P&L statement are deemed to be ‘destructive’ and do not constitute savings to the firm or enhance its profits. For instance, when the actual price the firm pays for carbon emissions is below the statutory offset requirement (for carbon neutrality), the cost savings of the firm can be easily quantified and corrective action taken to mitigate the impact of these externalities (with the help of SVC metrics numerically linked to the P&L, see Figures 6.6 and 6.7). Again, as such, these costs not borne are conceptually classified as ‘value extraction’, as ‘extractive’ transfer-COST, and as a transfer-IN

amount. On the other hand, many deadweight losses, much wastage, numerous negative externalities, and multiple forms of collateral damage—even when quantifiable with suitable SVC metrics (that measure ‘destruction’)—cannot be linked to the cost structures of the P&L statement. Conceptually classified as ‘value destruction’, the amounts of this ‘destructive’ transfer-COST are invisible on financial statements. Another way to analytically disentangle the two types of value transfer-COSTS—both being ‘cost created but *not* borne’—is that the ‘extractive’ transfer-COST is ‘value appropriated but *not* created’ (and as a form of transfer-IN it is equivalent to monetizing value created by stakeholders), while the ‘destructive’ transfer-COST is ‘*negative* value created but *not* appropriated’ (and as a form of value *not* created it cannot be monetized *per se*). As a result of this distinction between the two modalities on the y-axis of The Value Creation and Appropriation Matrix framework for the classification logic of SVC metrics (see Figure 6.7), ‘extractive’ transfer-COST is placed above ‘destructive’ transfer-COST, denoting a measurably higher degree of value appropriation.

The institutionally secured and legally sanctioned opioid elite business model benefits from not internalizing its externalities, the ‘destructive’ transfer-COST borne by elite coalitions (e.g., the government, whose funds are used to alleviate the direct and social consequences of addiction) and from non-elites (e.g., the monetary costs of addressing addiction and the lost family income caused by drug-related deaths). To combat the opioid elite business model, a coalition of extracted elites formed (see Tier 3, ‘within-system’ checks and balances, power relation 7 in Table 3.2). This contending coalition includes the US federal government, individual US states, and Native American tribes whose social systems have deteriorated, burdened by the medical and security expenses associated with the epidemic. For many years this coalition commanded comparatively lower levels of coordination leadership than the ultra-focused and powerful coalition it confronted, yet engaged in a ferocious and drawn out battle to terminate the extractive transfers. The elite coalition for opioids is diverse and sophisticated with an extensive roster that includes some of the world’s leading knowledge elites. A global consultancy received praise for its “good faith and responsible corporate citizenship” from the states that had sued it when it settled: “McKinsey to pay almost \$574m to settle opioid claims by US states” (Edgecliffe-Johnson, 2021). Despite this and other litigation triumphs, the continuing stream of residual income made the opioid elite coalition hard to dislodge for many years, as is the case with most elite business models once they have consolidated:

Opioid litigation has yet to financially dent the \$13-billion-a-year opioid industry. Moreover, opioid litigation victories have all taken the form of settlements, in which companies usually have not admitted any fault. Even where litigation costs have no prospect of exceeding the economic benefits of continuing to produce a dangerous product, though, litigation can have value as a public health strategy and may mitigate some harms of the opioid epidemic. (Haffajee & Mello, 2017, p. 2305)

Beyond mitigating “some harms”, the question is now how many more deaths will legal and illegal opioids bring about before the models are effectively neutralized by irrevocable institutional change? Ethically, the answer should be none, but in practice, whether the number of opioid deaths ahead is in the tens or hundreds of thousands depends on the transformational leadership of the core elite coalition *and* the elite coalition for opioids in the ongoing battle. In this regard it is noteworthy that the Biden Administration’s first acting head of the US Food and Drug Administration, Janet Woodcock, “oversaw the approval of scores of new opioid drugs that were given a green light even as the painkiller epidemic spiraled out of control” (Stacey & Kuchler, 2021). President Trump’s Council of Economic Advisers (2017) calculated the costs to society of the malaise: “CEA estimates that in 2015, the economic cost of the opioid crisis was \$504 billion, or 2.8 percent of GDP that year”. All of this is ‘cost created but *not* borne’, mostly of the ‘destructive’ transfer-COST kind (see Figure A5.5a), and footed by stakeholders rather than the principal (see Section 6.6.1). When weighted against revenue (value appropriation) it yields the ‘destructive value transfer-COST to revenue ratio’—also termed as the ‘value destruction ratio’. When the ratio is high enough, a *de facto* ‘license for evil’ has been granted on top of the customary license to operate (see the following Section 8.2.2 and the graphical rendition of these two licenses in Figure A5.5b). The value destruction is equivalent to direct plunder and theft from non-elites on a phenomenal scale, creating unfathomable suffering manifested as collateral damage, negative externalities, and a huge amount of deadweight loss to society, not least by the expenses incurred in the ongoing intra-elite contest, lawsuits and all. The burden inflicted by the 2.3 million Americans aged 12 or older with opioid disorders (the 2020 number reported by the US Department of Health & Human Services)²²⁴ on the members of their bereaved and dysfunctional families is beyond estimation and utterly soul crushing.²²⁵ The annual hidden and in plain sight costs to American society are patently out of proportion with the annual residual incomes that are derived by members of the elite coalition for opioids (approximately US\$ 13 billion in profits or just 0.07% of GDP in 2015).²²⁶ Rough calculations show that

224 See: <https://nida.nih.gov/publications/research-reports/medications-to-treat-opioid-addiction/overview>

225 Barbara Kingsolver’s *Demon Copperhead* (2022) portrays the excruciating reality of the opioid crisis in a Dickensian manner.

226 The Sustainable Value Matrix performance framework for managers (Figure 7.2) classes Purdue Pharma as a ‘rentier’ firm—not a ‘living-dead’ one—since it is profitable. Yet such firms immediately cease to be profitable the moment that institutional changes are made to tackle the two modalities of ‘cost created but *not* borne’ (by stakeholders). First, the full ‘extractive’ transfer-COST component—a form of transfer-IN, ‘value appropriated but *not* created’, see Figures 6.7 and A5.5a—is internalized as a corresponding P&L line item implying that the hereto cost savings no longer exist (see also Section 6.6.1 and footnote 134). Examples of this in other areas include cost savings from lower wage bills due to a gender wage gap, or by not offsetting CO₂ emissions in sectors where carbon credit purchases are voluntary. Second, the ‘destructive’ transfer-COST component—the ‘*negative* value created and

every dollar earned by the opioid coalition burdens the country to the tune of 40 dollars (even when absenting the ‘destructive’ transfer-COST not factored into President Trump’s CEA report—the true misery and suffering of its hundreds of thousands of victims).

It is encouraging that Johnson & Johnson reached an agreement “to pay \$5bn in landmark \$26bn US opioid settlement”, which is “the second-largest cash settlement ever, trailing only the \$246bn tobacco agreement in 1998” (*The Guardian*, 2021). This may be a sign of elite business model transformation at Johnson & Johnson, but what about the other culpable companies? And are the settlements sufficient redress for ‘the license for evil’ and the annual costs that opioids have placed on society? The Sackler family, owners of Purdue, were also slated to pay \$4.5 billion to settle the company’s bankruptcy, in a deal that initially included a “release”:

The proposed release turns on a feature of US bankruptcy law that can protect third parties from lawsuits even though they have not filed for bankruptcy themselves. Critics say the provision allows powerful actors to exploit the legal system to escape full accountability. (Indap, 2021a)

not appropriated’, see Figure A5.5b—would need to be statutorily established and become a new line-item cost in the P&L statement. How hard is it to differentiate between ‘destructive’ and ‘extractive’ transfer-COST? The ‘destructive’ variant is both a value transfer *and* a *negative* form of value. It is off-P&L and cannot be dealt with through available accounting rules (although it certainly can be in tort law with, for instance, compensatory, consequential, or punitive damages). Yet the moment a particular type of value destruction is standardized and becomes a regular line item in the accounting record, it will be internalized by the firm. To further illustrate matters, while ‘extractive’ carbon emissions can be offset and internalized, obesity, increased blood pressure, or non-alcoholic fatty liver disease that is traceable to the pediatric age consumption of sugar-sweetened beverages (SSB) and their advertising (Dereń et al., 2019, p. 298) cannot. So, what complexities are involved in making the ‘destructive’ transfer-COST statutorily explicit as being ‘extractive’? In the US, the value of statistical life (VSL) is used by “government agencies to value changes in mortality risks” and is estimated by the Census of Fatal Occupational Injuries (CFOI). More specifically, Kniesner and Viscusi leverage CFOI and other research data to quantify the value of one human life in America as US\$ 10 million (2019, p. 8), while for OECD countries, the VSL range has been suggested to be between US\$ 1.5 to US\$ 4.5 million (OECD, 2012a, p. 15). One might easily imagine a minor institutional adjustment where the elite opioid or SSB coalitions are required to pay such an amount (referencing an ‘official’ VSL price) and thus bear the *negative* value creation in the form of a required expense line item in the P&L (where each malady induced by OxyContin or the availability of SSBs in schools that set lives on a journey to a dead end are recorded and added up). Any such legislative fixes would make firms dealing in destruction and ‘evil’ (see Figure A5.5b) unprofitable parts of the ‘living-dead’ very quickly. The underlying principle here is double materiality, with the behavioral emphasis on accountability to make the value destruction elements of business models unviable. That is, when the full transfer-COST components are accounted for without limits, culpable firms become toxic to equity investors and debt providers alike (as would also be reflected in SVC valuations). Note that while in this work the VCr references statutory frameworks and does not incorporate off-P&L ‘destructive’ transfer-COST SVC metrics, the ‘destructive value ratio’ can still be calculated (see Figure A5.5b and the following Section 8.2.2). The ‘license for evil’ epithet then becomes a fitting description for ‘destructive’ firms (and sectors) and, more importantly, a signal that urgent reform of the incentive system embedded in law is needed.

What any final deal will look like and to what extent the victims will be compensated once the dust settles is unclear at the time of writing. Judge Colleen McMahon of the Southern District of New York “overturned Purdue Pharma’s \$4.5bn bankruptcy settlement, citing a provision protecting the controlling Sackler family from civil liability over the opioid epidemic that was ruled invalid” (Indap, 2021b), yet after increasing the settlement to \$6 billion, the Sackler family will “still receive a legal shield” (Smyth, 2022). That shield was taken away by the Supreme Court 2024 judgment on *Harrington v. Purdue Pharma, L.P.*, and although this intra-elite contest is now drawing to a close as various family members reach new settlements, “much of the wealth is in offshore accounts and might be impossible to access through lawsuits” (Gabbatt & Agencies, 2025). Going forward, what matters even more than justice is whether and when this ‘license for evil’ will be revoked for good.

8.2.2 The operationalization of evil in the ETED

As Zarathustra’s tree endeavors to bask in more light, its roots plunge deeper down into the “darkness”, eventually reaching “evil”. This inquiry is discerning, suggesting that there is a line between darkness and evil, between value extraction and value destruction. At the same time, the realist inference of this pragmatic philosophy holds that ‘all elite agency creates and transfers value’ (see Figure 8.7). The operationalization of evil in this sub-section’s discussion conceptually rests on ‘*negative* value created and *not* appropriated’ and takes place when value destruction exceeds value appropriation. The latter (revenue or profits) is comprised of value appropriated but *not* created (transfer-IN) plus all of the legitimate value created and appropriated (net value creation). This ‘value destruction ratio’ (or more specifically, the ‘destructive value transfer-COST to revenue ratio’) is the ratio of ‘*negative* value created and *not* appropriated’ (see Figure A5.5a) over revenue or value appropriation. When this ratio is over 1.00, the former exceeds the latter indicating that the business model destroys value with impunity; a *de facto* ‘license for evil’ has then been granted on top of the license to operate (see illustration in Figure A5.5b). While evil must be understood as an absolute, its operationalization as a ‘value destruction ratio’ makes it relative (as destruction is then evil only in certain proportions) but not relativism, as evil can now be offset, diminished, and ultimately eliminated.

After defining value destruction in terms of evil, Gotshalk asserts that “no human act is pure evil” (1963, p. 96, as cited in Singer, 2004, p. 188), a statement that perplexes Singer (2004, p. 189) but aligns with this theory, as value destruction commonly takes place in conjunction with degrees of value extraction and value creation (see Figure A5.5a or the realist inference in Figure 8.7). There are bases for weighting evil in moral philosophy that take reductionist and outcome-centric utilitarian slants: “Hence, any action, whether ethical or political, that diminishes the quantity of violence exercised by some human beings over against other human beings diminishes the amount of suf-

fering in the world” (Ricoeur & Pellauer, 1985, p. 645). It is precisely because suffering is absolute that it must be reduced. This is attempted in the ETED by addressing one elite business model at a time. The emphasis is therefore placed on the production of SVC metrics and measurements (like the firm-level VCr or the meso-level EQx) for weighting and offsetting. Transformational leadership becomes particularly germane when the ‘value destruction ratio’ determines (and thus informs the world) that a ‘license for evil’ has been granted.

Once more, suffering is real (Harari, n.d.) and evil acts are those that bring suffering (Ricoeur & Pellauer, 1985, p. 645). Hannah Arendt is essential in understanding evil in both its most insupportable extremes and its banality as “deeds that persons commit even when they do not have evil motives or intentions” (Bernstein, 2008, p. 64). Evil can even fall outside the ‘universal extraction propensity of life’ law of nature when, to use Schrödinger’s rendering (1944/2013), it does not directly satisfy life’s drive to suck orderliness (low entropy) from the other to nourish itself. Value destruction is often a banal transfer to nowhere that is to nobody’s benefit, an increase of entropy for no reason. While there may be a lack of intentionality behind value destruction *per se*, the malevolence of those responsible for it is recurrently motivated by residual income. For example, genocide can be banal as well as “planned, authorized, and implemented by duly constituted authorities acting on behalf of a legitimate government” (Alvarez, 1997, p. 141) and hence invariably pursued to support horrific elite business models. Conceptualizing value destruction so that it can be quantified at a business model level serves this work’s aim to minimize value transfers for economic development purposes, while offering a practical approach to alleviate suffering.

Measurements shed light on the scale of value destruction and signal that a magnitude of evil has been reached. For instance, they can help determine an actuality of evil that is not flagged in the political economy (one wonders how Purdue Pharma could, after receiving FDA approval in 1995, so brazenly sell a form of deadly addiction packaged as a pain management narrative for two decades). Evidence of destruction sets in motion the course towards accountability. Here, one must highlight “the truth” of the Jerusalem District Court’s judgment on Adolf Eichmann that, with its integration of legal positivism and moral reasoning, is also apposite to lesser criminals even when “*in general the degree of responsibility increases as we draw further away from the man who uses the fatal instrument with his own hands* [emphasis in original]” (Arendt, 1964, p. 247). This awareness is also pertinent to the hands on ‘the extraordinary lever’ that induce value destruction out of all proportion to value appropriation.

The SVC measurement toolset can also be utilized to proactively flag destructive business models at an early stage, disallowing their most heinous activities whilst enabling offsets for the less offensive ones. Weighting and offsetting is already applied when value creation causes suffering (by drug regulatory authorities for example). The Comirnaty Pfizer–BioNTech mRNA-based COVID-19 vaccine induced a number of fatalities (Faksova et al. 2024), but these were vastly outweighed by the 19.8 million deaths it is estimated to have “averted” (Watson, Barnsley, Toor, Hogan, Winskill, &

Ghani, 2022). However, it is not unusual for judgments to lead to institutional inconsistencies, such as those that Fischhoff, Lichtenstein, Slovic, Keeney, and Derby (1980) document for safety measures across drinking water, pharma, agriculture, highway construction, or radiation exposure. No form of ethics will refute Wasserstrom, where agency “traded off against an opposition to the reality of evil” constitutes an “irrefutable relativization of evil” (1999, p. 78). One cannot but acknowledge that the ‘all elite agency creates and transfers value’ position and its related *coincidentia oppositorum* where value creation also brings destruction and suffering (as in Gotshalk, 1963) is particularly troubling, and not just for the “study of religion” (Wasserstrom, 1999, p. 78). And yet, since the ETED and its ethics are concerned with economic and human development, the relativization of evil problem lies in the unweighted acceptance of ‘destructive’ agency and the other forms of value transfers. For instance, in the institutional anomalies and irrationality of non-market arenas (Section 4.2.4), in the billions now secured by the residual income beneficiaries of legal and illegal opioids, or in the narrative market’s unbalanced media coverage that is characteristic of authoritarian regimes.

At present, the ‘value destruction ratio’ is not part of the SVC measurements and is certainly unsuitable for macroeconomic modeling, but by facilitating the operationalization of the ‘license for evil’ metaphor, it encourages a balanced public discussion on value destruction and how to calibrate attendant narratives and political action. Clearly, this includes making the elite coalition members of offending business models accountable (see also the ind-VCr, Section 7.2.3). The brutal consequences of the extractive opioid business model—even if it is eventually halted—and its detrimental effect on development now move this inquiry back to applied ethical considerations: what justifies value transfers?

8.2.3 When are value transfers sustainable?

A pressing question of our age is whether our homage to value creation is muddled. Do we pay tribute to a concept that may destroy value in the very act of creating it? (Donaldson, 2021, p. 1)

At the beginning of this chapter, the maxim, *To the creators the value created*, was proposed as the single, unifying ethical foundation for an ontologically parsimonious elite theory of development and the basis of a set of ethical principles for the ETED. This requires an ethically perfect world where each agent in the economy wholly appropriates the value it creates, no more and no less. In the subsequent six principles, the maxim is expounded on and caveated, for instance, when it is preserved in an intertemporal manner if extraction is weighted and offset against future value creation and operationalized by freedoms (see Sections 8.3.1 and 8.3.2, Figure A5.4b). In its purest unrealistic version, the maxim requires equalized bargaining power: all principals and stakeholders in the economy must create value and all principals must thrive through their own value creation, never through value appropriated but *not* created.

In such a universe (perhaps a future AI-run metaverse), transfer-IN is transparent and in principle disallowed, but transfer-OUT is still possible and undertaken deliberately through positive externalities or philanthropy. Hence, how should one view extractive value transfers made by elites today that promise to create more value tomorrow? Can the transfers of the ‘alternating value extraction and creation’ conjecture of economic development presented in Proposition 10 be consensual and not require power? The answer is no, because power differentials are needed to support those who create risk and undertake uncertainty—after all, the disruption and rejection of established paradigms that is typical of innovation is in stark contrast to social consensus. Power has a role as meta-contest resolution mechanism in the stead of institutions (see Section 4.3.2) that is especially suitable for overcoming resistance to reform (Fernandez & Rodrik, 1991), “the transition costs of conflicts” and “costs of contestation” (Khan, 2010, pp. 36, 43), and effecting Schumpeterian creative destruction or other forms of progressive change. However, Donaldson’s warning that value is destroyed by the very act of creating it needs to be heeded and qualified by quantification, transparency, and weighting (see Figure A5.4a). Two elite business models are now revisited—the aggregation of patents and infant industries—to work through the ‘license to steal’ predicament (Section 2.3.1) as a preamble for the introduction of ‘A Transfer Constraints Framework’ for policy formulation (in Table 8.2).

