Draft

Great Founder Theory

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Contents

I. Key Concepts

Theories of History

Why was Barack Obama elected president in 2008? Was it because he ran a smart and successful campaign? Was it because George W. Bush had effectively ruined the bid of any Republican candidate? Or was it because the American tide was generally shifting in the direction of empowering African-Americans?

If you read the news articles of November 4th, 2008, you'll notice something interesting: journalists explain this historic event in many different ways. Some journalists attribute the campaign's success primarily to the individual leading the campaign; others focus more on the political environment the individual competed in; still others explain it in terms of a general cultural shift.

These explanations are revealing—not necessarily of what actually landed President Obama in office, but rather of how each individual journalist conceives of the way things happen in the world. Through their explanations for the outcome of the election, we can glean a bit of their implicit theories of history.

Concept & Importance

A **theory of history** is an explanation of how things generally happen in the world, both in the past and in the future. If, for example, you subscribe to the great man theory of history, then you might explain events by looking at the influential individuals who shaped them. If you subscribe to a technological determinist theory, on the other hand, you might explain events in terms of the technologies that allowed for them. So, someone who is operating under the great man paradigm might explain Obama's election as a product of his and his staff's exacting efforts, whereas someone who adheres to the technological determinist view might attribute the win to the unprecedented use of social media, which mobilized previously uninterested voters.

Everyone has a theory of history, an explanation of why the world is how it is, an understanding of how the world changes and has changed. Everyone has to: without an understanding of how the world works, no matter how faulty, we would be prohibited from acting in what we believe is a safe way to achieve our goals.

That is to say, we don't just explain things with our theories of history; we act on them. If you believe that individuals have the power to significantly shape history, for example, you might be more inclined to make things happen yourself. If, on the other hand, you believe that the fate of the world has already been decided, or if you believe that history is inevitably heading in a certain direction, you may be less inclined to take a stand. After all, if it's going to happen, then it's going to happen. Therefore, if we're trying to change the world in a major way, it's vital that we come to believe the true theory of history. We need the true theory of history in order to act in the right way to improve the world, and we need to accurately predict the results of our actions. If we have an incorrect theory of history, we run the risk of producing unknown and possibly catastrophic consequences.

It's important here to note the distinction between the true theory of history, and the "true" theory of history that we're aiming for. The true theory of history will be unmanageably complex, because the number of factors that actually influence what happens in the world is very large. Because of its complexity, the true theory of history will be difficult to use to explain what's going on in the world. In aiming for the "true" theory of history, we are assuming the power law: we are assuming that there will be a small number of factors that have disproportionately large effects on the world, or that can explain the existence of other factors. We are aiming for a theory that generally explains how things happen in the world. Going forth, we will stipulate that the true theory of history is the theory that takes into account the core causes contributing to the world as it exists.

No One Has It

No one in the world has figured out the true theory of history. If they did, we'd know: they'd be extremely, visibly, powerful. There are many reasons why no one has figured out the true theory of history, some psychological and some practical.

There are at least three psychological reasons for why most people are deterred from finding the true theory of history. The first is that the vast majority of people only have an implicit theory of history. (Which is to say: most people do not even have the *concept* of a theory of history.) Here's the problem with relying on your implicit theory of history: it's wrong, without a doubt. The world is complex, and your theory of history has to explain how everything in the world works. So, without explicitly trying to improve your theory of history, there is no hope: there will be countless things

that you have not had the time or the psychological freedom to take into account. Improving your theory of history implicitly is not systematic enough to work.

The second reason why no one has managed to achieve the true theory of history is that many people endorse one theory of history while unknowingly acting on another. For example, some people explicitly endorse the technological determinist view of history even as they implicitly act on the great man paradigm: believing that it will require the work of remarkable individuals to create the technology that will save the world, for example, instead of believing that the inevitable progress of technology will do so. There can be many belief-based reasons for why people fall into this trap, but on a more basic level, people simply don't have a good sense of what their implicit theories of history are, or know how to access them, which means they cannot reliably align their intellectual and emotional beliefs. To some extent, acting on your implicit theory of history while operating under a different explicit theory is fine—after all, your implicit theory will for a while be more nuanced than your explicit one. What is problematic is to unconsciously act on one theory of history and proclaim another; this makes it very difficult to improve your implicit theory of history, which you act on.