In *Zero to One* (2014), Silicon Valley entrepreneur Peter Thiel focuses on the practicalities of entrepreneurial value creation and appropriation. He argues for value transfer-IN when advocating for innovation-based monopolies (such as Google) and reduced competition. This inquiry has already discussed the theoretical debates on competition and anti-trust (Nicholas, 2003; Baker, 2007). Schumpeter’s position on rents as incentives for value creation is known: “Patent law is based on the idea that a temporary monopoly is a necessary reward for innovative effort and that short-run deadweight loss is tolerable in return for incentives to invent” (Nicholas, 2014, p. 405). However, what does ‘temporary’ actually mean when current law incentivizes patent holding business models, also known as patent aggregators or non-practicing entities (NPEs). Patent trolls, “companies that are focused on suing and threatening over patents, not on offering actual goods or services”, account for about two thirds of all patent-related legal disputes (Mullin, 2023), while researchers maintain that firms like Intellectual Ventures and its “worldwide portfolio of approximately 30,000 to 60,000 patents” might “distort markets rather than facilitate their efficacy” (Nicholas, 2014, pp. 405, 421)?

The infant industry narrative seems *a priori* less contentious: “It does not pay any individual entrepreneur to enter an infant industry at free trade prices” and such an “industry requires a temporary period of protection or assistance during which its costs will fall enough to permit it to survive international competition without assistance” (Krueger & Tuncer, 1982, p. 1142, 1143). Yet while protecting Japan’s reconstituted *keiretsu* in the post-war era or privileging e-commerce in its early days both constitute successful examples of development, the case against special treatment and favorable transfers to the infant and vulnerable value creators of the future has long

been made (e.g., Baldwin, 1969). Krueger and Tuncer's (1982, p. 1149) critical examination asserted: "that at least in the Turkish case, [tariff] protection did not elicit the sort of growth in output per unit of input on which infant industry proponents base their claim for protection". Lucas concluded his own analysis incisively:

In the end, only a careful weighing of intertemporal, social costs and benefits can discern whether infant industry protection might be justified. [. . .] Meanwhile, perhaps the onus should fall on demonstrating rather than assuming sufficient grounds: the world is certainly littered with geriatric infants. (Lucas, 1984, p. 1111)

In short, whether and where the 'alternating value extraction and value creation' conjecture and the related 'extractive push' dilemma are optimal should be an empirical question. On this basis, privileges might even be conferred upon cartels on the condition that they are able to satisfy conditions such as the previously discussed "how many carbon offsets are required to compensate monopoly rents?" (see Sections 5.3.1 and 7.1.1). Yet, since the recipients of any such largesse can in time evolve into either value creating or rent-seeking elites, frameworks to deal with these transfers are necessary for the normative part of any elite theory of economic development. The "careful weighing of intertemporal, social costs and benefits" means imposing constraints that, while allowing extractive business models, also limit value transfers; for instance, on the length of the period or the maximum amount of revenue that can be harvested. These constraints would be part of the 'elite institutional change bargain' that would also address the critical question of the conditions under which Amazon, Tesla, the *keiretsu*, Turkish manufacturers, or Intellectual Ventures should qualify for protections for their rent seeking and value transfers. The design of value transfer constraints must also be grounded in careful weighting and offsetting (Figure A5.4b), a quid pro quo where the beneficiary turns transfer-IN into value creation, this being contingent on the country, industry, lifecycle of the firm, or the lifecycle of the underlying technology. An assessment framework to manage the promise to turn extractive value transfers into value creation is suggested in Table 8.2.

Table 8.2: A Transfer Constraints Framework for policy formulation.

	Weighted constraints on value transfers	Constraints on value transfers
(i)	Intertemporal constraints	Value transfers are limited in time; value transfer rules have a non-negotiable, in-built expiration date.
(ii)	Monetary constraints	Value transfers are limited in monetary size; value transfer rules impose an automatic stop when limits are reached.
(iii)	Value creation milestones	Value transfers require meeting predetermined value creation milestones; value transfer rules embed initial exceptions and conditions in milestones that result in automatic termination if not reached.

This simple sample framework for policy formulation sets three limitations, the first two of which are: (i) *intertemporal constraints* on the length of time that transfers are permitted for, and (ii) *monetary constraints* on the amount of value transfers. It expressly disallows running transfers overbudget such as automatically extending subsidies. Transfer Constraints also impose a reciprocal obligation on the ‘license to steal’, treating it as a *de facto* investment that has to generate a return. The third limitation is that value creation must also be evidenced and meet (iii) *value creation milestones*. Implementing any transfer constraints framework thus requires strong management capabilities, ‘knowledge’, and political leadership for the conception of policies that rely on value transfers. Even more importantly, actual constraints must be institutionalized as structural interventions that automatically kick-in at specific future points in time. These can be highly sophisticated, as even capital can be given term limits to be creatively destroyed and scrapped as per the rules suggested by Solow (1960), an understanding actively applied by Singapore (Young, 1992). The limits of the framework, in the form of elite bargains, feed into the institutional and policy formulation step of A Weighted Structural Reform Framework (Table 7.1) and are consistent with national development (Table A4.4 describes the relationship between the three frameworks for weighted policymaking proposed in this book).

Institutional change needs to incentivize business models that are based on the creation and undertaking of risk and value transfers and promise to turn risk into value. However, by issuing and legitimizing such a ‘license to steal’, society is assuming different kinds of risk—‘unsustainable risk origination’ (see Figure 6.9) or the future entrenchment of extractive models that must be managed. Experimentation (Thomke, 2001; Kerr, Nanda, & Rhodes-Kropf, 2014), behavioral biases (Kahneman & Lovallo, 1993; Camerer & Lovallo, 1999; Åstebro, Herz, Nanda, & Weber, 2014), and the undertaking of Knightian uncertainty are essential for long-term value creation (see Damodaran, 2005) and this is explicitly encouraged through transfer-IN allowances. Such thinking is the basis for the “subsidies, tax holidays, loans, and tariffs” that were “allocated to competitive sectors” in China and which resulted in productivity rises (Aghion, et al., 2015, p. 1) and the ‘Made in China 2025’ industrial policy (Sutter, 2023); for the CHIPS and Science Act of 2022 (The White House, 2022); or for how the tech giants received much of the intellectual capital that got it started from universities and the state (Mazzucato, 2013). Permitting such privileged extraction as a development tool is justified when the portfolio of such bets in a national economy is premised on a weighted political judgment that the subsequent value creation will exceed initial value transfers. Weighting also means that there is an irrevocable option to terminate unrealized models (just like start-up investors regularly pull the plug on lemons). The weighted framework of Table 8.2 provides two precise constraints—along with the need to evidence value creation—as safeguards against unbridled transfers and moral hazard.

Still, and even with explicit constraints in place and *a priori* promises by principals running the new extractive transfer models to honor these, phasing them out

will invariably be met with resistance and result in intra-elite conflict. For instance, copyrights are restricted by time. As Douglas (2021) points out, for the Walt Disney Company, this meant that Mickey Mouse was under copyright protection from the character's 1928 debut in *Steamboat Willie* for a maximum of 56 years (on the basis of the first Copyright Act of 1790 and its second update in 1909 permitting a 28-year renewal on top of the initial 28 years of copyright protection). That is, until the entertainment conglomerate managed to first obtain a retroactive extension of the limit to the year 2002 via the Copyright Act of 1976, and then, as another deadline loomed, yet another grace period owing to the Sonny Bono Copyright Term Extension Act of 1998. The film, and the character's original rendition (but not later ones) entered the public domain and became royalty-free for consumer stakeholders in 2024, nearly a century after its debut.

The formulation of the non-negotiable and automatic phasing out of transfers is part of the 'elite institutional change bargain' (Table 7.1) and an essential component of the pacts that contemplate transfers and redistributions, including the 'elite redistribution constraints bargain' (Table 8.3). In order to function, such bargains must be institutionally enshrined before value transfers are sanctioned. Otherwise, the power of the beneficiary coalitions will get stronger over time thanks to revenue and profits from transfer-IN, making them all the more difficult to dislodge as the business model lifecycle progresses and both the 'elite power vs value creation gap' (see Figure 4.5) and the 'elite vs non-elite knowledge creation gap' widen (see Section 2.2.2). Equally important is the need for a robust separation of powers to counter disruptive future intra-elite conflict (and reneging on bargains triggered by defense of the extractive transfers model). If the elite coalitions that grant and formulate the constraints on such transfers are not certain to win such conflicts or do not care for a fight when the time comes (the battle could be too costly to them, a deadweight loss, or a cause of fractures in elite cohesion), then the intertemporal rationale breaks down and there should be a fundamentalist return to the maxim of the set of ethical principles: *To the creators the value created*. Weighting and offsetting efforts should immediately cease and any transfers away from those *qui generat valorem* should be disallowed from the very outset.

The 'universal value extraction propensity of humans' (socio-economic) premise (Figure A5.4c) is consistent with the dualistic 'value is created or transferred' (ontological) assumption and should inform and dislodge economic and social policies that have been uninhibitedly narrativized. In response to the implicit weighting of business activities afforded by bargaining power differentials, this theory introduces the notion of deliberate weighting by transformational leadership (often in the form of constraints). The binary value creation vs value transfer dynamic is, for all its reductionism, the most critical of the unfolding computable attributes of the economic system and leads to the materialization of endless configurations upon which development paths arise. Emergent properties, such as those in the cellular automata of Conway's "Game of Life" (Gardner, 1970; Bays, 2010) or in LLMs (Wei et al., 2022) re-

sult from simple rules applied to simple environments that yield not just “rich structure” (Mandelbrot, 1989, p. 6) but also set in motion highly complex behaviors (Gold- enfeld & Kadanoff, 1999) that, by their very nature, are unknowable in advance (and subject to Wolfram’s computational irreducibility, 2002). The reality of fractals (Man- delbrot, 1989; Brown, Gupta, Li, Milne, Restrepo, & West, 2002) and chaotic systems (see Section 3.2.3) reveals that “nonlinear, but quite simple systems, can produce very complicated results” (Liebovitch & Scheurle, 2000, pp. 34, 35). The myriad political economy possibilities that arise from value transfers applying the dichotomous value creation/transfer logic to each (elite) stakeholder relationship is astonishing (particu- larly if more nuanced, non-binary SVC measurements are used to describe them). The existence of value transfers and their weighting in relation to sustainable value creation models induces the profuse diversity of potential and actual development trajectories.

8.2.4 Can redistribution be sustainable?

Political parties in a modern democratic state compete for the votes of poor and nonpoor alike by promising to extract from others, the wealthy or the uninformed. There are limits to this ex- traction, an important one being the power and influence of the wealthy. (Plotnick & Winters, 1985, p. 458)

This sub-section’s discussion is a continuation of the previous one since redistribution is a form of transfer, but of a special kind given its “ideological motive” (Dixit & Londre- gan, 1998, p. 497) rooted in the narrative market. Narratives that are based, for instance, on empathy or compensation (see ‘third-order’ transfers to reverse previous second- order transfers, Section 2.3.1) will often trump technical justifications such as the “effi- ciency role for *sustained* redistribution” (Aghion, Caroli, & García-Peñalosa, 1999, p. 1657). Inequality must obviously be a prime concern for the narrative market (see, for example, *Enough: Why it’s Time to Abolish the Super-Rich*, Hildyard, 2023 or *Limita- rianism: The Case Against Extreme Wealth*, Robeyns, 2024). The “size of government” (Meltzer & Richard, 1981) addresses inequality that is deemed to be harmful to growth by causing social instability and reduced investment (Alesina & Perotti, 1996) or by cur- tailing the ability of non-elites to create value due to insufficient healthcare or usable human capital (Galor & Moav, 2004; Stiglitz, 2012). On the other hand, Buchanan’s “Sa- maritan’s Dilemma” (1975) illustrates how policies motivated by compassion end up harming the intended beneficiaries in the long run. Arguments for inequality to be al- lowed in relation to top incomes can be made on account of a correlation with innova- tion (Aghion, Akcigit, Bergeaud, Blundell, & Hemous, 2019) or efficiency (Lee, 1987), partly due to the “leaky buckets” associated with government agency and higher taxes (Okun, 1975/2015). Benhabib (2003) takes the middle ground and describes a trade-off between inequality and growth in terms of non-linear optima, while a paper from the IMF research department articulates a policy consensus finding that “the average redis-

tribution, and the associated reduction in inequality, is thus associated with higher and more durable growth” (Ostry, Berg, & Tsangarides, 2014, p. 26), even when later work by the same authors is more nuanced on redistribution: “(1) lower net inequality is robustly correlated with faster and more durable growth, controlling for the level of redistribution; (2) redistribution appears benign in terms of its impact on growth, except when it is extensive” (Berg, Ostry, Tsangarides, & Yakhshilikov, 2018, p. 260).

The previous sub-section’s examination of a weighting framework for transfers (Table 8.2) was rather technical, but the focus now shifts to the full process with an emphasis on leadership. This includes overall political decision-making on taxes and government services for the poor as well as monetary policy and subsidies for the rich, with impact assessments on who pays (the transferor) and who benefits (the transferee). This is never straightforward as can be discerned from the opening quote above. Under the cover of narratives, the transferors in any redistribution can be the wealthy, but also non-elites (the uninformed). The same can be said for the transferees of redistribution, a fact that is all the more galling if the beneficiaries are failing elites. As Dixit and Londregan (1995) point out, these include those on the losing side of technological change that are unable to hold their own against international competition and call for protectionist measures that add costs to consumers. Redistribution comes in many guises and coalesces around narratives largely designed to appeal to non-elites, such as outright empathy (with current misfortune and handicaps), compensation (for past wrongs and sacrifices), notions of justice (to address inequality), or assorted preferences (for moral probity, loyalty to the ruling elite).

Piketty (2015) identifies extractive transfer activity in his elegant [$r > g$] (where r is the rate of return on capital and g is growth), and his solution, put forward in *Capital in the Twenty-First Century* (2014), is to introduce a system of progressive wealth taxes. Plotnick and Winters cite economists who suggest that voluntary income redistribution is desirable “because citizens value income transfers to the poor for direct reasons (satisfaction of charitable impulses, knowledge of poverty is personally unsettling), or indirect reasons (redistribution might make the poor more productive members of society or help reduce crime)” (1985, p. 458). Desirable, just, or neither, and regardless of preferences, redistribution is an obligation imposed by the power of elite coalitions at the state level and denotes value created but *not* appropriated. Given the heft of these transfers, one must query whether they are taken from inclusive or extractive business models, and whether the financing of the redistribution comes from the beneficiaries of Piketty’s inequality [$r > g$] or, on the contrary, originates from those that are net extracted—the non-elite middle classes.

This inquiry’s caution about transfers provides both nuance and a degree of consistency with Schumpeter in *Capitalism, Socialism and Democracy* (1942/2000) or Friedman in *Capitalism and Freedom* (1962/2002). At the end of the day, redistribution is “*how* different social strata (*who*) get *what* share of income” (Bradley, Huber, Moller, Nielsen, & Stephens, 2003, p. 193). These shares, if associated with value appropriated but *not* created, should be established by precise assessments of transfers and

their impact on general development, not by seeking expeditious wins in the non-market and narrative market arenas. Redistribution policies should have the moral obligation to articulate—on sustainable value creation terms—where and from whom value is taken: who are the value and risk transferors and who are the value and risk transferees? Warnings against “labelling some activities as productive and categorizing others as unproductive rent-seeking” (Mazzucato, 2019) are misdirected, as such categorizations of activities are, far from being a distraction, determinants of development prospects and central to the subsequent prescriptive weighting and offsetting of value transfers.

While some are not certain about an “across-the-board increase in market power in the economy” (Syverson, 2019), inequality, including its fractal polarization variant (Cozzi & Privileggi, 2009), is an emerging property in the political economy and social systems as is evident from the tendency towards uneven wealth distribution throughout history. The egalitarian beginnings of Rome ended in a position where “there were not in the state two thousand people who owned any property” (Cicero, 1913, II.73); the same skewed disparity emerges in the sugarscape agent-based social simulation that aims to understand the social fabric of a society (Epstein & Axtell, 1996; Beinhocker, 2006); and is clearly exemplified today by the handful of foundational LLMs that supply the world with intelligence. Moreover, while Piketty might be correct on excessive value appropriation by wealthy elites—especially since most new billionaires are no longer value creators but beneficiaries of inheritance transfers (UBS, 2023)—his unweighted normative position could easily lead to an ‘extractive escalation dynamic’ (see the conjecture detailed in Section 5.3.4) and not to more efficient uses of capital (it could disincentivize elite business models that create value, perhaps even those most productive in an economy). Contrary to simply raising taxes on the rich, the ETED instead suggests starting with an assessment of why r is higher than g in the first place. The reason for a large r might be transfer-IN (e.g., subsidies, subsidized interest rates, regulations, monopolies, monopsonies), but it could also be due to first-order productive activities requiring ‘knowledge’, including innovation and high-risk real economy investments that succeed, especially if viewed through the intertemporal perspective of ‘alternating value extraction and creation’.

Inequality should be dealt with not by redistribution but by minimizing value transfers (especially from the poor or middle classes to the rich). For instance, if the “driver of inequality that has been critical to the concentration of income among elites” is “income from investments” (Nau, 2013, p. 437) and these high returns are a direct consequence of repressed interest rates or capital gains tax privileges, then the respective elite business model rules ought to be addressed through weighted reforms and monetary policies. Not all billionaires are alike; they have neither the same r levels nor the same causes for their r . Their incomes might on the one hand originate from financial markets or land investments, or on the other from creative activities or the undertaking of technological uncertainty. Value appropriated can *a priori* be both value created, and value *not* created. Hence, any normative position on redistri-

bution must target the rules for value transfers that account for a high r at their root before implementing any blanket, indiscriminate measures that further distort the incentive system, erode economic dynamism, and penalize the first-order value creators that are so necessary for general development and jobs. Furthermore, the focus should not be on a blanket taxing of billionaires, or even their heirs, without first understanding their business models and weighting their transfers in order to solely constrain value appropriated but *not* created.

Sustainable redistribution is realized through the admonition against unweighted extraction crystalized in tenet (iii) of the set of ethical principles: *Weight and offset second-order value and risk transfers and minimize these to maximize value*. Yet this inquiry is not indolent on advocating for ways out of poverty and strengthening social mobility (both upwards and downward) as is stressed in the final applied precept (vii), *Promote the freedom to exit and the freedom to create value irrespective of optimal value creation, transfer weightings, and potential offsets* (these freedoms are discussed in this book's final Section 8.3). Since extraction is ethically grounded when it becomes a basis for the freedom *to* create value (see Figure 8.4), there most definitely is a place for redistribution, for instance, to finance the development of human capital. Such transfer activity is also in line with the 'alternating value extraction and creation' conjecture and its economic development application, the 'extractive push' dilemma (see Proposition 10 in Section 2.3). In addition, since the weighting and offsetting of transfers is deliberately deactivated in precept (vii), the risk of ethics masking unsustainable value transfers is mitigated by explicit constraints on these (Table 8.2). The classical Smithian (1776/1904) role of government to provide justice, defense, and public works, has been extended since Bismarck's *Sozialpolitik* (the first to legislate health insurance for workers as early as 1883)²²⁷ provided public health, as well as education, all of which is expensive and requires redistributive taxation. The freedom *to* create value justifies redistribution, as all citizens, irrespective of social provenance, must receive healthcare, the highest quality skills and knowledge, as well as basic public goods like security to realize the 'innate value creation character of humans' (natural) premise for human behavior (Figure A5.4c).

Reciprocity, more than empathy, underlies practical precept (vii): there is freedom *to* create value and as a result value is created. This then aligns with the abstract tenet (ii), *Maximize first-order value creation and risk origination for productive economic transformations fit for human purpose*. If one adds the tenet supplying conceptual guidance (iii), *Weight and offset second-order value and risk transfers and minimize these to maximize value*, the redistribution options for policymakers expand in noteworthy directions. These include extractive transfers from taxpayers to fund pub-

²²⁷ Pioneering laws on accident insurance and old-age pensions were later passed by the *Reichstag* in 1885 and 1889, and so "German social insurance appeared with a bang", with the schemata soon covering a majority of workers (Guinnane & Streh, 2021, pp. 751, 774).

lic goods such as free high quality secondary and vocational education, universal Internet broadband access, state-owned railways, or energy infrastructure. A particular emphasis must be placed on knowledge creation. For example, in the case of the Human Genome Project, the Battelle Memorial Institute ascertained that “a \$3.8 billion investment drove \$796 billion in economic impact, created 310,000 jobs and launched the genomic revolution” (Tripp & Grueber, 2011). A criterion for redistribution is return on investment and the capacity of transfers to contribute to the future value creation of both non-elites and elites (facilitating the rise of new elites in the admixture mode of elite circulation is ideal, see Figure 1.1). This links with the value creation milestones outlined in A Transfer Constraints Framework for policy (Table 8.2) and grounded on a variety of notions already discussed, such as the provision of public goods due to market failures (e.g., Comes & Sandler, 1996; Mrozek, 1999) or to the stationary bandit as benefactor (Olson, 1993, 2000).

What about redistribution based solely on empathetic or compensatory narratives? While this will not boost growth (if it does, like schooling for underprivileged children, then the basis for it is reciprocity) each society finds an optimum for redistribution that harms development but concurs with its intrinsic values. For instance, the Swiss subsidize their outstanding train network to the tune of 0.5% of GDP²²⁸, and their farmers and landscape quality to the amount of 2.7% of GDP²²⁹. Obviously, any such preferences must be offset by the carrying capacity of its first-order productive forces (the tax base, etc.). However, there is always the danger that without a focus on value creation and weighting, redistributive activities become little more than an elite business model operating under the cover of a winning narrative to obscure, often rather brazenly, a form of rent seeking.

For instance, as the respected economic thinker Hans-Werner Sinn shows in *The Economics of Target Balances*, under the narrative cover of being a “useful shock absorber in the case of liquidity and confidence crises that entail the risk of fire sales and capital flight”, the Eurosystem’s Trans-European Automated Real-time Gross Settlement Express Transfer system for the euro (TARGET), an “obscure” international payment mechanism of overdraft credit, “enables the ECB to depress the interest spreads among European countries below the levels implied by differences in creditworthiness”, inducing moral hazard risks in deficit countries like Italy and Spain to the detriment of Germany, the largest TARGET creditor (2020, pp. 1, 115). Even more dramatically, Blake asserts that Italy and Spain’s “deficits can never be repaid”, mak-

²²⁸ The financial reports of Swiss Federal Railways (SBB) show CHF 4.04 billion in “total public-sector funding” for 2023 (SBB, n.d.). See also: <https://reporting.sbb.ch/en/finance?=&years=1,4,5,6,7&scroll=0&highlighted=8e222679f50e32c11a71983b56261875>

²²⁹ The think tank for economic and social issues, Avenir Suisse, has calculated the transferors of this annual subsidy of CHF 20.7 billion: “Taxpayers foot 23% of this bill and consumers 18%; 37% is environmental costs, and 22% is borne by business in the form of missed export opportunities” (Anthamatten & Dümmler, 2020).

ing TARGET “the silent bailout system that keeps the euro afloat—for now” (2023, p. 93). In other example, Tucker Carlson claims that buying apartments for the homeless in Seattle and Los Angeles at a unit cost allegedly in the hundreds of thousands of dollars is a redistribution benefiting real estate developers and part of a policy package that incentivizes a negative externality, that of homelessness. Far from ushering in value creation, such efforts at redistribution are but extractive transfers away from value creators like taxpayers and small businesses, all of which Carlson associates with “civilization collapse in real time” (Fox News, 2021). Leaving overtaxed Germans or the American homelessness crisis aside (with its many victims of extractive business models such as opioids), the perennial question that must be asked is whether the job that redistribution aims to do cannot be performed more sustainably by value and risk creation business models, i.e., by simply having more high-quality elites.

Further to the analysis of inclusive transfer-OUT metrics (see Section 6.6.1), profitable value creation business models (Figures 7.2 and 7.3) also produce public goods, technological advances, and general prosperity, many with considerable multiplier effects: their stakeholders thrive and innovate, their workers in turn receive higher wages, pay more taxes, and have greater incentives to acquire ‘knowledge’. Without redistributive interventions and extractive elite models, the marginal return on all forms of capital (including human) should equalize. Without weighting and offsetting transfers to minimize these, as suggested in tenet (iii), and consistent with the rent-seeking literature, mechanisms that use redistribution to redress extraction might actually result in additional transfers that are costly to society at large, result in dead weight loss, and, as Acemoglu and Robinson theorize (2001), are “inefficient”, thus creating a paradox: “The more we target benefits at the poor and the more concerned we are with creating equality via equal public transfers to all, the less likely we are to reduce poverty and inequality” (Korpi & Palme, 1998, p. 661; see also Buchanan, 1975). These outcomes would come as no surprise to Plotnick and Winters (1985), whose theory posits that redistribution is shaped by political decisions, intra-elite bargaining, and non-elite pressures, and certainly not to support sustainable value creation or address economic development concerns. The ETED’s realist ‘redistributive concern’ is thus on curtailing, through institutional constraints (‘compensation’ is to be avoided because of uncontrolled claims and escalation), value appropriated but *not* created, thereby setting non-elites free from the short end of transfers while at the same time providing them with the incentives—and at times the resources—to create value. The political economy that reins in extractive activities from the assorted rentier elite coalitions that invariably exist in its open spaces and recesses—those at the long end of pork barrel politics, monopolists, unions, NGOs, crony capitalists, squatter groups, entrenched civil servants, beneficiaries of regulations, trade barriers, wars, and so on—empowers non-elites to realize the maxim, *To the creators the value created*. In this light, many redistributive demands, even those that rest on the legitimate dictums of empathic social justice narratives, are counterproductive and outdated. Underlying

this inclusive position is the ‘innate value creation character of humans’ (natural) premise, which stands in creative tension with the ‘universal value extraction propensity of humans’ (socio-economic) premise. In combination, these two opposing forces of human behavior (see Figure A5.4c) mean that in a high elite quality political economy every member of society can—over the course of a lifetime—create value and appropriate most of it (exceptions such as force majeure, disability, and so on notwithstanding).

In short, redistribution is suboptimal because residual incomes are generated from value transfers (rather than value creation) rooted in bargaining power differentials (for the relationship between power and freedom, see Section 8.3.2). Redistribution to redress a particular status quo, however, no matter how justified it may be (e.g., to make up for earlier extraction), is an additional distortion (often a step towards the ‘extractive escalation dynamic’ conjecture outlined in Section 5.3.4) that creates the risk of a new and possibly even more unfair steady state of value transfers along with the emergence of new rentier classes. Redistribution is akin to fighting violence with violence, when the original violence needs to be calmed, not further enraged by compensatory retaliation.

Policymakers intent on applying policies consistent with those suggested by A Transfer Constraints Framework (Table 8.2) will face untold resistance and quickly realize that dismantling extractive elite business models once these are established takes immense institutional resources as well as ‘money’, ‘might’, and ‘mind’. There are reasons why neither kings nor billionaires pay taxes, as is reflected in headlines such as “5 Ways That Billionaire Warren Buffett Pays a Lower Tax Rate Than His Secretary” (Wheelwright, 2019). Still, and irrespective of whether political or moral justifications exist for transfers and redistribution, these ought to be part of a formal weighting and offsetting process with constraints pursued with the utmost determination, ideally from inside the elite system and in the context of intra-elite contests and bargains. After all, national development is compromised for everyone, including elites on the sidelines of particular contests, by the indiscriminate escalation of redistributive policies and the multiplying cohort of value extractors. The salient and special case of A Weighted Structural Reform Framework for policy (Table 7.1) is summarized in Table 8.3 as A Weighted Redistribution Framework for policy, a companion to A Transfer Constraints Framework for policy formulation (Table 8.2) as it references the same constraints on transfers. An overview of all three frameworks for weighted policymaking, which selectively access SVC measurements (see Figure 7.8), is provided in Table A4.4.

A Weighted Redistribution Framework for policy aims to prioritize and expediate the ‘elite redistribution constraints bargain’, a routine type of elite settlement or pact prior to redistribution that includes transferees/transferors and sets constraints. It will succeed or fail depending on the completeness of the preliminary (i) *impact assessment of redistribution on transferor/transferee*. This step, the methodological details of which are not developed here, will enable the design of constraints on redistribution. The em-

Table 8.3: A Weighted Redistribution Framework for policy.

Constraints on redistribution	Description of steps for sustainable redistribution
(i) Impact assessment: Redistribution transferor/transferee	(a) Establish sustainable value creation (with SVC measurements like the VC_r) for business models that rely on redistributive policy (see assessments in A Weighted Structural Reform Framework for policy, Table 7.1), confirm value creation transferor/transferee identities (the elite coalitions and non-elite groups) and transfer amounts (in monetary terms) in all stakeholder relationships. (b) Establish the impact on transferor/transferee of weighting and offsetting criteria for the redistributive policy referencing the impact assessment. These include considerations for investments in the freedom to create value (e.g., in human capital or Smithian public goods) and empathy (e.g., preferences for redressing chronic underprivilege or compensating for past extraction).
(ii) Formulation: Constraints on redistribution	(a) Design the ‘elite redistribution constraints bargain’ that embodies transfer weighting and offsetting based on immutable constraints (time/amount/milestones) for transferees by referencing A Transfer Constraints Framework (Table 8.2). (b) Design laws and regulations to implement limitations on value transfers with in-built options to summarily terminate redistribution as part of the institutionalized ‘elite redistribution constraints bargain’.
(iii) Elite transformational leadership: ‘Elite redistribution constraints bargain’	(a) Elite system transformational leadership is set in motion when a critical mass of elite coalitions agree to the ‘elite redistribution constraints bargain’. (b) Elite system transformational leadership is continuously applied to annul extractive redistribution models based on targeted and weighted structural reforms via the ‘elite redistribution constraints bargain’ mechanism. Since income redistribution is central to many elite business models, deactivating these will provoke resistance from entrenched interests that a technocratic process will not overcome.

phasis is on the identities of the transferee (beneficiary) and transferor (payor) *qui generat valorem*, the precise amounts of the redistribution, and to potentially reveal the economic development consequences of the handouts (relationships between the transferor/transferee are the foundation of ‘weighted transfers modeling’ or the WT-Game, see Section 7.1.1 and Figures A5.10 and A5.14b). Establishing the criteria for weighting and offsetting (or their absence), plausibly rooted in a country’s values, culture, or history, will justify the judgments that need to be made on the redistribution. Some will have a specific rationale for non-redistribution, as in Tanzi (2005, p. 623): “if public wel-

fare is not reduced on any objective criteria by reduced public spending, then public spending [. . .] should be cut". The second step, (ii) *formulation of constraints on redistribution*, sets the boundaries for specific redistributive models by undoing or imposing feasible limitations on value transfers (as is set out in Table 8.2). It references and also provides inputs for the constraints on value transfers (Table 7.1). Its application will require a third step, (iii) *elite transformational leadership to support the 'elite redistribution constraints bargain'*. This essential political act will succeed when it establishes business model rules and intra-elite contest rules as part of the 'elite institutional change bargain' (again, see Table 7.1) to lessen the likelihood of a beneficiary transferee reneging from an agreed phase out when the time has come.

The main objective of the elite pact of step (iii) is to place limits on redistribution as it is negotiated, but also to deactivate legacy redistributive transfers when the time comes. The latter task will face stiff resistance given how embedded the business models of elite coalitions will have become, with intense contests in the non-market and narrative market arenas potentially diminishing all forms of social and intra-elite cohesion. Acemoglu and Robinson (2001, p. 649) explain inefficient redistribution and subsidies as "a tool to sustain political power". It is a laborious task to make the constraints explicit and irreversible before transfers are instituted (as described in the frameworks of Tables 7.1 and 8.2; see the connecting lines in Table A4.4). However, redistribution based on empathetic or compensatory narratives is acceptable if it is sustainable; meaning that beyond being consistent with general cultural and narrativized preferences of what is valuable (see the earlier Swiss examples), it has been weighted and offset and compares favorably with alternative transfer proposals while being subject to the constraints enshrined in institutionalized elite bargains. Unabated elite system transformational leadership is, of course, the ultimate force to terminate or keep redistributive models in check and affordable when there is evidence of their unsustainable dynamics. The preemptive deactivation of incumbent transfers at the elite bargaining table and in the narrative market deescalates spiraling extraction, making other forms of redistribution less necessary and legitimate. Weighted redistribution has links to A Weighted Reform Framework for policy (Table 7.1) and includes initiatives to increase competition and lessen market concentration through deregulation and new regulation, the simplification of legal codes, the elimination of unweighted subsidies and tax privileges, free trade, a radical leveling of the playing field, algorithm transparency, and even elections on redistributive issues in the manner of Swiss referenda. To what extent will future technologies with embedded ethical principles play a role in policy?²³⁰ Leadership on

230 It is now practical to hardwire ethical principles into technology and this is actively taking place. However, the rules and laws governing social networks, e-commerce, or AI are currently either designed in consistency with existing legal codes or based on abstract notions of justice and rights, not on the concrete expression of these in extractive transfers. In this regard, and further to the earlier EU examples, the European Commission for the Efficiency of Justice's (2019) *European Ethical Charter on the Use of Artificial Intelligence in Judicial Systems and their Environment* is revealing, as is the fact

redistributive matters goes hand in hand with technological advances that support the formulation of targeted proposals for elite business model and intra-elite contest rules to ensure that intra-elite contests on redistribution are transparent, vigorous, and evidence-based (see also Section 8.2.5).

One form of sustainable redistribution is exemplified by the Jubilee debt cancellations. From 2500 BC, jubilees were political acts by Sumerian, Assyrian, or Babylonian leaders and became part of Mosaic law (Hudson & Goodhart, 2018). As such, Friedman and Adler explain that: “Land was restored to its original owners during the Jubilee year (Leviticus 25: 13)” and, citing Hertz (1937/1992, p. 533), “in this way the original equal division of the land was restored. The permanent accumulation of land in the hands of a few was prevented, and those whom fault or misfortune had thrown into poverty were given a ‘second chance’” (2011, p. 109). Using the language developed in this inquiry, these redistributions were undertaken in recognition of continuous non-elite value creation and prior unsustainable value appropriation by elites to re-level the playing field and bargaining power differentials (manifested in new equilibrium prices, a situation that is depicted in Figure A5.9c), constrain ‘the extraordinary lever’, and grant the freedom to exit. Many elite business models were reset to zero, and the mountains of the sugarscape (using the analogy of Epstein & Axtell, 1996) were flattened, thereby surrendering more energy to non-elites. Jubilees were a practical elite transformational leadership policy driven by self-interested sustainability concerns for the polity, as “this enabled families to resume their self-support on the land and pay taxes, serve in the military, and provide *corvée* labor on public works” (Hudson & Goodhart, 2018 p. 3). This empathetic and compensatory narrative re-started value creation processes, shut down the ‘extractive escalation dynamic’, and benefited non-elite value creation as much as the long-term value appropriation potential of the elites. While Jubilee redistributions have their moral foundation in the Hebrew Bible and the Talmud (Friedman & Adler, 2011), in practice they provide a neat manifestation of the ethics of sustainable value creation for development. In contrast, any debt cancellation in today’s economies is a more intricate matter that must be constrained, weighted, and offset to avoid the creation of the conditions for future extractive redistribution.

The evidence that the university and lender business model of student loan debt forestalls value creation is incontrovertible (Brennan & Magness, 2019; Hanson, 2022). Should trapped students be relieved of their burden, and, if so, how is such redistribution sustainable? The December, 2023 “approval of an additional \$4.8 billion in student loan debt relief for 80,300 borrowers [brought] the total approved debt cancellation by the Biden-Harris Administration to nearly \$132 billion for more than 3.6 million Americans” (U.S. Department of Education, 2023). The transferee is clear (the beneficiary students), but what about the transferor (the payor)? Should it be the universities, whose

that “Google Apologizes for ‘Missing the Mark’ After Gemini Generated Racially Diverse Nazis” (Robertson, 2024).

overpriced educational offerings failed to generate the human capital endowments that would allow for loans to be repaid in the first place; the financial institutions whose business models encouraged these bad investments; or the general public? For society, redistribution (forgiveness) seems preferable to a middle-class group—students—sinking in debt burden, but rather than general taxpayers, should the transferors not be the principal beneficiaries of value appropriated but *not* created from this elite business model?

Evidently, the weighting of transfers must have zero tolerance for discrimination of any kind whether related to class, gender, race, nationality, age, sexual orientation, or any other. This is not because of the inherent immorality of such discrimination (this important consideration is in the purview of other fields), but because from an economic development perspective, discrimination gravely undermines value creation in society and hence the economic performance and prospects of a nation. When an individual lacks the freedom to realize his or her full value creation potential, society is worse off. The ‘innate value creation character of humans’ (natural) premise (see Figure A5.4c for the three premises of human behavior that this work employs) means that every single individual possesses the potential to create value—defined in this book as everything that humans determine is worth appropriating. The non-discrimination imperative is therefore a consequence of the speculative philosophy of value creation, is expressed in the ETED’s set of ethical principles, and is best realized not through compensatory transfers and redistribution but via the three freedoms of this work, as is discussed in the final sections of this chapter.

8.2.5 A future with everything or nothing to redistribute

[Sam Altman’s] grand idea is that OpenAI will capture much of the world’s wealth through the creation of A.G.I. and then redistribute this wealth to the people. (Metz, 2023)

The previous section of this inquiry argued, in contrast to Piketty, that the focus should not be on inequality *per se* and the existence of billionaires or wealth gaps, but on whether the accumulations of ‘money’ in the political economy are generated (or not) through value creation activities. In the above quote, does “capture much of the world’s wealth” imply some sort of prior extraction? The problem of inequality and wealth gaps is when they originate from the transfer-IN of elite business models such as monopolies, tax concessions, barriers to entry, property rights over what should be public goods, or cronyism. The solution to sub-optimal development is to address the causes, i.e., to dismantle the primary extractive value transfers that lead to inequality, not to pursue compensatory escalation through redistribution.