The third reason is that people tend to switch between theories of history in an unprincipled way, which prevents them from noticing theory-threatening anomalies. And if they can't notice and explain seeming anomalies in their theory of history, then they can't improve their theory. If someone largely adheres to the great man paradigm, for example, but resolves any contradictions by falling back on the technological determinist view, then they've prevented themselves from justifying their understanding of the great man theory, or realizing that their justification is inadequate or incorrect. Theory-threatening anomalies have to be resolved, not rationalized.

These are just a few of the psychological barriers that prevent people from making progress towards the true theory of history. But there's a simpler, more practical problem: the world is complex. In order to understand it, you need the right methodology, and you need a huge amount of properly processed data.

Social Technology

Although people are relatively aware of the material technology that powers their lives, they are less aware of the non-material technology that influences them—namely, social technology. Just as HTTP is operating protocol for the web, politeness is operating protocol for our social interactions.

When people do talk about social technology, they are frequently referring to social software, like Reddit. In this essay we take social technology to mean social engineering, a meaning that came about at the end of the 19th century. So: Reddit itself is not social technology, but the use of moderators is. Similarly, rockets are not social technology, but people agreeing to throw you out of the rocket if you keep trying to open windows is social technology.

Social technology works by convincing people to knowingly or unknowingly take certain actions, and by directing people's actions, it reduces coordination costs between people, causing them to work together more effectively towards a goal.

Let's understand the impact and importance of social technology on an individual, institutional, and societal level.

On an Individual Level

Social technology makes it easier for individuals to operate in their environment. If there are high coordination costs, everything in life becomes harder. What would life be like, for example, if you couldn't trust that people would follow through on contracts? What would life be like if there were no clear consequences for causing physical harm to others? Without coordination mechanisms to enforce these things, there are substantial psychological and logistical costs for individuals.

It is important to notice the existence of social technology and understand the ways it benefits yet controls you and other individuals—awareness of how you are being influenced is a prerequisite to choosing not to be influenced in that way. Admittedly, this can be hard; we are constantly influenced by social technology and thus are frequently unaware of it. It's also hard to understand social technology in certain circumstances, e.g. when it is inherited or when its purpose is intentionally concealed.

Furthermore, it is powerful to be able to create social technology—if you can direct people's actions, you will have a much greater influence over the world.

On an Institutional Level

Social technology makes it easier to scale institutions. The more advanced your social technology, and the more you can reduce coordination costs, the more effective your institution becomes. If you're building a purpose-driven institution (that is, an institution that isn't effectively a social club), then you will need advanced social technology to actually get your collaborators to hit the goal. Consider this: if you're building a team to save the world, should you motivate them by paying them lots of money and penalizing them if they don't show up? Or should you develop ways to find people who are intrinsically motivated to save the world, and equip them with the skills they need to figure out what to do? Which more effectively gets people to work towards the goal?

On a Societal Level

Social technology is required for society to exist: the default state of society is violence, not peace. If there is no social technology, if there is no coordination whatsoever, you will never know what to expect from others, and therefore must protect yourself—sometimes by hurting others. A society without any social technology is a society where institutions do not exist, where groups do not exist, where *family* does not exist. A society without social technology is a society where the only possible accomplishments are individual accomplishments, bounded by the psychological and logistical costs of the individual protecting him- or herself from harm. What does this matter to us, given that we all live in society, regulated by social technology? It matters because it renders certain criticisms invalid. For example, it does not make sense to say that certain norms in the Middle East, which may appear backwards to us, are destroying a peaceful default state. After all, the default state is not peaceful. Instead, it makes sense to understand these norms as very expensive ways of dealing with real problems—problems that we may not have to deal with because we live in a society where there is more, or more effective, social technology in place. It means that when we notice someone exhibiting extremely costly social behavior, we should ask: what coordination costs does this help to reduce?

We should be aware of the symbiotic relationship between social and material technology. That is, the failure of social technology can cause material technology to fail, and vice versa. This is because if the social technology fails, causing people to fail to coordinate, then people might not be

able to coordinate effectively enough to produce material technology. The failure of social technology can cause technological dark ages. Rome is an example of this. Long story short: the Roman state lost tax revenue; large scale construction ceased; architecture of this kind fell out of use; engineers became worse and thus technological knowledge (e.g. how to build an arch) was lost.

It's important to note that social technology comes with costs. In the process of building coordination mechanisms, you can also accidentally or intentionally reduce other things, like diversity and freedom of thought. Scandinavia, for example, is extremely homogeneous, and this is in part because of the social technology that is employed there, such as the Law of Jante, a set of norms discouraging individual achievement and non-conformity.

Some Examples

Strategy

If people know strategy, they can know whether actions are useful for the plan, and choose to take those actions. So, teaching people particular strategies can reduce coordination costs. We might expect, for example, that a country that teaches its people effective military and business strategy will out-compete other countries militarily and economically.

Political Theory

Political theory constitutes the engineering principles used to create government. So, political theory is social technology that allows people to build, monitor, and fix government—and organizations that function similarly (there is a thin line between creating countries and creating companies). Political theory can also function as an ideology; see below.

Government

Government, which is just a group of people that society has agreed it will listen to, is social technology. It is a direct actor—it can change laws, and laws directly change society. It is also an indirect actor whose reach goes beyond laws. It can make public statements about what is or is not desirable; it can create spinoff institutions and invest directly into ventures. Government can grant legitimacy to ad hoc actions. It can also just act in illegal ways.

Law

Law is a particularly clear example of social technology. Different legal systems can promote very different kinds of behavior. Take Roman versus Chinese laws. In both cases, your family has large rights over you. However, under the Roman system parents have to enforce those laws themselves, and under the Chinese system the courts help parents enforce them. This leads to differing incentives, and thus differing behavior. Law can be enforced in different ways. Under institutionalized codes of law, laws are enforced via punishment by the central institution. Under distributed codes of law, laws are enforced via punishment by wider society.

Ideology

Ideology can take different forms—religion, social movement, political theory. If people believe an ideology, it will shape their actions. If a religion dictates that families have to read the word of God for themselves, for example, then adherents to that religion will have to learn how to read. In this way ideologies have notable effects on society, whether they are true or not. Max Weber notes that Protestant societies have higher literacy rates than Catholic ones.

Social Norms

Social norms are an often invisible form of social technology. It is a result of social norms that we wear clothing in public, wash our hands, and spend time with family. It is a result of social norms that we have certain expectations around what our work/life breakdown should be, and how members of each social class should act. Even the notion of being professional, or professionalism, is a social norm.

Education

Education in the broad sense (i.e. state-sponsored systems and otherwise) is social technology. By delivering knowledge to other people, you can reduce coordination costs, or alter people's value systems, which then reduces coordination costs.

Credentials

Credentials are artificial markings that allow people to identify experts and sort others. An example of this is a college degree. A degree is something that allows you to get a job where you

otherwise couldn't have gotten hired. It is a social construct that is sometimes converted to a legal construct; for example, it can be illegal to practice architecture, law, or medicine without the right degree.

Traditions of Knowledge

Let's say you are designing a research program, and you're realizing that the topic you're hoping to understand is too big to cover in your lifetime. How do you make sure that people continue your work after you're gone? Let's say you are trying to understand what Aristotle would think about artificial intelligence. Should you spend time reading and trying to understand Aristotle's works, or can you talk to modern Aristotelian scholars and defer to their opinion? How can you make this decision? Both of these situations require an understanding of traditions of knowledge—in particular, an understanding of whether a tradition of knowledge has been successfully or unsuccessfully transmitted. But first: what is a tradition of knowledge?

Traditions of Knowledge

A **tradition of knowledge** is a body of knowledge that has been successfully successively worked on. It is useful to classify traditions of knowledge into three types: living, dead, and lost traditions.