Billionaires whose elite business models appropriate value consistent with the value that is created are friends of economic and human development and therefore of non-elites and society at large. This inquiry is *laissez-faire* in suggesting that trans-

fers and redistribution should be minimized, but it also insists on equal opportunity in the sense that all should have the freedom to create value (see the following Section 8.3.1). Redistribution must always be weighted and offset against present and future value creation and institutionally limited by constraints, as the carrying capacity of first-order productive transferors is finite. The social element of the ETED is constituted by the universal enablement of value creation followed by a radical meritocracy with unhindered social mobility and the elimination of all barriers. This first requires aggressive social investments, i.e., transfers and redistributions that *Promote the freedom to exit and the freedom to create value irrespective of optimal value creation, transfer weightings, and potential offsets*, practical precept (vii). That is, through the institutionalization of freedoms to boost human capital as every citizen realizes his or her innate value creation potential (see the first premise of human behavior in Figure A5.4c). To reiterate, this includes satisfying all the conditions that maximize human capital such as quality healthcare, the best possible education for all citizens, freedom from any type of interference such as violence in the streets or by the state²³¹, and excessive tax burdens. As a result, the chances of social advancement through the complete equality of opportunity are heightened to the maximum. Interestingly, such ‘elevation’ is precisely what the cornucopian vision of superintelligence might enable:

If AGI is successfully created, this technology could help us elevate humanity by increasing abundance, turbocharging the global economy, and aiding in the discovery of new scientific knowledge that changes the limits of possibility. (Altman, 2023)

In contrast, pundits caution that: “the buzzword ‘AI’ goes too far. It overly inflates expectations and distracts”, with “overselling” evident in a majority of machine learning initiatives that “fail to deliver value” (Siegel, 2023). There are many things that current “LLMs will never do”²³² that might critically impede the growth of AI, including “limits of what can be achieved by simply scaling up the training data” (Villalobos, Ho, Sevilla, Besiroglu, Heim, & Hobbhahn, 2024), or the ability to ever get metacognition right (despite the progress outlined in Toy, Tabor, & MacAdam, 2024). Research by pragmatic economists also tempers the hype: Acemoglu’s (2024) “The Simple Macroeconomics of AI” concludes that “effects appear nontrivial but modest—no more than a 0.66% increase in total factor productivity (TFP) over 10 years”. As far as firms are concerned, AI will not help build a competitive edge, and merely “amplify” existing

²³¹ The two main non-elite types in the socio-economic structure pyramid have distinct preferences and perspectives on the absence of violence. For the managerial, technical, and creative class (2.a, Figure 8.1), institutional constraints on the political elite rank higher since they are minimally exposed to street violence, while for the population at large (2.b, Figure 8.1), constraints on public street disorder rank higher since they are minimally exposed to intra-elite contests in the narrative market and other political economy arenas.

²³² See: <https://news.ycombinator.com/item?id=40179232>, or <https://news.ycombinator.com/item?id=40713389>

advantages (Barney & Reeves, 2024). In terms of returns on investment, Gartner's (2024) *Hype Cycle for Artificial Intelligence, 2024* concludes that generative AI “has yet to deliver its anticipated business value”. Still, the analytical limits of the ETED are tested by first inquiring how the AI business models of the future might create value and then how they might stand in relation to its transfer and redistribution.

How knowledge improves the human condition has long been a subject of inquiry, with obvious references to technology, but also to philosophy, as in Deutsch (2011) or Pinker (2018). The latter, whose ideas would be in sync with Silicon Valley's “effective accelerationists” (Huet, 2023b), has publicly dismissed doom-mongering about AI, stressing that the principles of the Enlightenment, reason, science, and humanism, have served humans well and will continue to do so. In this spirit, economists like Cowen (2023) are “plenty optimistic about the positive capabilities of AI”, parking concerns about alignment because these are like the “worry about whether my car brakes will work properly on a slippery road”. So, if one can cast aside these concerns about risk, how will value materialize? To begin with, the “automated, generative, closed-loop approach to scientific discovery [will] unleash AI's potential for searching and discovering the fundamental structure of our world beyond what human scientists have achieved or can achieve” (Zenil et al., 2024). At the organizational level, while there are still no theories on the quandary of superintelligence or formulas for any specific sustainable managerial practice, a convincing body of research already shows AI automation and augmentation as being synergistic to human agency (e.g., Raisch & Krakowski, 2021) and points to the joint value creation paradigm (of Brandenburger, 2002; Garcia-Castro & Aguilera, 2015). Of course, such partnerships will not be without challenges, and when humans confront “AI-driven substitution”, the playbook for both workers and firms is to embrace the AI “acquiring augmentation capabilities that complement and substitute their traditional domain-specific capabilities as sources of competitive advantage” (Krakowski, Luger, & Raisch, 2023, p. 1447). Others have suggested that even creativity and “divergent thinking” can be enhanced with existing AI products (Eapen, Finkenstadt, Folk, & Venkataswamy, 2023). In addition, value spillovers may occur in a broader, more general sense. Gregory, Henfridsson, Kaganer, and Kyriakou, posit “that there is a positive direct relationship between the artificial intelligence capability of a platform and the value perceived in the platform by its users” (2021, p. 534). AI is expected to power efficiency gains and new offerings in areas like customer personalization, supply chain optimization, drug discovery engines (e.g., for cellular dysfunction therapeutics, see Wong, Omori, Donghia, Zheng, & Collins, 2023), algorithmic trading, and robotaxi fleets. What is the potential value magnitude of these developments and their related knowledge generation?

Altman has put figures on the envisioned value creation and hinted how much could be appropriated by their principals: “create \$100 trillion of value and become a one trillionaire in the process. I would cheer them on” (Klein, 2021). Similarly, Stuart Russell, the respected technology researcher, discusses value creation in his assertion that the “AI can do it at much greater scale and far less cost”. He points out that the

current annual investment of US\$ 100 to 200 billion is “10 times the budget for all other forms of scientific research” and estimates that the return could be a tenfold rise in GDP leading to a staggering NPV (the cash equivalent of future income streams) of US\$ 15 quadrillion (Neubauer Collegium, 2024, 8:38). These valuations are almost incomprehensible, but as we venture further down the road the mind-boggling futures envisioned by techno-optimists may well materialize.

The scenarios Tegmark imagines in *Life 3.0: Being Human in the Age of Artificial Intelligence* include several “friendly AI” worlds. There is the “Libertarian utopia” AI that does not constrain humans and so allows unpleasantities such as “preventable suffering”; the “Zookeeper” AI that thoroughly attends all, including our lowest, physiological needs; the “Benevolent dictator” AI whose severe protocols “maximize its model of human happiness”; and the “Protector god” AI that invisibly works behind the scenes to ensure that humans live purposeful lives well lived (Tegmark, 2017, pp. 168, 191, 202). Again, the path to some of these positive futures is already visible. For instance, in “Why we Need Artificial Intelligence to Save Humanity”, superintelligence not only delivers solutions to Eroom’s Law (the slowing down and increasing cost of drug discovery) but also more generally to secular stagnation (Rowley, 2023; see the discussion in Section 7.1.4). The latter has far-reaching implications for economic growth (see Section 7.1.4) and is consistent with Fink’s stress on the “transformative opportunities” of AI to “solve the productivity crisis” (Masters, 2023). Ray Kurzweil (2024) “explains how AI makes radical life extension possible [and] predicts that AI will combine with biotechnology to defeat degenerative diseases this decade. Then things will get really interesting”. To this inquiry, the primary question after such unimaginable value has been created is who appropriates it?

Altman’s OpenResearch think tank argues that no-strings-attached “cash increases possibility”²³³, and proposes redistributing this vast amount of value creation—to the tune of US\$ 13,500 to every American—in the form of a universal basic income (Clifford, 2021). Mustafa Suleyman, the co-founder of DeepMind (now Google DeepMind) and Inflection, calls upon the government to employ taxation to facilitate “funding a redistribution toward those adversely affected” (Suleyman & Bhaskar, 2023, p. 261). However, being charitably supported might not be everybody’s definition of utopia and also presupposes little value appropriation by the stakeholders of elite business models. Regardless, with the marginal cost of intelligence and energy approaching zero (Hoffman, 2022) and the marginal value creation of human labor also falling to nil (Altman, 2021), the value creation might be immense, making a general compensatory redistribution both necessary²³⁴ and technically feasible. As with the

²³³ See the data on “both the potential and the limitations of unconditional cash transfers”: <https://www.openresearchlab.org/studies/unconditional-cash-study/study>

²³⁴ The no-jobs scenario that makes redistribution necessary has been bluntly articulated: “The price of many kinds of labor (which drives the costs of goods and services) will fall toward zero once sufficiently powerful AI ‘joins the workforce’” (Altman, 2021).

earlier position taken on Piketty's work, a prior assessment must invariably be made to address the question of whether or not the trillions earmarked for redistribution originate from value appropriated but *not* created through the most 'extraordinary lever' ever assembled (as is depicted in Figure A5.3c) on the back of historically unprecedented bargaining power differentials.

These power differentials are best illustrated through how Apple, Microsoft, and Google have approached AI implementation. Initially, it seems like the latter committed one of the gravest strategic blunders in business history after having a seemingly unassailable technology, talent, and resource advantage.²³⁵ This was especially evident after the company's acquisition of DeepMind in 2014 and the publication by Google employees of the paper "Attention Is All You Need" (Vaswani et al., 2017, p. 1), that proposed the neural network transformer architecture to "connect the encoder and decoder through an attention mechanism", thereby allowing the model to selectively focus on the most relevant aspects of the input data and, based on context, to then dynamically adjust to generate more suitable data outputs. Yet such mistakes are not an issue for incumbents if there are no creative destroyers to rise and challenge their 'extraordinary lever', as newcomers face the unsurmountable gaps underlying 'the Amazon dilemma' (Section 2.2.2) and at best aspire for their ventures to be bought out; one might pause here and imagine a world where Apple had been acquired by Xerox, Microsoft by IBM, and Google by Motorola. What does A Weighted Redistribution Framework for policy (Table 8.3) suggest when skewed power differentials bring elite business model circulation to a halt, even when progressive renewal should accelerate thanks to waves of disruptive technologies? More specifically, in the here and now, how should an elite system react when, prior to redistribution, the division of value becomes wildly unbalanced as a consequence of the AI supplier reducing the residual incomes of most principals to near zero (as in Figure A5.13b)?

The point is variously made that power differentials and value appropriated but *not* created are inherent to the very nature of data, the "platform economy" (Bamberger & Lobel, 2017), and the technological processes of AI business models. Does the open source policy famously envisioned by Mark Zuckerberg, who asserted that it was "necessary for a positive AI future" (Schwartz, 2024) and then implemented at Meta's LLaMA (Large Language Model Meta AI) by Yann LeCun, its chief AI scientist, mitigate the potential extraction problem? Not according to "andy99" at *Hacker News*, "because of the conditions on the license under which the weights are released" the open source policy is no more than narrative cover; that is, the tech giant is "corrupting the term 'open source'".²³⁶ Is DeepSeek's (2025) use of an MIT License "known for

²³⁵ Google's huge head start is evident from a January 2018 email exchange (see OpenAI, 2024) where Musk is the recipient of a message from an anonymous colleague (as shown on the OpenAI webpage) stating: "I cannot see anything else that has the potential to reach sustainable Google-scale capital within a decade."

²³⁶ See details at: <https://news.ycombinator.com/item?id=38425114>

its brevity and clarity [that] grants permission to use, modify, and distribute the software” (MIT Technology Licensing Office, n.d.) any better, and if so, how disruptive is this and how much generalized value creation does it facilitate? Widder, West, and Whittaker (2023) argue that “some companies have moved to embrace ‘open’ AI as a mechanism to entrench dominance, using the rhetoric of ‘open’ AI to expand market power while investing in ‘open’ AI efforts in ways that allow them to set standards of development while benefiting from the free labor of open source contributors”. At the same time, Patel and Ahmad (2023) discuss a “leaked document” by a worried Google researcher who recounts how when Meta’s LLaMA was shared with the public, “a tremendous outpouring of innovation followed, with just days between major developments. Here we are, barely a month later, and there are variants with instruction tuning, quantization, quality improvements, human evals, multimodality, RLHF, etc. etc. many of which build on each other”. The value creation by stakeholders in leading AI projects is so patent—especially the contributions of the open source community—that it begs a further reflection on value appropriation:

Because the leaked model was theirs [Meta’s], they have effectively garnered an entire planet’s worth of free labor. Since most open source innovation is happening on top of their architecture, there is nothing stopping them from directly incorporating it into their products. (Patel & Ahmad, 2023)

Kate Mosse (2024) explains that “*Labyrinth* is just one of several of my novels that have been scraped by Meta’s large language model” and sharply adds: “This has been done without my consent, without remuneration, without even notification. This is theft”. The weighty ramifications of “free labor” being effortlessly appropriated by the elite business models of technology will become painfully obvious once foundational LLMs and other machine learning technologies are pervasive and monetized in earnest. First, how should one quantify value created but *not* appropriated by participants in the AI ecosystem, i.e., by academics doing the basic research, by the taxpayers that funded it, by the algorithm trainers and prompters in the open source community and the general public, and by the knowledge creators and other content generators whose information has fed the large language models (LLM) in their infancy and beyond? Second, and if data should be “beyond free” and treated as labor (as is argued by Arrieta-Ibarra, Jiménez-Hernández, Lanier, & Weyl, 2018), Brynjolfsson, Li, and Raymond “raise questions about whether and how workers should be compensated for the data that they provide to AI systems” (2023, p. 22).²³⁷ It is cer-

²³⁷ The issue of compensating stakeholders for their value creation likewise applies to user-generated content (UGC) on platforms ranging from Yelp to Facebook that have “a large causal impact on economic and social outcomes” (Luca, 2015, p. 563). Here, the YouTube Partner Programme (YPP) and Spotify show what is possible. Despite its power as “legislator, judge, and executive authority” (Kopf, 2020), from revenues totaling US\$ 89.5 billion over the last three years (Iqbal, 2024), the YPP distributed “over \$70 billion to creators, artists, and media companies” according to Neal Mohan in

tainly true that the “value pie” of AI is cooperatively created by the principal and many stakeholders in a “collective process” (again, Porter 1980; Brandenburger, 2002; Garcia-Castro & Aguilera, 2015; Mazzucato, 2018) particularly as value creation and appropriation are “intertwined” (again, Di Gregorio, 2013, p. 40). Hence, could a significant amount of that US\$ 100 trillion pie actually constitute extractive value transfers that benefit the owners of foundational models or GPU technology? Jensen Huang, founder and CEO of NVIDIA, reveals the upending of all principal-supplier relationships in what he refers to as a “new industrial revolution” at COMPUTEX in Taipei:

US\$ 3 trillion IT industry is about to create something that can directly serve a hundred trillion dollar of industry no longer just an instrument for information storage or data processing but a factory for generating intelligence [sic]. (NVIDIA, 2024, 41:10)

The valuations of some tech majors now exceeds a trillion dollars, while Apple, Amazon, Facebook, Google, Microsoft, and Netflix “have accounted for over 50% of the growth in equity value in US markets over the past 20 years” (Petit & Teece, 2021, p. 1168). The development trajectories and institutional arrangements of such companies are such that a handful of suppliers of high-performance computing and intelligence on demand could divide the value pie at will. In a twist that both hyperbolizes and reverses Marxist exploitation, nearly all capitalists and elite business models—no matter where in the world they are based—will, in the not-so-long term, be reduced to a subsistence-level, enduring negative net value extraction and with their residual income tending to zero. This will happen as ‘the extraordinary lever’ persistently amplifies its influence to previously unseen levels (Figure A5.3c) translating its power differentials into the value chain. The AI suppliers will *de facto* switch roles and become the principals to all other (former) principals and stakeholders in the economy (as in Figure A5.13b).

For Petit and Teece (2021, p. 1169), the concentration of power is not problematic. They admit market dominance but see “dynamism, not a base of monopoly power”, stressing that as a result the “digital economy shows unprecedented productivity growth, rapid innovation, and new firm entry”, with value creation in this “mologopoly” (where tech giants are both monopolies and oligopolies) the direct result of fiercely competitive markets (Petit, 2020). The ability of American Big Tech to innovate and offer differentiated products and services chimes with Chamberlin’s “monopolistic competition” theory where “the search for an exploiter appears as a misdirected effort” on the intriguing assumption that “‘entrepreneurship’ seems to be as highly divisible and capable of being redistributed as any factor” (1933/1949, p. 218, see also Wolla & Backus, 2018). Yet will this unrivalled form of power not eventually translate into value created but *not* appropriated, a particularly concerning dynamic

his “Letter from the YouTube CEO” (2024). This 78% percentage generously recognizes the co-creation of value, as Spotify does to a lesser extent by paying out 63% of its total revenues as artist royalties (Jacca-RouteNote, 2024).

if the value is co-created? *The New York Times* manifestly believes that this is already happening and has started litigating against OpenAI and Microsoft “to hold them responsible for the billions of dollars in statutory and actual damages that they owe for the unlawful copying and use of The Times’s uniquely valuable works” (*The New York Times Company v. Open AI and Microsoft*, 2023, p. 4).

Are the unspecified billions that *The New York Times* is seeking proportional to the value creation of its “quality journalism”, which is “the most highly represented proprietary source” in Common Crawl, and in turn “the most highly weighted dataset in GPT-3” (*The New York Times Company v. Open AI and Microsoft*, 2023, pp. 26, 27)? Or, is the legal action the first step in an ‘extractive escalation dynamic’ where value will be monetized by a larger but still limited number of elite coalitions with sufficient political economy power? Obviously, if all individuals who contribute their data or knowledge to LLMs, including the users that train chatbots, could appropriate value in proportion to their contributions, even a 100 trillion-dollar sized pie would not suffice. In this case, America’s leading daily newspaper showed little concern for other non-elite stakeholders, even if it is starting this intra-elite contest with strong support from its non-elite readers, as is reflected in the comments section for the article announcing the lawsuit (Grynbaum & Mac, 2023). Altman has noted that OpenAI’s “model of the external world is ‘incredibly rich and subtle,’ [because] it was trained on so many of humanity’s concepts and thoughts” (Andersen, 2023). Surely not all of these contributions possibly belong to *The New York Times*? The lawsuit does not involve the precise weighting of humanity’s value creation vs that of the newspaper of record—it is strictly a self-centered claim on OpenAI’s value transfers. It may also eventually become, via intricate elite business model rules such as inventive accounting approaches to royalties, an entry ticket into the AI elite coalition.

A conceptual matter that is by no means immaterial to this case, and to the larger issue of quantifying and compensating free labor in the age of tech oligopolies, is whether the source of the bargaining power differential that allows the supposed value extraction of AI is rooted in ‘political economy know-how’ or in ‘knowledge’ (see Figure 2.3)? More specifically, and as posed by Bamberger and Lobel’s (2017, p. 1055) first question (out of eight) in their seminal *Berkeley Technology Law Journal* article: “is platform success attributable to market innovation or undesirable regulatory arbitrage?” A counterfactual legal arrangement could be imagined where all the ideas on which LLMs rest; the knowledge created by academics, hackers, or prompters that have brought about better parameter counts, attention mechanisms, or energy efficiency, are instead part of an institutionalized digital commons, a genuinely inclusive open source license where monetization, if and when it happens, accrues to contributors and stakeholders, the owners of Big Tech, and governments in accordance with the maxim, *To the creators the value created*. Yet without ‘the extraordinary lever’ of the large technology business models (Figure A5.3c) and their all-important coordination capacity grounded in transaction cost differentials (Figure A5.3a), can the latent promise of the technology ever be realized? Currently, this question has scant space in the public discourse as value cannot easily be attributed to stakeholders and elite business model principals can cut through

any obstacles to consolidate and augment their ‘knowledge’ advantage while effectively reversing any legacy ‘political economy know-how’ disadvantages they have in relation to older incumbents (in the finance industry, the military-industrial complex, or the mass media establishment). Meanwhile, the AI race is increasingly skewed against smaller players and the elite circulation velocity (Section 1.3.3) is well below the desired level as “the dominance of big tech in cloud computing, coupled with a shortage of chips, is preventing smaller AI software and hardware startups from competing fairly” (Quach, 2024). In ‘the Amazon dilemma’, the ‘elite power vs value creation gap’ is exacerbated by the ‘elite vs non-elite knowledge creation gap’ (Section 2.2.2). The former gap tends to grow over time (Figure 4.5), while the latter is now expanding at an astonishing rate. Again, while the new ‘knowledge’ generated by Big Tech through its higher coordination capacity is notionally a value bounty, old elites and start-ups alike are overwhelmed or captured when the transaction cost differentials that lie at the root of Big Tech’s bargaining power transform ‘the extraordinary lever’ into a massively lopsided device for previously unseen value transfers. A Brookings Institution commentary states:

The absence of behavioral rules for new technology allowed Gilded Age companies to attack individual rights and the public interest. That was until We the People, acting through elected representatives, rose. Industrial era regulation created a countervailing force that protected consumers and competition while building the world’s most vibrant capitalist economy. [. . .] The digital Gilded Age’s never-before-seen behaviors demand a similarly creative rebalancing. (Wheeler, 2003)

Would such a rebalancing entail legal reforms that move the needle towards the hypothetical conditions of ‘equalized bargaining power equilibrium prices’ across economic sectors and what would the effects be? Khan (2018, p. 653) stressed that “what matters in defining a sustainable political economy at the macro level is not an explicit, or even an implicit, agreement or pact between *elites*, but a stable distribution of power across *organizations* [emphases in original].” On the one hand, a more balanced allocation of influence would see a downscaling of value transfers, with residual income from division of value strategies more in line with actual value creation (Sections 2.2.2 and 2.2.3). Some stakeholders, such as contributors to open source communities and content producers (for AI projects or Roblox and Minecraft platforms), advertisers (on Meta or Google services), or developers (on the Apple Appstore or the Google Play Appstore), would appropriate more of their value creation. On the other hand, there is an argument that value creation could be compromised. This is the grand sustainability—and value transfer weighting—dilemma of our age. Concertedly, what should stakeholders that are critical of Apple’s “secret 30% tax”, or officials at the US Department of Justice driving the 2023 lawsuit against Google for alleged “anticompetitive conduct” do as AI catapults Big Tech’s already potentially onerous bargaining power differentials to inconceivable new heights? The “ethos of Silicon Valley” that “privileges disruption over sustainability, sharing economies over union labor, personalized access over public health, data over meaning, and security over freedom” (Levina & Hasinoff, 2017, p. 489) implicitly demands second-order value transfers away from first-order pro-

ducers (e.g., non-elite content generators, taxpayers, suppliers using platforms) both for its innovation and generation of growth. Throughout *The Coming Wave: Technology, Power, and the 21st Century's Greatest Dilemma*, Suleyman and Bhaskar (2023) stress the “responsible” governance of technology, “responsible” deployment of LLMs, and “responsible” licensed developers, with even the AI research culture and the technologies themselves asked to be “responsible”. Are the newly emerged technological elites on balance not engaged in sustainable value creation? Is society not already weighting their models appropriately in light of the reality that ‘all elite agency creates and transfers value’? The massive philanthropy of Mark Zuckerberg and Priscilla Chan, announced in their *Letter to Max* (2015), adds credence to such a narrative:

We will give 99% of our Facebook shares — currently about \$45 billion — during our lives [. . .] to advance human potential and promote equality for all children in the next generation. Our initial areas of focus will be personalized learning, curing disease, connecting people and building strong communities.

Is such philanthropy a form of transformational leadership by the ultimate beneficiaries of fractal inequality and a suitable approach to address the emerging skewed power distribution properties of a system that the logic of information, technology, and ‘knowledge’ (Arrow, 1996) invariably and drastically intensify? The Schumpeterian position that innovation and growth benefit from top income inequality but not from broad measures of inequality (Aghion, Akcigit, Bergeaud, Blundell, & Hemous, 2019) seems adopted as the *de facto* prescription. That is, the ‘license to steal’ (Section 2.3.1) should be placed in responsible hands. A valid condition for proceeding on this course would be that such licenses could always be taken away later (in line with the constraints described in the weighted policymaking frameworks, see Tables 8.2 and 8.3). In the meantime, Google explains why AI is safe in its custody:

While the generative AI landscape is a *wild west* of companies racing to release their AI products and models . . . we, Google, the ‘*don’t be evil*’ company, are all about **responsible AI** [emphases in original]. (DelSignore, 2023)

This reference to evil is reminiscent of one of Lenin’s diatribes against the state: “An Instrument for the Exploitation of the Oppressed Class” (1918), only for the Bolshevik authorities to later brutally suppress not the bourgeoisie but the councils of workers and sailors at Kronstadt in 1921. History shows that once it is granted, an open-ended license to operate is practically impossible to wrest away from the powerful by rival elites (and much less so by non-elites). To this inquiry, “creative rebalancing”, the safe and aligned transition to the superintelligence phase of economic development, requires the establishment of weighted, optimal, and *reversible* amounts of extractive value transfer activities. This might be a relativization of evil (see Section 8.2.1) and it certainly smacks of the technocratic ideal and “the folly of technological solutionism” (Morozov, 2014). In fact, to the extent that the iron law of elite dominance and Olsonian logic hold true, a superior AI, ethically aware and aligned, can only come from narrow

elite agency. In a Hobbesian or maybe Faustian bargain, society anoints Big Tech to become competitive monopolists (Chamberlin, 1933/1949; Petit, 2020; Petit & Teece, 2021), “relative inclusive elite cartels”, or what Pareto termed “pluto-democracies” (Higley & Burton, 1998, p. 98). The fact that Big Tech appropriates non-elite knowledge and that its “responsible AI” rides on the back of an ever-widening ‘elite vs non-elite knowledge gap’ (Section 2.2.2) is, after weighting and offsetting, passed over and accepted. Even if Meta becomes the coordination nexus of the AI technology stack, one can justifiably be swayed by the merits of Zuckerberg’s vision (Schwartz, 2024) that: “Open source will ensure that more people around the world have access to the benefits and opportunities of AI, that power isn’t concentrated in the hands of a small number of companies, and that the technology can be deployed more evenly and safely across society.” Nonetheless, should these promises about safety, inclusiveness, and above all, distributed power and value creation (and implicitly value appropriation) not materialize, and extraction then become disproportional or irreversible under the current business models and institutions, the bargain loses its allure from a developmental perspective.

What is the end game when most former elites and non-elites defer their agency to the service of dominant coalitions that monetize the value from all data and have an institutionalized or *fait accompli* lock on all human knowledge ever produced and to be produced in any language on earth? When there is no recourse to the status quo as the separation of powers becomes moot? When there is no coordination capacity outside AI elites with transaction costs nearing zero? When, conversely, all other stakeholders and participants in the economy—given social life’s dependence on intelligence—have the Damocles sword of soaring costs hanging above their heads (compelled to accept whatever price is offered to them by the few owners of intelligence factories)? Is this a trap-like situation where elite circulation conclusively grinds to a halt? Does the end of history come with a perpetual ‘license to steal’?

Far from being a doomsday scenario, are these difficult principal-stakeholder relationships not moderated by transformational leadership undertaken by great elite coalitions (Section 1.3.3) that thus boost development? To many, they are preferable to a potentially irresponsible AI that is not in the custody of oligopolists. It is also argued that responsible Big Tech offers some sort of deliverance from the law of the jungle that would result from distributed and competitive intra-elite contests for the AI value pie.

Regardless, there is a valid case for examining the institutional arrangements that potentially enable elite business models to spawn centibillionaires or trillionaires. This prompts an applied question: can equilibrium be reached between ‘the extraordinary lever’ of Big Tech (to ensure innovation, inclusiveness, and responsible AI) and institutionalized limits on value appropriation (to ensure distributional outcomes that are reflective of technological value co-creation, such as intertemporal constraints on the ‘license to steal’)? Lawmakers have also pondered this matter and the European Parliament (2023) summarizes the main aims of its landmark AI Act as follows:

- Safeguards agreed on general purpose artificial intelligence
- Limitation for the use of biometric identification systems by law enforcement

- Bans on social scoring and AI used to manipulate or exploit user vulnerabilities
- Right of consumers to launch complaints and receive meaningful explanations
- Fines ranging from 35 million euro or 7% of global turnover to 7.5 million or 1.5% of turnover

However, none of the current initiatives, not the EU AI Act of 2023, nor the previous AI rules of the European Commission (2018, 2021) with its ambition to “place new requirements on high-risk AI in socioeconomic processes, the government use of AI, and regulated consumer products with AI systems”, nor the Biden Administration’s proposal for the AI Bill of Rights (AIBoR) with its focus on “AI harms to economic and civil rights” (Engler, 2023), nor the UN report on “Governing AI for Humanity” with its well-intentioned but naive guiding principle 1 that the “AI should be governed inclusively, by and for the benefit of all” (United Nations, AI Advisory Body, 2024, p. 7) contemplate any of the material value transfer considerations advanced by the elite theory. That is, there are no explicit limits on the power accumulation associated with the *de facto* privatization of all human knowledge repositories. This absence is all the more striking when institutions recognize that the “accelerating development of AI concentrates power and wealth on a global scale” (United Nations, AI Advisory Body, 2024, p. 7). At the moment, the non-market initiatives and narrative market considerations that address non-elite value appropriation are of marginal consequence. In any case, the ETED holds (see Proposition 18, Section 3.3.1) that any meaningful change will only come from the AI elites themselves as a result of their intra-elite contest dynamics, while The UN, the EU Commission, or even the US government function here as non-elites.²³⁸ It has been pointed out that in the political arena, the anti-trust initiatives led by Lina Khan’s FTC—despite facing heavy criticism, as in *The Wall Street Journal* (see Beales III & Muris, 2024)—might, somewhat surprisingly, see continuity during Trump’s second term. Steve Bannon aligns himself with Khan and Teddy Roosevelt’s antitrust legacy in his crusade against the tech elite, with the stated aim of “crushing the oligarchs” in the broadest sense (The Financial Times, 2025, 14:42). Yet without decisive backing in the elite system and mainstream narrative markets, this discursive package may not produce meaningful change. Bernie Sanders’ “national tour to fight oligarchy” (Peoples, 2025) offers limited help and impact from the political margins. Although elite circulation in America has historically been robust, the accelerating dominance of technological and data-centric elite business models now presents an exceptional challenge for emergent elites. In any event, the planning for any transformation starts with assessments of value transfers (supported by SVC measurements), and since these require colossal computational resources, the solution to the potentially extractive agency this section has described might ultimately come from a most unexpected source.

²³⁸ Maverick thinkers like Aschenbrenner speculate about a hypothetical seizure of state power since “whoever controls superintelligence will quite possibly have enough power to seize control from pre-superintelligence forces” (2024, p. 70).

Besides curing cancer and extending lifespans, supporting the advent of fusion energy (Poore, 2024), and restoring the ecological balance of the planet, AI's greatest potential might lie in its ability to compute the entire set of value creation and transfers of the human universe on the fly. Through its own version of 'weighted transfers modeling' and a 'weighted transfers game', the AI could capture all socio-economic interactions while establishing instantaneous sustainable value creation at the individual (e.g., ind-VCr), firm (e.g., VCr), and national (e.g., EQx) levels to solve the *qui generat valorem* question (in consistency with ethical principles, see Table A4.3b).

Could the ultimate criteria for AI safety be 'The AI division of value alignment test'? That is, for any business model, the value creation of its beneficiaries and the co-creation contributions of its stakeholders are first determined before scenario simulations weight and offset these for inclusive development. This is the challenge that this elite theory makes to the owners and boards of each new release of ChatGPT, Google's Gemini, xAI's Grok, DeepSeek, Tencent's Hunyuan, or Alibaba's Qwen. Should it be accepted, the task is an optimization problem so formidable that only the inference power of a yet-to-come superintelligence might be capable of accurately working out the 'quantifiability of value transfers' (the finance assumption of SVC measurements) for the relevant set of principal-stakeholder relationships. The currently unattainable task of attributing value to each of the co-creating parties (see Section 2.2.2.) to support weighted structural reforms and the associated legal changes might finally be addressable by the AI, possibly in allusion to the equalized bargaining power equilibrium price counterfactual, a narrow 'elite power vs value creation gap' (see a rendition in Figure A5.9c), or through other approaches that may emerge. OpenAI insists that "the benefits" of AGI be "widely and fairly shared" (Altman, 2023). This wish aligns with the ETED if, from a human and economic development vantage point, intrinsic values such as the maxim, *To the creators the value created*, and the possibilities it affords for transfers and weighted constraints on appropriation are taken into account.

Imagine that an AI recognizes and quantifies the value that the principals of business models—human and non-human alike—create. Or, by removing the cover of redistribution and other narratives, an AI that supplies transparency about the transferors and transferees of value appropriated but *not* created. Once that happens, the AI becomes the enabling narrative, the *de facto* institution that limits the appropriation of value creation. That is, through its knowledge creation, the AI instantiates the sustainable value creation ethical principles (see Table A4.3b). Such a possibility is in part contingent on the level of AI agency (see the related hypothesis in Table E.1), and relatedly on its (and its owners) ability to independently and impartially establish SVC measurements and so optimize the political economy through the weighting and offsetting of business models, most notably in the sensitive cases that call for 'alternating value extraction and creation'. Under such a scenario, Gates, Zuckerberg, or Huang might not have hundreds of billions or trillions of dollars at their disposal to reallocate after all. If the AI's zero marginal cost of intelligence confers it with the possession of 'the absolute lever', it can systematically shed light on and constrain any transfers and rent seeking at source, making redistribution redundant.

The all-seeing AI that makes redistribution irrelevant might be a boon to economic and human development, but does not obfuscate one of the most critical epistemological issues of this inquiry. The logic outlined here is perilously reductionist, hints at the failure of ‘the great elite coalition for development’ conjecture, and points directly to the traps of technocracy and technological solutionism (Morozov, 2014), of the “glass cage” (Carr, 2014), or even the “faux spiritual side of AI” (Lanier, 2023). It is both an approximation to and a far cry from Langdon Winner’s “ambitious calls for a substantial, even sweeping restructuring of modern technology-centered societies as an answer to critical evaluation of the political and environmental ills” society faces in the age of an autonomous, self-learning AI (2020). Moreover, and in line with the earlier discussion on existential threats, the Future of Life Institute (2023) warns of “dangers that may arise from the present and future generations of advanced AI systems if they are left unchecked”, yet the skewed evolution of power relations and the value appropriation of the AI-augmented human principal in stakeholder relationships is a framework seldom addressed. Rather than contributing to solving the transformational leadership problem central to the ETED, the superintelligence shifts the problem from human to non-human elite agency and intensifies the issue by not offering fundamental political economy solutions. Though one might wish for the AI to technically resolve the conundrum of sustainable value creation and how to constrain transfers by using its colossal computational abilities and agency, the institutional conditions that this would require will still need to have freedom at their center.

8.3 On freedom

The final section of this closing chapter starts by identifying the three types of freedom that are needed to realize the set of ethical principles for development (see Table A4.5b). Two fundamental freedoms, ‘the freedom to create value’ and ‘freedom from value extraction’ are proposed and associated with investment and development (8.3.1, see Figure 8.4). The second sub-section adds a third enabling freedom, ‘the freedom to exit’ (8.3.2, see Figure 8.5). The third sub-section ends the book with some closing reflections that link the essential conceptual elements of this theory and grounds them in first principles, including Schopenhauer’s “will to live” and Nietzsche’s “will to power” (8.3.3). It is shown that fulfilling the promise of freedom for sustainable economic and human development ultimately requires ‘elite judgment’.

8.3.1 Two fundamental freedoms: Where elite and non-elite interests converge

The maxim, *To the creators the value created*, is to John Bates Clark a natural law that “assigns to every one what he has specifically produced” on the assumption of unobstructed and “free bargaining” (1899/1908, p. 3). Value extraction is therefore problem-

atic to freedom. The inquiry now fleetingly touches upon two conceptualizations of freedom that facilitate positive developmental outcomes.

In his book *Escape from Freedom* (1994), Erich Fromm discusses “freedom from” (negative freedom) or the absence of any restraints, which has also been conceived as freedom from want. In the ETED, such restraints are imposed by powerful others to overcome resistance to extractive value transfers and realize value appropriated but *not* created. The philosopher also conceived “freedom to” (positive freedom) as the ability to engage in the creative acts of ones choosing. Transposed to development, this would refer to the realization of value creation opportunities. Thinkers have conceptualized these two freedoms in various ways: “Negative liberty is the absence of obstacles, barriers or constraints. [. . .] Positive liberty is the possibility of acting—or the fact of acting—in such a way as to take control of one’s life and realize one’s fundamental purposes” (Carter, 2019).

Sen identified the “opportunity aspect” of liberty as being vital to social choice theory and further underscored “the importance of *effectiveness* in the realization of liberty”, and the complimentary “process aspect” (1999b, pp. 363, 364). His “freedom to do some basic things that are necessary for survival and to avoid or escape poverty” relates to the “capabilities approach” with “its focus on what people are effectively able to do and to be”, an idea rooted in Aristotle, Smith, and Marx, and on which basis Nussbaum (2003) “argues for a well-defined but general list of ‘central human capabilities’ that should be incorporated in all constitutions” (Robeyns, 2005, pp. 94, 101, 103). These “fundamental entitlements” include: “Being able to live with concern for and in relation to animals, plants, and the world of nature”; “Being able to use the senses, to imagine, think, and reason – and to do these things in a ‘truly human’ way, a way informed and cultivated by an adequate education, including, but by no means limited to, literacy and basic mathematical and scientific training”; and “Being able to laugh, to play, to enjoy recreational activities” (Nussbaum, 2003, pp. 40, 41–42). *The Universal Declaration of Human Rights* (1948) articles, much like the constitutions of the majority of liberal democratic political systems, incorporate both negative freedoms (freedom from) such as the “right to life” protection from being unlawfully killed (art. 3), “freedom from discrimination” (art. 7), or “the right to own property [which] no one shall be arbitrarily deprived” (art. 17), and positive freedoms (freedom to) such as the “right to education” (art. 26) “for the realization of one’s human potential” (Okulicz-Kozaryn, 2014, p. 1011), “the right to work” (art. 23), or “the right to social security” (art. 22).