- A **living tradition of knowledge** is a tradition in which the body of knowledge has been successfully transferred, i.e. passed on to people who comprehend it (e.g. cryptography). Note that the content of the tradition's body of knowledge does not have to be strictly or fully accurate for the tradition to be living; it merely needs to be passed on.
- A **dead tradition of knowledge** is a tradition in which the body of knowledge has been unsuccessfully transferred, i.e. its external forms, its trappings, have been transferred, but not the understanding of its body of knowledge (e.g. scholars who can recite Aristotle but can't use arguments as he did; Buddhist monks who chant the instructions to meditation rather than doing meditation itself). Note that this means a tradition can be dead while people still read its texts.
- A **lost tradition of knowledge** is a tradition that has not been transferred at all (e.g. numerous schools during the Hundred Schools of Thought period in China; the theology of the Cathars, which is only preserved in the words of their critics). The people who had the knowledge died without leaving any successors or substantial record of their knowledge.

It can be difficult to distinguish between different traditions of knowledge. There are traditions within traditions, and there are traditions that become fellow travelers, in the sense that they are related to but merely adjacent to one another. There are also traditions that have a long history of arguing against each other.

Importance

It matters whether a tradition of knowledge is living or dead. This is obviously the case if you are starting a research program—you want the tradition you start to stay alive. Whether or not the Aristotelian tradition is dead also matters if you are trying to understand what Aristotle would have thought about artificial intelligence: it determines whether or not you can trust the "authorities" on Aristotle—if the tradition is dead, then their expertise will not be helpful to you. It also matters if a tradition of knowledge is lost: this will inform your understanding of what it is possible to know about that tradition. For this essay, we will focus on understanding how to distinguish between a living and a dead tradition. This can be tricky; it's hard to trace traditions of knowledge, so it's also hard to notice when they die.

Assessment

How can you tell whether a tradition of knowledge is living or dead? First, you have to be able to identify signs that indicate the existence of a tradition of knowledge. You have to be able to recognize signs that indicate the existence of a tradition at all, then determine whether those signs taken together indicate that the tradition is dead or that it is alive (the signs used to recognize the existence of a tradition are the same signs used to distinguish between living and dead traditions).

Signs that indicate the existence of a tradition of knowledge vary in the degree to which they indicate that a tradition is alive, that understanding has been passed on. A collection of signs that weakly or do not at all indicate continuity of understanding without any signs that strongly indicate continuity of understanding is a sign that the tradition under investigation is dead. Below are common signs.

Signs of traditions of knowledge

These are listed roughly in order from best to worst indicators of a living tradition:

- The production of a notable effect (e.g. powerful generals, well-balanced swords). It is possible for a notable effect to be produced without understanding, for example by following a set of instructions. In practice, though, the production of notable effects requires actual understanding because effective action is too complex to be captured in instructions.
- Shared methodology (even if not explicitly stated)
- Shared concepts (even if under a different name)
- Shared conceptual framework or theories
- Extension of the theory in the tradition (i.e. new ideas based on shared concepts)
- Master/apprentice relationships
- Explicit knowledge of specific arguments
- Shared terminology
- Accreditation (depends on quality of accreditation system)
- References to specific authors
- Familiarity with a person's works
- Existence of a physical location where the tradition is ostensibly kept (e.g. a prestigious university)

A Cautionary Note

It's important to remember that in order to trace traditions, *you have to investigate the actual transfer of knowledge*. This means that you can't, for example, rely on the existence of a physical location where the tradition is supposedly kept to justify that the tradition is alive. There are many possible scenarios in which a tradition has died or been lost, and yet the physical location has been preserved. A useful way of determining whether a tradition of knowledge exists and is living is by investigating chains of master/apprentice relationships. When looking at the works of masters and apprentices, you can tell whether there are shared methods, concepts, ideas, and so forth. Furthermore, the existence of master-apprentice relationships at all is an indicator of a living

tradition, because master-apprentice relationships are especially effective means of knowledge transfer (this is borne out by the historical record).

Live Traditions

What keeps a tradition of knowledge alive? First, let's review our definition of a living tradition of knowledge: A **living tradition of knowledge** is a tradition in which the body of knowledge has been successfully transferred, i.e. passed on to people who comprehend it.

Features of living traditions

Apart from the transfer of the tradition's knowledge itself, there are features that traditions can have that promote their survival. For example:

- Transfer of verification mechanisms, i.e. mechanisms to check the body of knowledge against reality
- Transfer of mechanisms to check the transferred body of knowledge against the original body of knowledge so as to correct errors in transmission
- Transfer of the generating principles of the body of knowledge (which allows people to verify, correct, and extend the theory), like theorizing techniques
- Explication of the generating principles of the body of knowledge and transfer of this explicit knowledge. This is different from transferring the generating principles themselves, which must be understood implicitly to be truly transferred.
- The production of masters, as opposed to mediocrities or even experts. Masters are more likely to be capable of preserving, extending, or reconstructing the tradition as necessary.
- Teachers that can reliably assess whether students understand the knowledge, to prevent the Counterfeit Understanding Problem, explained below
- An institution dedicated to keeping the tradition alive
- Institutional defenses against the takeover of the institution, e.g. a test or requirement for entry
- Remember: *traditions of knowledge are preserved intentionally*. It's hard to keep a tradition of knowledge alive.

Dead Traditions

The overwhelming odds are that traditions become lost or die. Decay is the default; entropy usually prevails. This can happen for many reasons, including:

Problems related to transferring a body of knowledge

The Problem of Counterfeit Understanding

Students of a tradition can appear to possess understanding of a tradition's body of knowledge despite actually lacking it. This is counterfeit understanding. This can happen if students merely reproduce the teacher's verbal behavior, are trying to guess the teacher's password, or are simply cheating. This can also happen if teachers cannot correctly assess whether the students have achieved real understanding.

Some types of knowledge are particularly vulnerable to counterfeit understanding, such as knowledge about introspection, which is quite difficult to verify. Even types of knowledge that we might think are robust to counterfeit understanding may not be. Don't make the mistake of thinking that institutions that produce material effects, for example, have an easier time transferring knowledge.

There are a number of sub-problems that exacerbate the problem of counterfeit understanding:

The Problem of Standardized Education

Standardized education is useful because, among other things, it is easily scalable, but standardized methods of education (e.g. standardized tests as a means of assessment rather than non-standardized evaluations by masters) tend to produce counterfeit understanding because education is too complex to be easily standardized.

The Problem of Purported Change of Purpose

Sometimes counterfeit understanding will be concealed by hiding the resulting loss of capacity as change of purpose. If a country has failed to keep the knowledge of how to make swords alive, for example, they might conceal it by saying, "We don't need to make swords! The style of combat has changed to favor spears."

The Difficulty of Recognizing Understanding

Being able to tell whether people have true or counterfeit knowledge is a difficult skill. Even a master in the tradition's knowledge itself may lack this ability.

The Lack of Awareness of Implicit Models

People who don't understand the distinction between implicit and explicit models, and who thus can't or don't transfer their implicit models, will fail to transfer the actual body of knowledge, unless the entire body of knowledge has been successfully made explicit, which is exceptionally difficult.

The Problem of Lost Generators

If the generating principles of a tradition's body of knowledge are not transferred, then students of this tradition won't be able to re-generate knowledge that has been lost (and the loss of some knowledge is practically unavoidable) or generate new knowledge that builds upon the tradition. Barring complete knowledge transfer by every generation, which is extremely difficult, this will result in the decay and eventual death of the tradition.

The Problem of Syncretism

Syncretism, or the amalgamation of different schools of thought, is a moderately negative sign that people may be failing to transfer a tradition of knowledge. While syncretism is fine if it is an upgrade to the tradition, it is often difficult to tell if it yields an upgrade. Syncretism indicates a dead tradition if: (1) people are trying to import something into a system that doesn't make sense, (2) people are importing things because the original tradition stopped making sense to them, or (3) if the institution which has served to transmit the knowledge has been captured (see below).

Problems related to creating an organization

The Problem of Creating a Single Point of Failure

Although creating an institution dedicated to transferring a tradition of knowledge is very useful, and is necessary to preserve a tradition in the long run, it can also be dangerous. By institutionalizing a tradition, you can also introduce single points of failure. The bad judgment of one teacher at an organization, for example, can yield a whole class of students whose thought is severely damaged.