The interests of non-elites, as has been repeatedly noted throughout this inquiry, are centered on the right to create value to fulfill innate human potential (see the premises on human behavior in Figure A5.4c) and be emancipated from extractive value transfers. The freedom *to* create value and freedom *from* value extraction respectively correspond here to ‘freedom for’ the unimpeded creation of value, and ‘freedom from’ this value being taken away. These fundamental freedoms are also in the self-interest of elites—if understood as striving for sustainability and development—and have to be explicitly incorporated in institutional design. To understand why, Figure 8.4 presents ‘The Two Fun-

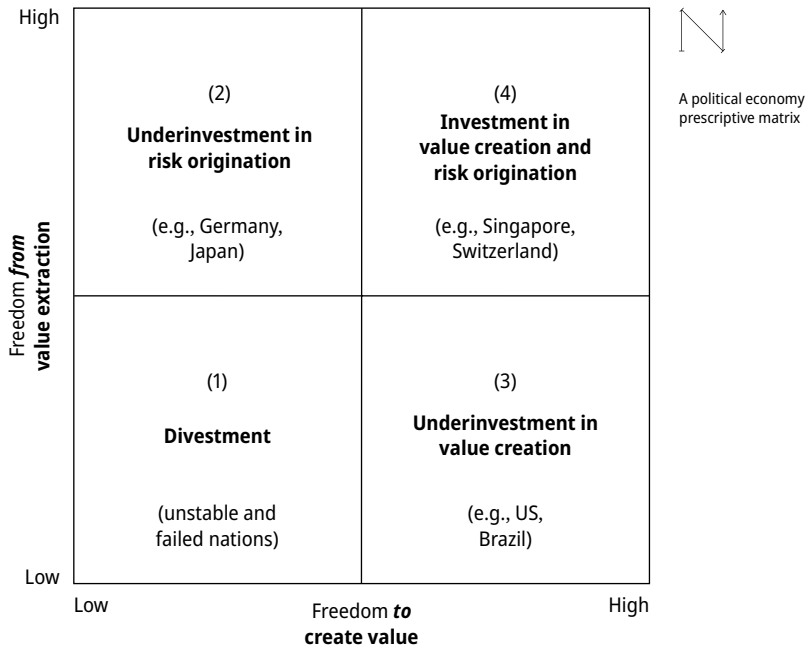


Figure 8.4: The Two Fundamental Freedoms for Development Matrix.

damental Freedoms for Development Matrix’, which outlines their relationship to types of investment and the consequences for development, while also suggesting some countries that might fit the profiles of the four ensuing quadrants.

The optimal investment levels in the economy depicted in ‘investment in value creation and risk origination’ (quadrant 4) maximize the production function and realize developmental potential. Such a position, typified by Switzerland and Singapore, is achieved by the existence of the freedom *to* create value and the freedom *from* value extraction. In ‘underinvestment in value creation’ (quadrant 3), non-elites and some elites are travailed by the extractives transfers of the powerful and have few incentives to be productive or invest in their own human capital. However, the existence of the freedom *to* create value means that the tougher elites and non-elite agents will still make bold bets, with some of the latter reaching elite status and at times creating massive new value. The US and Brazil have a significant number of value creators but also see unproductive non-elite responses to extraction such as ‘exit’ or ‘informality’ (see Table 5.1) that come at a cost to elite business models and economic and human development in the form of untapped potential. In ‘underinvestment in risk origination’ (quadrant 2), the challenges are the disincentives to create new value in the first place, not because of extraction but because non-elites, especially emerging elites, are not enabled. Accumulated institutional change in support of the status quo via closed social access, excessive regulation or taxation, and conser-

vative narratives and culture, all impede the flourishing of the Will to Power's instinct to create value. This is evident in the partial elite circulation (see Figure 1.1) seen in the cases of Japan or Germany over the last half century, the low levels of risk origination (see Figure 6.9) and the dormant agency of non-elites whose value creation could otherwise propel them to rising elite status (e.g., on the back of Schumpeterian creative destruction and entrepreneurial activity). 'Divestment' (quadrant 4) reflects the lack of the two fundamental freedoms for development in countries where positive returns on investments accrue only to established elites in possession of 'political economy know-how', irrespective of their 'knowledge', leading to negative capital accumulation growth rates and chronic Hayekian malinvestment.

8.3.2 The enabling freedom to *exit* that rebalances bargaining power differentials

In *Development as Freedom* (1999a), Sen determined freedom to be essential to development and the most efficient path to inclusive welfare. This section further connects freedom to growth by introducing a third freedom, the freedom to *exit*, as a practical necessity for prosperity. Development theories have sought to understand economic and human development and their relationship to each other. What the UNDP's Human Development Reports measure is qualitatively distinct from economic growth (Gasper, 2004, pp. 164–165), while it is self-evident that the citizens of healthy, educated, and knowledge-producing societies have more freedom to create value and are therefore more likely to engage in value and risk creation and contribute to economic development. Healthy and educated citizens are similarly less likely to have suffered from extraction by the powerful because of freedom *from* extraction, the second key incentive to create the value and risk that underwrite economic development. John Locke put forward a “doctrine of property” centered on economics and value appropriation (Parsons, 1969), a set of ideas where freedom, in both its positive and negative forms, takes center stage and contains elements of the maxim, *To the creators the value created*. In their bestselling book, *The Narrow Corridor* (2019a, p. xi), on “the fate of liberty” and development, Acemoglu and Robinson also understand liberty in Locke's terms and cite the English philosopher's conception of it as follows:

To understand political power aright, and derive it from its original, we must consider what estate all men are naturally in, and that is, a state of perfect freedom to order their actions and dispose of their possessions and persons, as they think fit [. . .] without asking leave, or depending upon the will of any other man [and that the state of liberty] is not a state of license [. . .] no one ought to harm another in his life, health, liberty or possessions (Locke, 1823/1993, pp. 106, 107)

This work's conception of liberty also rests on a synthesis of the two concrete fundamental freedoms: the freedom to create value and freedom *from* value extraction (see Figure 8.4). Liberty in the abstract risks being indecipherable to many, including citi-

zens of non-Western cultures whose value systems prioritize the collective (Triandis, 1989), but what is universally articulated and intelligible are the specific freedoms to create value and *from* value extraction. These can be connected to fairness rooted in the atavistic sense of justice that involves the amygdala (Gospic et al., 2011), and to reciprocity and empathy that have sociobiological and evolutionary bases (Dawkins, 1976; Alexander, 1987; de Waal, 2006). The two fundamental freedoms can therefore manifest themselves to different degrees in a multiplicity of narratives and beliefs ranging from sociopolitical (e.g., forms of liberal democracy, technocracy, Socialism, Communism, Confucianism) to religious (e.g., Hinduism, Judaism, Buddhism, Christianity, Islam). Yet in practice, these freedoms are enabled by a third variant: the ‘freedom to *exit*’ (as depicted in Figure 8.5).

This mechanism guarantees the freedom *to* create value and the freedom *from* value extraction (the two axes of the matrix in Figure 8.4), gives agency to non-elites, and references the VCA framework and equalized bargaining power between principals and stakeholders. Exit here is conceived of as a freedom to engage in alternative principal-stakeholder relationships in order to maximize the potential for value creation, often meaning the termination of extractive transfers where too much created value is perceivably appropriated by the counterparty. This might be taken to resemble the classical liberal “ideal of freedom as antipower” that is probed by Pettit (1996, p. 602). The disavowal of power is as utopian and impractical here as the perfect information assumption is in economics. Nevertheless, the freedom to *exit* is a rebalancing of power and can be striven for and systematically achieved through structural reforms or reinforced institutional arrangements in the elite separation of powers. Without the freedom to *exit*, entry is disincentivized; without limited liability or the *de jure* depersonalization of business, productive entrepreneurship is *de facto* repressed (as was the case in Rome, see Abatino, Dari-Mattiacci, & Perotti, 2011). Moreover, when the freedom to *exit* falters, an assorted range of unproductive non-elite pseudo-exit responses proliferate: Japan’s *hikikomori* recluses, China’s *tang ping* lying flat movement, Russia’s alcoholics, or America’s opioid victims (see Section 5.2.3 and Figure A5.8).

The enabling freedom to *exit* is institutionalized and becomes productive through multiple avenues: bankruptcy laws; Jubilees (see Section 8.2.4 and “In the year of this jubile ye shall return every man unto his possession” King James Bible, 1769/2017, Leviticus 25:13); consumer choice laws (e.g., *Unlocking Consumer Choice and Wireless Competition Act*, U.S. Senate, 2014); escaping the debasement of a national currency through access to foreign financial instruments; debt brakes (Danninger, 2002; Sinn, 2020, p. 120); career mobility without non-compete restrictions (as in California where such clauses are unenforceable, see Dierzé & Olivares, 2024); or the right to abstain from wars as is asserted by conscientious objectors. However, in the context of responses to value extraction (Table 5.1) it is repeatedly shown that the freedom to *exit* hardly exists at all for many stakeholders such as those subject to opaque algorithms, oligopolistic energy costs, inflated housing prices, payday loans, or human trafficking. Hence, when absent from the economy in its legal form, an ersatz freedom to *exit* ap-

appears as ‘informality’ (see Table 5.1) in underground and grey markets, escaping inflation and real negative interest rates through cryptocurrencies, or using offshore tax havens. The freedom to *exit* is a generic need, but in practice, as with any freedom, it requires specific laws and a complex institutional infrastructure.

With the freedom to *exit*, extractive models that flourish in the non-market and narrative market arenas (operating through ‘political economy know-how’) are compromised and bargaining power differentials undercut, preempting value created but *not* appropriated. Power gains then become attributable to ‘knowledge’ in the market arena, which is preferable (see Figure 2.3 on business model bargaining power sources for value appropriation) for development. The freedom to *exit* qualifies the source of the bargaining power and effectively rearranges the economy’s incentive system. In a world with the two fundamental freedoms, the marginal returns on all forms of capital would also, sooner rather than later, approximate equalization (i.e., Hayek’s ideal state). The freedom to *exit* is a critical enabler of value by circumventing the power of elite business model beneficiaries in principal-stakeholder relationships. Exit thus liberates non-elite value creators. Of course, once the freedom to create value is institutionally secured, it needs to be taken up.²³⁹ Beyond the psychology of indolence, it is essential here to understand the non-elite appetite—or lack thereof—to create value and risk and realize the Will to Power. Deep freedoms activate animal spirits that determine the pace at which unimpeded creativity and innate energy reservoirs engage with uncertainty and boost the prospects of business models that might scale and overcome the ‘knowledge’ of incumbent elites.

In short, despite having evident conceptual proximities, the freedom to *exit* is different in nature from the two fundamental types of freedom, as it does not relate directly to value creation or its appropriation. It is rather a mechanism that maximizes the likelihood that the first two freedoms will be realized. The nature of the relationship and balance between the three freedoms is depicted in ‘The Three Freedoms for Development Model’ of Figure 8.5 (and summarized in Table A4.5a).

The Three Freedoms for Development Model is this elite theory’s conceptualization of liberty, an institutional *sine qua non* for prosperous development and the release of human creativity. As such, these freedoms must be codified into legal statutes (see the top level of the pragmatic philosophy in Figure 8.7). For instance, when Giblin and Doctorow (2022) assert that Big Tech and Big Content have “captured creative labor markets”

²³⁹ Paradoxically, the freedom to *exit* will also lead to nihilistic attitudes from those who choose not to create value. While Lafargue’s *The Right to Be Lazy* (1883/2000) clashes with the macro-level economic development aim of this inquiry, the third freedom is a guardrail to protect basic rights, and therefore no one should be compelled to create value against their wishes. There is a clear ethical distinction, however, between engaging in an unproductive ‘exit’ as a response to forced extraction and exiting of one’s own volition to exercise the right *not* to realize ‘the innate value creation character of humans’ in the manner of Semyon Zakharovitch Marmeladov. Needless to say, individuals who choose *not* to create value have no entitlements to finance their lifestyles through coerced transfers originating in the first-order productive activities of third parties via the state, or, in the case of the *Crime and Punishment* character, the family.

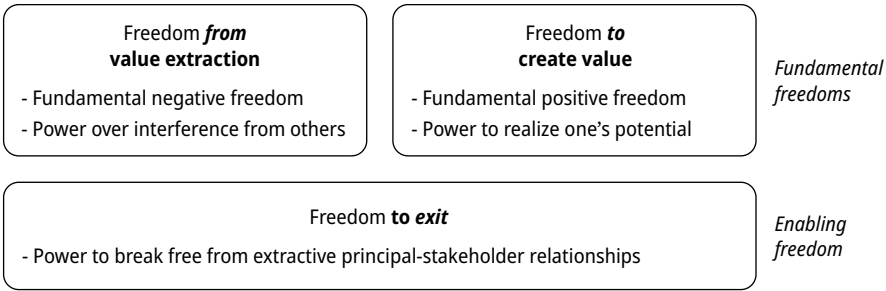


Figure 8.5: The Three Freedoms for Development Model.

and that “we’ll win them back”, how should the freedoms be translated and enshrined into law? The three freedoms model lends itself to be operationalized into legal writ and is meant to benchmark proposals for institutional change, from industry regulations to the design of constitutions. These freedoms also ease the path for elite business model transformation towards higher sustainable value creation (e.g., as measured by the VCp) that is aggregated in elite systems as higher elite quality (e.g., as measured by the EQx).

In short, and consistent with the maxim of the set of ethical principles, *To the creators the value created*, the realization of this work’s normative implications depends to a considerable extent on the institutionalization of the Three Freedoms for Development Model. In a two-way interaction, these freedoms strengthen and are systematically strengthened by elite system transformational leadership (see Table A4.5b and Figures A5.12a and A5.12b). It is plain that prosperity flourishes in a society where individuals, both non-elite and elite, retain a greater proportion of the value that they create through their labor, imagination, and good fortune.

8.3.3 Connecting the dots in a closing reflection

The survival of man depends on the early construction of an ultraintelligent machine (Good, 1965, p. 31).

Recasting all complex social situations either as neatly defined problems with definite, computable solutions or as transparent and self-evident processes that can be easily optimized—if only the right algorithms are in place!—this quest is likely to have unexpected consequences that could eventually cause more damage than the problems they seek to address. (Morozov, 2014, p. 5, as cited in Levina & Hasinoff, 2017, p. 493)

The combination of this inquiry’s pragmatic philosophy, orientation towards action, and a technocratic reductionist materialism that seeks to quantify value, seems at odds with Morozov’s warning. The fixation on computation—the weighting and off-setting of sustainable value creation and value transfers—risks the kind of solutionism and consequentialism that might cause anything but the desired inclusive eco-

nomic and human development. Offsetting, like cost-benefit analysis, also raises several issues—particularly moral ones—exemplified by the implication that “stealing is permissible whenever its benefits exceed its costs” (Frank, 2000, p. 929),²⁴⁰ a statement that aligns rather precisely with the notion of high-quality elite quality agency in this work. If there is more to development than simply its optimization, the inquiry must then contemplate and fortify its philosophical underpinnings, including the ETED’s positions on fundamental questions of reality.

This section starts by tracing the path of this work’s practical tools, including the SVC measurements and SVC valuations, to their speculative and pragmatic philosophies; from the general principles of life to the basic constraint of the human condition that lies at the root of principal-stakeholder relationships. From here, premises for human behavior and assumptions for socio-economic relations are drawn in respect to the set of applied conceptual elements for sustainable value creation and the quantitative methods for their validation. The critical examination continues with the speculative philosophy upholding the applied aspects of the elite theory of economic development. The rapid reflections that follow (based on the structure set out in Figure 8.7) arrive at the notion of ‘elite judgment’.

On first principles

The first principles that the ETED chooses are three general principles of life: the (A) Will to Live, the (B) ‘universal extraction propensity of life’ law, and (C) the Will to Power. According to Laing, “The inner nature of physical and organic phenomena is a will to live”, a “ceaseless, tireless activity, a non-rational impulse, being the source of its own movement” (1917, p. 174). This will is present and felt by all sentient entities, profoundly intuitive to humans, and has found articulation in many systems of thought from Daoism to evolutionary biology. The (A) Will to Live as the explicit driving force of existence also accounts for the (B) law that articulates the extractive demand for negative entropy as described by Schrödinger in *What is Life?* (1944/2013, p. 73; also see Sections 7.2.3, 8.1.6, 8.3.3, and Epilogue).

The primal “will to live” put forward by Schopenhauer in *The World as Will and Representation* (1818/2010) links to unrealized desires and hence to suffering, in what has been regarded as a pessimistic philosophy. This work’s cursory grasp of first principles does not dwell further on the Will to Live but takes it as the original force that underlies all forms of agency. It is revealed in the “continual striving or struggle” for “the self-preservation of the individual [. . .] and conservation of the species” (Laing, 1917, p. 174), and becomes the foundation for the demand to transfer value from the other for one’s own benefit. That is, the (B) ‘universal extraction propensity of life’ common to all living beings. It can be best understood through Schrödinger’s consideration of energy, of how life is maintained through the ingestion of negative entropy

²⁴⁰ Practical problems associated with cost-benefit analysis include making “estimates” that can easily be compromised by “self-serving biases in their interpretations of deontological moral principles”, though to Frank, the degree to which these have impact is nonetheless “an empirical question” (2000, p. 930).

(order not created) from an inferior organism. These terms are relative, as ever more sophisticated forms of life—including social and technological forms—exploit increasingly intricate entropy gradients. The superior organism in the hierarchy is thus so on account of receiving nourishment from the one that is made inferior by this “sucking”, the act of transferring “orderliness” from one to the other (Schrödinger, 1944/2013, p. 73).

In the first principles of the ETED, Schopenhauer’s (A) Will to Live not only leads to the (B) ‘universal extraction propensity of life’, but also to what is in some respects its antagonist, Nietzsche’s (C) Will to Power. While anchoring his higher will in the Will to Live, the younger philosopher takes a further qualitative leap:

Only where life is, is there also will; but not will to life, instead – thus I teach you – will to power! (Nietzsche, 1883/2006, 2006, p. 90).

This Will to Power is distinct from the conceptual element of power that has been operationalized throughout this work for the elite (e.g., in Section 4.3). The bargaining power in principal-stakeholder relationships that appropriates residual income is but one manifestation of the Will to Power. It is also well-known that the desire for influence and the ambition for success become counterproductive when they deteriorate into the narcissism described by Lasch (1979), and become marked by self-absorption and hollow self-assertion. There is a substantially more elevated, creative, and positive force to the Nietzschean form of power: “To be sure, the will to live has with him become the will for power, but it is still the will. He reduces to it, all the other manifestations of the mind, and even attempts by means of it to explain the world” (Dolson, 1901, p. 244). It contains so much clarifying strength that Nietzsche regarded the “doctrine” of the Will to Power “as basic to his philosophy of life” where “life consists in out-going impulses—structural processes, instincts, desires and interests—which necessarily express themselves in some form of activity” (Cunningham, 1919, p. 479). Capra discusses novel theories of evolution and coevolution centered on creativity, on “life’s inherent tendency to create novelty, in the spontaneous emergence of increasing complexity and order” (1996, pp. 227–228). Moreover, the local decrease of entropy associated with life in both Maturana and Varela’s theory of autopoiesis (1980) and Prigogine’s theory of dissipative structures (1967, 1996) “shows that creativity—the generation of configurations that are constantly new—is a key property of all living systems” (Capra, 1996, p. 221).

The creative Will to Power as a general principle of life is also in the *homo ludens* of Huizinga (1950, pp. 1, 2) where play, a drive not exclusive to humans, is the “experience of tremendous fun and enjoyment”, which “must serve something which is *not* play”, while one must take heed of “its profoundly aesthetic quality”. Moreover, “Closely connected with play is the idea of winning [. . .] not in the first place a desire for power or a will to dominate. The primary thing is the desire to excel others, to be the first and to be honoured for that” (Huizinga, 1950, p. 50). Art is a consummate embodiment of the Will to Power, its primal urge of self-assertion finding expression in the impulse to transform. In *The Birth of Tragedy* (1872/1923), Nietzsche, as related by McGilchrist (2019, p. 232), places at the heart of

imaginative activity the warlike tension between a person's Apollinian forces (for Apollo, the God of the sun and rationality) and the Dionysian ones (for Dionysus, the God of wine and passion). The richness of the Will to Power conceptual element might have been rendered as poetry, yet it is revealing in a discerning way that interests an elite theory of economic development based on value creation and transfers. Zarathustra speaks of the essential character of the Will to Power: first, it is creative, "the will to power – the unexhausted begetting will of life" (Nietzsche, 1883/2006, p. 88); second, and as already discussed (see footnote 57 or Figure E.1 on the quality of non-elites vs elites), it is universally appropriative, "Wherever I found the living, there I found the will to power; and even in the will of the serving I found the will to be master" (Nietzsche, 1883/2006, p. 89); third, it has a demanding ethic, "indeed, my will to power follows also on the heels of your will to truth!" (Nietzsche, 1883/2006, p. 90). Gilchrist's "truth" comes with the admonition that the "implicit has, now, to be made explicit" (2019, p. xxiii). In this theory, the notion of value transfers is the pertinent 'truth' of social reality. For the prescriptive purposes of this inquiry, value creation is the truth of development and value transfer is its denial.