The Problem of Institutional Capture

If an institution built to transfer a tradition of knowledge gains power or prestige, it will attract people who want to use the institution for other purposes than the preservation and development of the tradition. Once the institution is captured for the power it holds, and the goal of the organization is no longer to transfer the tradition, the body of knowledge can easily fail to be transferred. Some types of knowledge are extremely vulnerable to institutional takeover, e.g. traditions involving political theory, because every social theory is also an ideology.

There are various ways to defend a tradition from death by institutional capture. One way is simply to understand the tradition—it's much easier to defend it if you understand it, because others can't distort it while you're unaware. Another way is to tie resources to the propagation of the tradition, e.g. by dedicating a grant to fund people who only work on certain texts. Implementing these defenses, however, is tricky. If you overdo the defense mechanisms, they may prevent the successful transfer of knowledge. You can imagine a grant tying people to a particular work being detrimental if actual understanding is achieved by reading a different work, and there is no financial incentive to read that work. On the other hand, if you underdo the defense mechanisms, and the institution is captured, the tradition will die just the same.

Live versus Dead Players

When looking out into the world, it's useful to distinguish between live versus dead players. A **live player** is a person or a tightly coordinated group of people that is able to do things they have not done before. A **dead player** is a person or a group of people that is working off a script, incapable of doing new things.

Importance

This distinction matters because it tells you how to act, offensively and defensively. Offensively, if you figure out whether a player is alive or dead, you can predict how they will respond to things and what that means you can do. If you find out that a player is dead, then you know that you can attack them in ways that are not known to them, and they will not be able to fight back. On the other hand, if you fail to figure out that a player has died, you might not realize that you can get away with replacing them. Defensively, paying attention to live players allows you to anticipate and prevent the grabbing of power, for instance.

The distinction between live and dead players also matters if you are trying to predict the future of society. If you pay attention to the landscape of live versus dead players in a society, you can predict what will happen in that society. Societies with few live players will stagnate; societies with many live players will develop and adapt.

Below we'll describe the characteristics of live versus dead players in greater detail, which will help in distinguishing between them.

Live Players

Let's review and explain the definition of live players. A **live player** is a person or a tightly coordinated group of people that is able to do things they have not done before.

Some Necessary Attributes of Live Players

Tight Coordination

A group must be tightly coordinated in order to be flexible and responsive enough to do things they have not done before. This allows them to take moves outside of the formal structure of the group, go off script, modify themselves, continue acting even if the outer form dies (i.e. imagine a team of people being able to continue working together even if the company formally blows up), and so forth.

A Tradition of Knowledge

The generation of new tactics, strategies, coordination mechanisms, and so on entails the production of new, useful knowledge. Thus, a live player must have a living tradition of knowledge. For the tradition of knowledge to be living, it must have at least one theorist, among other things.

Signs of Live Players

What are signs that a player is alive? One strong sign is a player doing things outside of their domain, which indicates that they can figure things out. Take Steve Jobs. Not too long ago, we saw Apple fighting against compliance with government backdoors. This means that Jobs had previously found a way around compliance, which means that Jobs was able to figure out ways to deal with the intelligence world. This was outside of his core domain of building companies. This is a strong sign that Apple, at least while piloted by Steve Jobs, was a live player. Another sign of a live player is exceptional individuals gravitating towards them. Such individuals tend to be good at assessing others, and will tend to seek out others who are also exceptional. If they cluster around a person or group, there is something exceptional about that person or group. Successfully reverse-engineering an attack is another, albeit weak, sign of a live player. Those who can make novel moves will also tend be able to reverse-engineer moves, but those who can reverse-engineer moves often lack the ability to create novel ones.

Concealment

Live players frequently conceal themselves to avoid opposition from other live players or otherwise incite attacks. By concealing themselves, they delay other people's responses to them. For example, Amazon branded itself as a book-selling company long after it stopped being merely a book-selling company. This helped it avoid having Walmart think of it as a competitor.

Note on Classification

Whether a player is alive or dead is always relative to themselves. Thus, a live player is not necessarily exceptional in its skill, although this is usually the case. So if a player has already done X, doing X again does not make them a live player, even if other players can't do X yet or X is an impressive move. The player would have to make a move that is new for them in order to be a live player.