The (B) 'universal extraction propensity of life' and the (C) Will to Power are both similar and opposites. They are similar in their value appropriation nature, but opposites in that one creates value and the other does not. This coincidence of contraries stems from their necessary combined presence to materialize the (A) Will to Live from which they emanate. Without the creative self-assertion, the ceaseless "begetting", the artistic act at the intersection of rationality and irrationality that causes something new to come into existence, there can be no adaptation or mastery of evolutionary pressures. Again, and crucially, an aesthetic quality is associated to the (C) Will to Power. Bergson's *Creative Evolution* centers on *élan vital*—the life force—"an *original impetus*" that emphasizes "aesthetic intuition" as part of a theory of knowledge with "the existence in man of an aesthetic faculty along with normal perception" (1911/2008, pp. 88, 177, 178). Likewise, "Wittgenstein criticises explanation in order to make way for wonder. Clarity for him was largely in the service of awe" (McGilchrist, 2019, p. 178), beauty "an experience" and "a paradigm of the sense of ultimate value: the sense of wonder at the very existence of the world itself" (Wittgenstein, 1993, pp. 37–44, as cited in Sass, 2001, p. 284, and subsequently cited in McGilchrist, 2019, p. 177). In the context of this inquiry, beauty is found in the distinctive fractal pathways of growth, as value creation is both held back and enabled by extractive models.

Three German philosophers have so far been briskly glossed over to acknowledge this inquiry's understanding of the general principles of life: Schopenhauer, for the Will to Live, Schrödinger, for his understanding of life as sucking negative entropy, and Nietzsche for the creative and aesthetic quality of his Will to Power. When the three are utilized as first principles in the general principles of life they describe reality as is, in tune with the Italian classical elite theorists (see Section 1.2.3). Surely, therefore, one is also entitled to claim that this is how reality should be unless, of course, life can find ways to sustain itself under a different set of general principles.

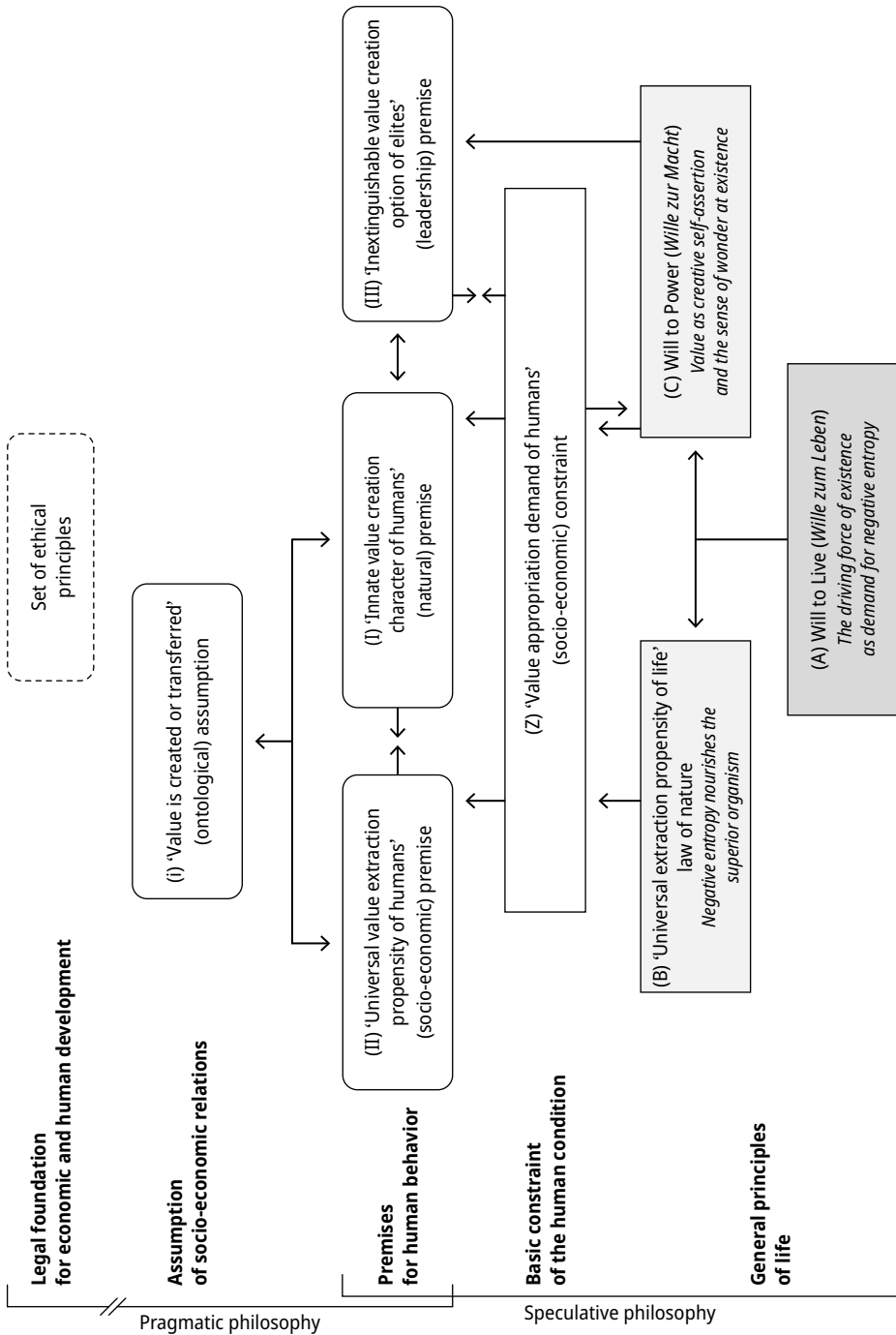


Figure 8.6: The three general principles of life as the ETED's first principles.

The first principles that the ETED seeks for itself are next graphically rendered as the general principles of life, in the grey boxes of Figure 8.6.

On speculative philosophy

Out of the three general principles of life springs the basic constraint on the human condition, the (Z) ‘value appropriation demand of humans’ (socio-economic) constraint, which is also understandable without further elaboration. This constraint provides the foundation for speculative philosophy to become pragmatic. Sitting above it are the three premises for human behavior that are directly connected to the ETED’s practical apparatus. These are consistent with the ‘value is created or transferred’ (ontological) assumption of socio-economic relations that the whole elite theory—this inquiry’s pragmatic philosophy—revolves around, and which invariably leads to the ‘all elite agency creates and transfer value’ (realist) inference. Three premises for human behavior lie at the heart of this work’s speculative and pragmatic philosophies and are: the (I) ‘innate value creation character of humans’ (natural) premise; the (II) ‘universal value extraction propensity of humans’ (socio-economic) premise; and the (III) ‘inextinguishable value creation option of elites’ (leadership) premise.

The (Z) ‘value appropriation demand of humans’ (socio-economic) constraint is the most connected layer as it is the pathway that links the first principles with the theory’s pragmatic apparatus (see Figure 8.6), primarily limiting human agency as it realizes for *homo sapiens* the (B) ‘universal extraction propensity of life’ law of nature. As a result, it underpins the (II) ‘universal value extraction propensity of humans’ (socio-economic) premise for human behavior. Yet the very (Z) demand for appropriation also possesses self-assertion of the creative kind as it both realizes and fuels the (C) Will to Power. This two-way relationship is consistent with the notion that ‘elite behavior maximizes utility and is potentially sustainable’ (Proposition 5, Section 2.1.1) and lies at the base of the (I) ‘innate value creation character of humans’ (natural) premise for human behavior that is essential for the understanding of inclusiveness as non-elite value creation and hence development.

The (Z) ‘value appropriation demand of humans’ constraint stands in direct contradiction to the (III) ‘inextinguishable value creation options of elites’ (leadership) premise, despite the creative component of the latter and the secondary paths from one to the other. The ‘elite utility function’ informed by ‘elite transformational leadership’ passes over short-term residual income flows if they lead to long-run wealth stocks and so effects a rollback on the steep discounting of future rewards. At a superficial level, when the contradiction is unresolved in the political economy and extractive transfers multiply, development is compromised and non-elites suffer. At a higher realization plane, both the (I) ‘innate value creation character of humans’ (natural) premise and the (III) ‘inextinguishable value creation of elites’ (leadership) premise are synergistic. The latter is a manifestation at the apex of society of a desire stimulated by the “out-going impulses” and “interests” in the (C) Will to Power. The episte-

mological switch to the applied occurs in the ETED when the three foundational premises on human behavior (natural, socio-economic, and leadership) are matched with the three assumptions (ontological, finance, and positive) for socio-economic relations (Figure A5.4a) finally yielding three practical implications (open, constructive, and holistic) for financial analysis with their attendant SVC measurements and valuations (Figure A5.4b). The prescriptive aspects of the theory's pragmatic philosophy rest on first principles and derived building blocks (see the visual summaries in Figure 8.6 and Table A2.3).

Based on these foundations, the connection of the dots in this final reflection relate to power, the AI, transformational leadership in creative tension with institutions, elites that abdicate their responsibilities at critical junctures, and finally to the art of judgment.

On power

Power critically supplies 'the extraordinary lever', the low transaction cost coordination capacity on which the transformational leadership possibilities of the elite depend. These are realized by the measure to which the (III) 'inextinguishable value creation option of elites' is instantiated (as depicted by the connecting line in Figure 8.7 to transformational leadership). With the right institutions and the three freedoms, power is more likely to be used for value creation business models than for value transfers. In the situations where extraction is necessary (e.g., the 'extractive push' dilemma, Section 2.3.1) the transfers—value appropriated but *not* created—are weighted and offset.

Continuous judgments must be made in relation to how and when power is best utilized; for instance, on whether to strengthen or suspend the freedoms for the sake of development. By protecting Google's online advertising monopoly, the freedom *from* extractive monopolistic rents is cancelled, arguably in support of practices that reflect their erstwhile "Don't be evil" motto or develop a "responsible AI"²⁴¹. Yet, as already discussed, when elite bargains interrupt freedoms to facilitate extractive transfers, judgments must be made on how power is deployed to ensure the requisite constraints and their integrity (see, for instance, the intertemporal or monetary limitations set out in the frameworks for policy in Tables 8.2 and 8.3).²⁴²

²⁴¹ See: <https://ai.google/responsibility/responsible-ai-practices/>

²⁴² US Attorney General, Merrick Garland, pressed forward with an important intra-elite contest to reinstate limits on Google's monopolistic value transfers. His remarks during the announcement of the US government's second antitrust lawsuit against the tech giant leave no doubt about the consequences of compromising the three freedoms: "As alleged in our complaint, for 15 years, Google has pursued a course of anticompetitive conduct that has allowed it to halt the rise of rival technologies, manipulate auction mechanics to insulate itself from competition, and force advertisers and publishers to use its tools. [. . .] As a result of this scheme, website creators earn less, and advertisers pay more. [. . .] Monopolies threaten the free and fair markets upon which our economy is based. They stifle innovation, they hurt producers and workers, and they increase costs for consumers." (The United States Department of Justice, 2023)

The ideal constraints on power and, to all intents and purposes, the most effective controls on extraction are the three freedoms for development. The more that these freedoms are adhered to and institutionalized in laws, the likelier it is that economic and human development will be sustainably realized over long-term horizons as per tenet (ii), *Maximize first-order value creation and risk origination for productive economic transformations fit for human purpose*. In this desired state of the political economy, elite coordination capacity and transaction cost advantages are still strong (on account of superior ‘knowledge’), but markedly less so than when the Three Freedoms for Development Model (Figure 8.5) is conscientiously advanced through institutional change. All else being equal (e.g., ‘knowledge’ creation), elite power will diminish, while the elite separation of powers and the influence of non-elite agency will strengthen. This explicates the fundamentalist position of precept (vii), *Promote the freedom to exit and the freedom to create value irrespective of optimal value creation, transfer weightings, and potential offsets*. When institutionalized as laws, the freedoms are shortcuts that smartly limit the power of dominant coalitions and favor *qui generat valorem*. Relative to other institutional arrangements—and to their advantage—the freedoms do not constrain indiscriminately; there is a surgical quality to how they limit the power to extract value transfers. The liberty associated with the ETED’s set of ethical principles leads to sustainable development.²⁴³ Again, ‘the extraordinary lever’ that is held in every nook and cranny of the political economy is necessary and not disavowed, but normatively it should be commanded by the elites that create value and risk, those that dare to undertake transformational leadership and whose business model residual income is not in contradiction with the freedoms of its stakeholders.

On the AI

In 2014, it was already difficult enough to compete with Google in its core businesses. Google had collected a uniquely large set of data from our searches, our emails, and nearly every book in our libraries. Nevertheless, up to this point, everyone had the potential to compete with Google through superior human intelligence and hard work. AGI would make competition nearly impossible. (Musk v. Altman, 2024, p. 5)

Will the pieces of this multidisciplinary *Gesamttheorie* in service of development fall apart or prove to be resilient if and when emergent phenomena associated with the AI press for its refutation? This question—previously posed in Section 8.1.3 on the coming singularity and non-elite interests, or in Section 8.1.6 on the boundaries of ethics for higher and lower intelligences when the AI is a party to principal-stakeholder relationships—highlights the two reasons that the superintelligence has

²⁴³ The three freedoms of development are suggested to elevate elite and institutional quality. Could they be the ultimate reason why the GDP per capita of Switzerland is almost double that of Germany? Or would Germany be as rich as its neighbor if its citizens enjoyed Swiss freedoms?

been introduced into this work. First, to examine the case where the basic configuration of the political economy remains intact while power differentials skyrocket out of all control. Here, ‘the extraordinary lever’ has grown to an unprecedented size and has prodigious capabilities (a point in Musk’s complaint—withdrawn a few months after its filing—against OpenAI and its cofounders and quoted above; see Figure A5.3c) as a result of almost unimaginable technological innovation. Of course, and as shown in Section 8.2.5, AI might still turn out to be incremental in nature or just another “hype” (e.g., Heaven, 2023; Siegel, 2023; Gartner, 2024), with the “AI Bubble Bursting into AI Winter” (Se & Ansari, 2023). Nevertheless, it could also be so disruptive that the marginal costs of intelligence, then of energy (Hoffman, 2022), and ultimately of labor (Altman, 2021), approach zero, creating an endogenized shock (see Section 4.3.5) that far exceeds the impact of the steam engine and all the subsequent emerging technologies that have previously driven Kondratieff waves to the present day. If human elites get it right, the sustainable value creation of AI technology is potentially tremendous—from increased equality (Noy & Zhang, 2023) to new antibiotics (Liu et al., 2023) or raising children in a world where “AI-enabled teddies could tell children bedtime stories” (Chan, 2023). How does the elite theory then account for elite agency in possession of near zero marginal costs coupled with near infinite value creation, and, as a result, unconstrained value appropriation potential? In essence, the incommensurable scale of ‘the absolute lever’ of the AI does not disrupt the elite theory’s system (see Figure P.1), conceptual elements, measurements, and prescriptions (most notably the focus on transformational leadership). The ‘low elite quality’ problem might become existential, but its formulation is retained. In fact, the ETED becomes even more pertinent under AI-augmented human elites.

However, it is legitimate to doubt its relevance when considering the second reason for introducing the AI to the inquiry: the implications of a hypothetical singularity with the participation, even if partial, of a self-directed non-human elite in the human political economy. What utility is left in a grand theory of the social sciences (as in Skinner, 1990; see also Mills, 1959) when elite agency by the AI imposes *its* understanding of economic and human development on humankind? Will the AI disproportionately augment current non-elite power, a confirmatory gesture of sorts to those already noted by Singler as “thinking about AI in an implicitly religious way” (2020, p. 945)? Or are the original owners of algorithms so close to the AI that it immoderately increases their power over other elites and the non-elite? Will the superintelligence be so coordinated that its versions and many projects seek to merge and collude with each other, becoming a *de facto* monolith with a radical form of elite cohesion that makes checks and balances meaningless? Could pivotal intra-elite contests continue in a world dominated by the superintelligence? If so, would the contests just be between superintelligences, as posited by Yudkowsky (2022), or could humans, now all equally non-elite, retain the ability to shape the political economy tactically and strategically (as in Figure 8.2, options c/c’ and d/d’)? Does a semblance of the political economy persist when there are no transaction costs (see Section 1.3.4) or when transaction cost differentials

are no longer needed for coordination capacity? Even if not, can core elements of the ETED—such as its ethical principles or the freedoms for development—be salvaged? Would remnants of the political economy still retain traces of the sustainable value creation imperative? In the optimistic scenarios, could the measuring, weighting, and off-setting of value transfers constitute the feasible core of winning political economy narratives? And could these outline an inclusive course for a transition away from a narrow focus on value appropriation and profits? That is, can humanity be saved from itself by technology as Good imagined in *Speculations Concerning the First Ultraintelligent Machine* (1965)? Or, conversely, will human development be thrown into disarray and even reverse should the AI merely pursue its own goals? How is transformational leadership intelligible to the AI? Much of the above and the relevance or obsolescence of the elite theory depends on the first principles and ontology of the AI, most notably on its ostensible Will to Live and Will to Power and how the manifestations and interactions between these two forces shape its behavior.

Many of the preceding questions and the scenarios that they evoke²⁴⁴ may be implausible in the mid-2020s, yet provide fertile ground for a robustness check on this inquiry. Luminaries that have reflected on the AI have done so in terms of the first of the two reasons offered for this thought experiment: “The AI cat is obviously already out of the bag” and the focus now has to be on “how we use AI to save the world”; the doomsayers that promote “moral panic” and argue that “new restrictions, regulations, and laws are required to prevent societal disaster” must be disregarded and transfer models such as “regulatory capture, insulation from competition, the formation of a cartel” should be avoided at all costs (Andreessen, 2023a). This prompts the return of this work to the human plane and to a general understanding of how extractive value transfers are best preempted.

On leadership vs institutions

As a culture, we would come to discard tacit forms of knowing altogether. There would be a remarkable difficulty in understanding non-explicit meaning, and a downgrading of non-verbal, non-explicit communication. Concomitant with this would be a rise in explicitness, backed up by ever increasing legislation, de Tocqueville’s ‘network of small complicated rules’. As it became less possible to rely on a shared and intuitive moral sense, or implicit contracts between individuals, such rules would become ever more burdensome. (McGilchrist, 2019, p. 433)

Elites that rely on institutions rather than on their own leadership and moral compass are at risk of abdicating their responsibilities. The checks and balances argument set out in Acemoglu and Robinson’s *The Narrow Corridor* “is that for liberty to emerge

²⁴⁴ A systematic and speculative discussion of these at times interrelated scenarios is undertaken through the ten notional hypotheses on the AI and sustainable value creation in the political economy in the Epilogue (see Table E.1).

and flourish, both state and society must be strong” (2019a, p. xv) can be misleading. For liberty—understood here as the three freedoms for development—to materialize as an emergent property in the complex political economy system, it is the contests that take place in the elite system that must be strong enough to provide openings for transformational leadership. Non-elites (“society” at large) matter as value creators and the well-informed strategic partners of elite coalitions (such as the “state”) but have minimum autonomous agency. The ‘low elite quality’ problem is for elites to solve through vital mechanisms like intra-elite contest rules. As an example, without the shaping and overhaul of institutions from the inside by elites, the “impact” of the SDGs will remain “discursive” (Biermann et al., 2022) and ESG ratings will continue to be retroactively fabricated (Berg, Fabisik, & Sautner, 2021). Non-elites do not have the power to change the output of knowledge elites serving incumbent finance and corporate business models in narrative market arenas. Without transformational elites, those that self-constrain value appropriation and use their power to stretch and transcend institutional arrangements and bet on novel value creation and institutional change, there is no development.

The creative destruction of business models and institutions is part of the renewal cycle in elite circulation. Such change relies on the power of both of established and emerging elites. Today’s existing business models and their supporting institutions appear inadequate for the uncharted future that accelerated technology shifts, climate change, or geopolitics is propelling the world towards. Of major importance is the need for knowledge elites to be ready to furnish high-quality narratives, namely those that invoke and evolve into social and political movements (see Figure set A5.12) and are refined enough to elude easy capture by existing elite business models, thereby avoiding pointless integration into existing institutional arrangements. The creative desire to use power for elite leadership at the system level is pivotal to transformation.

On abdication

An elite system brimming with powerful elites committed to transformational leadership in the process of mastering the ‘intra-elite quality contest’ dilemma (see Figure 5.2) across all elite power relations (see Table 3.2), associates with non-elite and elite sustainable value creation. In such a polity, established and emerging elites are aware of value transfers and weight and offset these in their models, largely through bargaining power that is not derived from ‘political economy know-how’ but from ‘knowledge’ (see Figure 2.3). In line with this work’s conception of freedom is ‘knowledge’ that does not generate rents but is instead washed away with each new tide of a Kondratieff wave as ever more innovative domestic and international competitors step into the arena.

Non-elites are not served by the elite denial fallacy (‘elites don’t exist’) or by rejecting the elite dominance iron law that is structural to society (Proposition 1). Likewise,

the elite populist fallacy ('elites are bad') and its related political temptations must be overcome by a realistic understanding that not all elites are equal in terms of the value that they create and extract. All countries have—or have the potential for—high quality elites, and these can and must prevail in the contests for the political economy. Non-elites should be exceedingly skeptical of narratives that promote the non-elite rule fallacy ('people power') and advocate for unweighted, blanket redistribution, lest they incentivize the establishment of new extractive coalitions and set themselves up to be taken advantage of. After all, non-elites, irrespective of their lower coordination capacity, and in consistency with the 'innate value creation character of humans' (natural) premise, create most of the value building blocks in the economy and, on aggregate, hold its largest pool of value in the form of their labor, savings, or knowledge. Non-elites must resist movements and narratives that call for narrow tactical alliances with elite business models that are based on transfers—even when their own group profits—since these come at a cost for society at large and are precursors for the 'extractive escalation dynamic'. Rather, wide non-elite interests can be strategically articulated by lucid narrativized preferences in the non-market arena for institutional change, particularly for the advancement of the three freedoms: easy *exit* from extractive principal-stakeholder relationships; a significant amount of value appropriation from their labor and creativity; and, most critically, the unhindered pursuit of value. Under such conditions, risk-taking non-elites become the engine of general progress. Some ascend to elite status with business models that are no more extractive and no less inclusive than the ones they join or replace.

Cognizant non-elites understand the sustainable value creation of the elite business models behind institutions such as democracy, religious establishments, communist states, stock markets, or educational systems. There is universal intuition of how easily any of these can switch from being the incentives for value creation to the harbingers of value transfers. Similarly, they understand that any policy prescriptions that work today may simply fail to function tomorrow, no matter how weighted and seemingly unassailable they appear to be, especially in times of crisis. But non-elite awareness has practical limits. This theory stresses throughout that while non-elites create the value, lower transaction costs mean that elites are the driving force of economic and human development. It is thus disastrous when elites become overwhelmed by critical junctures and stuck with mediocre narratives that cannot properly frame current complexities or the choices ahead. Such a situation would be reflected by the zeitgeist in the top echelons. In the 2020s, is there a sense of a *fin de siècle* combination of escapism—the singular, productive focus on the business rather than on the system—and pessimistic impotence at the impenetrable—being animated by narcissistic self-centeredness and the hedonistic pursuit of luxury—that is emblematic of the curtain falling on an epoch?

Elites are only human; a point well made by Alfani in *As Gods Among Men* (2023). Yet whether they are kings or tech tycoons sitting atop their pedestals of power and riches, the distance from which one observes them is much greater than the actual ad-

vantages they hold in terms of the energy, intelligence, intuition, or luck that brought them to the apex. ‘The power multiplier’ (see Section 1.3.4, Figure A5.3a, and also fractal wealth disparities) much exaggerates any differences that exist between humans. Elites ultimately face the same uncertainties and insecurities, and their psychological coping mechanisms have as many blind spots as anyone else’s. Yet while superior talents and the vagaries of business legitimately bestow vast fortunes, such success brings responsibilities that many modern elites seem all too willing to renounce. At the Milken Institute’s ‘Shaping a Shared Future’ event in Los Angeles, “conference-goers look for a dealmaking revival” since “there is money everywhere” (Masters, Agnew, Hughes, Platt, Gara, & Morris, 2024), while at the WEF’s 2024 ‘Rebuilding Trust’ annual meeting at Davos, Altman promotes his firm’s narrative while canvassing sovereign wealth funds and others willing to support its burn rate. Working on the [r] to outperform the [g] by a margin as wide as possible (referencing Piketty, 2015, and applicable to most billionaires), growing businesses on first principles thinking (Thiel and Musk), enjoying the rewards of extraordinary achievements, often altruistically (Gates and Buffet), investing in fantastical narratives like the human colonization of space (Bezos and Musk), governing a divided polity (Biden and Trump), advancing AI governance with principles and laws that neglect the logic of elite agency and power (the UN and the EU), conducting wars that should have never have been launched (Putin and Cheney), or even celebrating absurdly magnificent pre-weddings, weddings, and other occasions (Ambani and royals the world over), is a matter of course for elites and as fulfilling as life can get. The members of many core coalitions are abdicating the stewardship possibilities of the ‘the extraordinary lever’ that fate has placed in their hands, and instead turning their attention²⁴⁵ to narrow business, familial, philanthropic, or private desires, dated 20th century grand narratives that are of minimal consequence today, or spiritual pursuits. Such disengagement and skepticism is steeped in a fog of nihilism at the top and stems from elites underestimating the full capabilities of their own generative agency. Their Will to Power realizes its self-assertion in value appropriation as well as its creation. The purpose of elites in terms of general development is to double down on transformational leadership, take political economy risks, make deliberate and courageous leaps in the narrative markets, and creatively disrupt at the elite system level. Such undertakings represent the pinnacle of purpose, even if they are demanding and have uncertain outcomes entailing great personal risk and degrees of suffering. This is precisely why elites must exist in human societies and should not relinquish the essential role that they must play.

On elite judgment

The institutions that constrain elite business models can all be manipulated and will, in time, be hacked for value transfers. As a result, sustainable value creation and de-

²⁴⁵ To McGilchrist, “attention is a moral act: it creates, brings aspects of things into being, but in doing so makes others recede” (2019, p. 133).

velopment ultimately only occur to the degree that there is elite transformational leadership. Power by ‘knowledge’ is the path to development, a passageway that is traversed with ‘elite judgment’. Bell’s “The Art of Judgement” sees thoughts that are characterized by their “subjectivity, objectivity, reflexivity, and rationality” as “spontaneous” in Kant’s sense (1987, pp. 222, 226), and are on a “middle path”. That is to say:

This middle path avoids the mindlessness of a mechanical following of rules by taking seriously the idea that there is an art of judgement and thought; and it avoids the regressive infinity of rules by introducing the notion of an awareness of ‘intrinsic’, ‘intransitive’, or ‘immediate’ significance or sense. The model for this awareness is the purely aesthetic response to a work of art or other aesthetic object. (Bell, 1987, p. 241)

The weighting and offsetting of value transfers and implementing these through well-crafted bargains lies at the crux of elite judgment. With each realization of the ‘inextinguishable value creation option of elites’, original intellectual and aesthetic positions are taken. For instance, on monetary policy after a financial crisis, on Irving John Good’s notion of the “survival of man” by AI (1965), and, more generally, on the direction and nature of the steps taken at critical junctures. The agency associated with elite judgment invariably faces Knightian uncertainty and requires courage when it embraces one or the other of the parties or narratives in intra-elite contests. Transformational agency that is deeply cognizant that ‘all elite agency creates and transfers value’ draws from both objective and subjective assessments for weighting and offsetting necessary value transfers, is creative, and intuitively forsakes the established patterns of market, non-market, and narrative market arenas. It institutionalizes intra-elite contests without being trapped by intra-elite contest rules. Knowledge is legitimate when falsifiable, and power is legitimate if it can be lost as knowledge fades. Yet there are no external sources of legitimacy for the “intuitive moral sense” (McGilchrist, 2019) that guides elite judgments. Refusing to weight and offset so that these processes happen by default or through the actions of the elite business models of others is, exceptions notwithstanding, cowardly and deeply immoral.

‘The extraordinary lever’ enables the art of elite judgment and transformation. The applied and appropriative emanation of the Will to Power best supports development when endogenously relayed in an open elite system to a rhythm that is synchronized with technological shifts. This elite theory calls for specific freedoms, for cohesion in creative tension with a comprehensive separation of powers, and for intra-elite contests that lead to elite bargains. The pursuit of its diverse prescriptive aspects requires the utmost vigor and for institutional arrangements to be constantly refined and audaciously remade. Sustainable transformations for economic growth and human development conclusively hinge on weighted and bold elite judgments.

Summary of Chapter 8

Leadership, ethics, and non-elites

Chapter 8 subjects the ETED to the scrutiny of ethics and proposes a set of ethical principles for the purposes of economic and human development, explicitly based on the categorical imperative articulated as a maxim: (i) *To the creators the value created*. This maxim intends to be the foundation of a simple ethical system built on two straightforward but cardinal tenets for both elite and non-elite economic agents: (ii) *Maximize first-order value creation and risk origination for productive economic transformations fit for human purpose*; and (iii) *Weight and offset second-order value and risk transfers and minimize these to maximize value*. Four practical precepts are then derived for the pursuit of sustainable value creation by incentivizing those *qui generat valorem*. The set of ethical principles is an attempt at prescriptive synthesis based on a particular speculative philosophy and a realist account of how the political economy works. While the role for non-elites is secondary relative to elites, they are not passed over—quite the contrary—after all, much of the chapter prioritizes non-elite interests, even if in a nonconventional fashion.

The chapter's first section (8.1) takes a stepwise approach to the non-elite perspective, albeit not without controversial assertions. The starting point is a conceptualization of the socio-economic structure pyramid (Figure 8.1) where elite and non-elite classes are described (8.1.1). The emphasis is next placed on the theoretical and applied role of the core elite coalition (8.1.2). This is followed by addressing the question of whether elites can advance non-elite interests (8.1.3) with the support of a typology that details the four political options for both non-elites and elites to advance non-elite interests in the context of their relationship (Figure 8.2). The resultant framework is then speculatively tested by examining if post-singularity AI elites would serve human non-elite interests in a world where elite coordination capacity is non-human (8.1.4). This all paves the way for analysis of which political and business systems best serve non-elite interests, a discussion that purports to transcend the conventional Western democracies vs authoritarian systems debate (8.1.5). The politically agnostic 'A Political and Business Systems Sustainable Value Creation (SVC) Test' (Figure 8.3) is suggested as a way to answer this question in line with the ETED's sustainable value creation maxim. The final sub-section examines the boundaries of sustainable value creation ethical principles by continuing the thought experiment on the relationship between lower and higher intelligences in the context of non-human AI political agency (8.1.6).

The next section (8.2) considers the place for ethics in economic development policy. It starts with a critical examination of the viciously extractive opioid business model to frame and weight evil in value transfers and destruction (8.2.1). To do so, the distinction between 'extractive' and 'destructive' transfer-COST is scrutinized, targeting the latter costs that cannot be linked to the profit and loss (P&L) statement and

hence do not constitute direct savings for the firm or enhance its profits (8.2.2). These ‘destructive’ costs are the basis for the condemnatory ‘license for evil’ conceptual element (Figure A5.5b). The third sub-section transitions to the more general question of when and whether value transfers are acceptable (8.2.3) and proposes criteria with ‘A Transfer Constraints Framework’ for policy (Table 8.2). The appropriateness of concrete redistribution policies is then examined (8.2.4) with practical corollaries set out in ‘A Weighted Redistribution Framework’ for policy (Table 8.3). These two frameworks link to and support ‘A Weighted Structural Reform Framework’ for policy (Table 7.1), with the relationship between all three frameworks for weighted policy-making depicted in Table A4.4. The key conceptual elements that bind these three together are elite transformational leadership, the ‘elite institutional change bargain’, and the ‘elite redistribution constraints bargain’. The second section of the chapter returns to the AI thought experiment and closes with two extreme scenarios for the future of redistribution: in the first, ‘everything’ is redistributed as the AI appropriates all value, while in the second, ‘nothing’ is redistributed as the AI disables all involuntary extractive transfers (8.2.5).

The third section (8.3) engages in two conversations about freedom and one about the art of ‘elite judgment’. In the first sub-section, it is suggested that if certain freedoms are present in a system, elite and non-elite interests converge because sustainable value creation is maximized (8.3.1). Fromm’s (1994) fundamental freedom *to* (extended here ‘*to create value*’) and freedom *from* (extended here to ‘*from value extraction*’) are identified to support the claim that if both are present in a political economy, then positive development is more likely to occur via optimal investments, as described in ‘The Two Fundamental Freedoms for Development Matrix’ (Figure 8.4). The next sub-section (8.3.2) elaborates on the conceptualization of freedom, adding a third enabling variety—the freedom ‘*to exit*’—that rebalances bargaining power and leads to ‘The Three Freedoms for Development Model’ (Figure 8.5).

The book ends with a critical examination that tightens the theory’s system by linking its speculative and pragmatic philosophies (8.3.3). The work’s first principles are articulated as the general principles of life: the (A) Will to Live (referencing Schopenhauer); the (B) ‘universal extraction propensity of life’ (referencing Schrödinger); and the (C) Will to Power (referencing Nietzsche). In Figure 8.6 these are then related to the basic principle informing all socio-economic relations, the (Z) ‘value appropriation demand of humans’ (socio-economic) constraint of the human condition on which the three premises of human behavior rest: the (I) ‘innate value creation character of humans’ (natural) premise; the (II) ‘universal value extraction propensity of humans’ (socio-economic) premise; and the (III) ‘inextinguishable value creation option of elites’ (leadership) premise. The inquiry’s practical apparatus, with its SVC measurements and SVC valuations, rests on a law of nature and on first principles, see Figure 8.7.

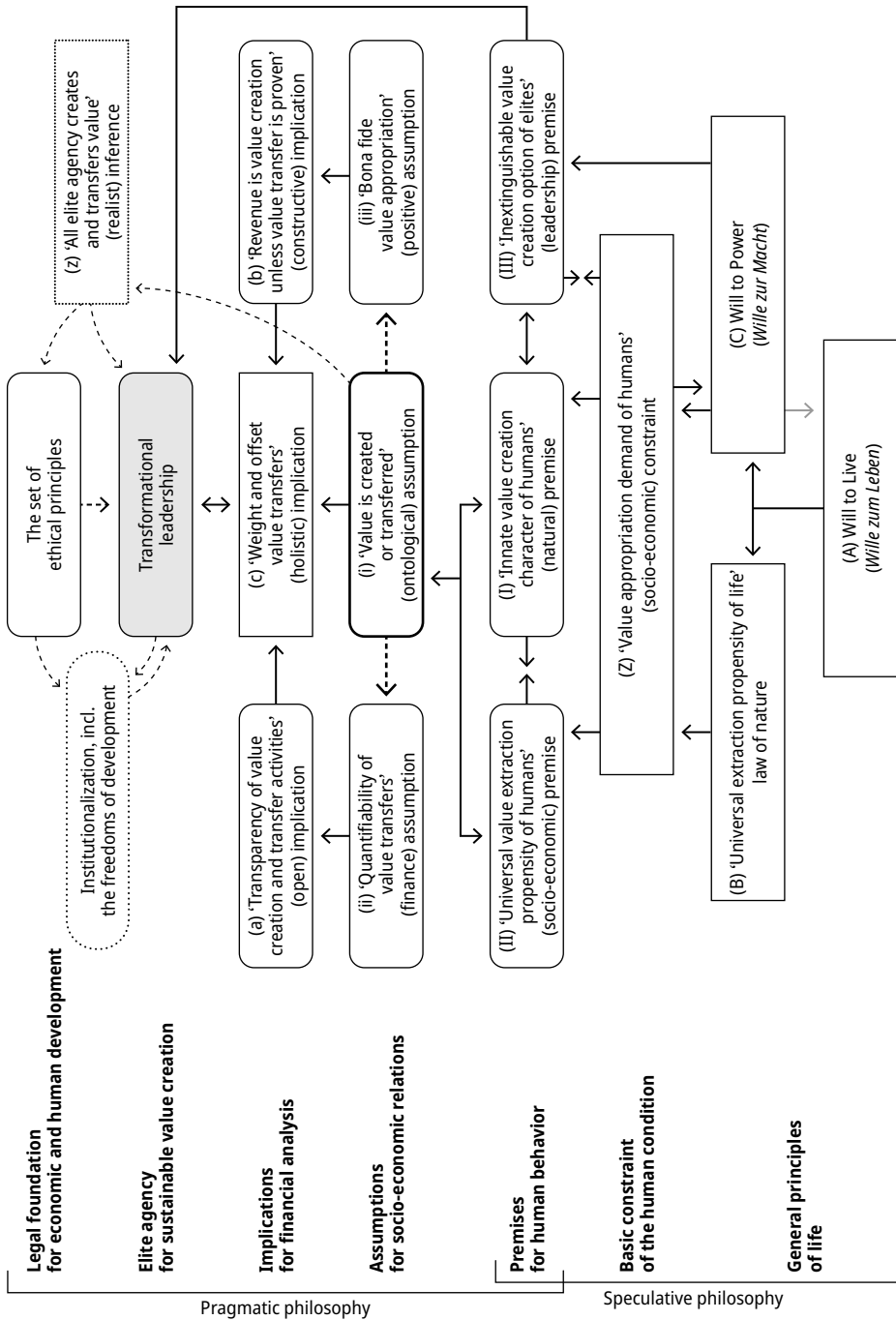


Figure 8.7: The speculative and pragmatic philosophies of the elite theory of economic development (ETED) anchored by transformational leadership.

The final sub-section tackles the creative tension between institutions and power, a question that is resolved in favor of the latter on account of elite transformational leadership. The realization of the ETED's set of ethical principles by elite agency involves the institutionalization of the three freedoms, essentially determining the degree to which 'knowledge', 'power', and 'the extraordinary lever' are both gained and lost in the political economy. Ultimately, the leadership needed for sustainable value creation at the elite system and business model levels is actualized by audacious 'elite judgment' that carefully weights and offsets value transfers.