For example, Putin is a live player. The Russian state is doing things they haven't done in a long time, things that were unthinkable a few years ago. They annexed Crimea, for example, and such a thing hasn't been done in Europe for decades. They also completed a military operation in Syria, notable in part because Syria is outside of Russia's sphere of influence (i.e. the post-Soviet sphere), where they achieved their foreign policy objective of stabilizing Assad. They didn't have much time to develop the plan for Syria—perhaps three years—which means they had to pull things together quickly. And so this is a very strong indicator that Russia can figure things out, and quickly at that. *However*, one country having this kind of influence over another country is nothing new—it's merely new for modern-day Russia, which is why we would deem Russia a live player. This same action taken by France in Mali would not indicate that France is a live player, for example, because France has routinely intervened in West Africa. A bureaucratized action, even if it is an impressive action, is not a sign that the player is alive.

Dead Players

We defined a **dead player** as a person or a group of people that is working off a script, incapable of doing new things.

Causes

What can cause a player to die? A player will die if their intellectual tradition dies and they are unable to replace their thinkers or theorists. Even if tight coordination remains, the player is dead. They will compete in old areas, but have a hard time expanding into new areas.

A player will also die if their tight coordination is replaced by formal structures, which can happen as members of an organization change. If you're stuck in formal structures, you have to follow the script, and this won't be adaptive enough. Remember, however, that tight coordination can be achieved by just one exceptional person.

Revival

How can you revive a dead player? It only takes one great person to revive a dead player. That said, reviving a dead player is challenging—more challenging than reviving a dead tradition of knowledge. In order to revive a dead player, you have to displace an existing power structure. It is frequently easier to do this by conquering the existing power structure with outside, owned power, than by trying to transform the player from dead to alive from the inside. This is because a dead player, if it is an organization, may contain mechanisms that preclude insiders from gaining enough power to restructure it into a live player.

Example

Apple is a dead player. It became much less interesting and powerful after Steve Jobs' death. Under him, it was a cultural and commercial force that was able to interface effectively with the US government. Now, it is a bureaucracy imitating his taste. It is incapable of adapting, building beautiful new things, and acquiring power.

Detection

It's much easier to detect live players than it is to detect dead players. This is because seemingly dead players might actually be alive (and playing dead).

Borrowed versus Owned Power

Power is the ability to realize your will, to affect the world in ways you desire, to achieve your goals. Some things are sources of power. **Borrowed power** is power that has been given to you and can be taken away by someone else. It usually takes the form of a job or position. **Owned power** is power that cannot easily be taken away. The major sources of owned power are resources, skills, personal relationships, and knowledge.

For example, say Alex was hired by Janet the CEO to manage one of her company's offices. He now has the power to assign work to employees at the office. Janet can fire Alex, and if she does, Alex can no longer assign work to the office's employees. This means that Alex's power to assign work was *borrowed power*. After Alex is fired, he might write an angry email to Janet. Janet cannot easily take away Alex's power to write angry emails, so Alex's ability to write angry emails is an example of *owned power*.

Whether or not power is owned or borrowed is relative to a competitive context. A person's job may be owned relative to their coworkers, but borrowed relative to their boss. Additionally, borrowed vs. owned power is not a binary distinction but a spectrum, though in practice it can often be used in a binary way. A source of power is owned to the extent that it can be defended. For example, money is in most contexts best thought of as owned power, even though it can be stolen.

It's better to have owned power than borrowed power, especially if you have ambitious long-term plans. As you execute such plans, there will be unexpected developments and new information that require significant adjustments. Because these changes cannot be foreseen, power that is less constrained in its use is desirable. The degree to which power is unconstrained in its use is a good proxy for the degree to which power is owned.

Consider General Motors competing against other car companies. In this context, GM's real estate assets are a source of owned power, because their competitors can't take them away. However, this is no longer true if we consider GM in competition with a branch of the US government, e.g. the IRS, though if GM had a large militia willing to defend the property, it might still be a source of owned power. So we see that when analyzing a player's sources of borrowed and owned power, you must select a context of competition.

Acquiring Borrowed Power

For instance, getting a job as an accountant at an insurance company gives you the borrowed power of managing that company's finances. Every official position confers borrowed powers, because official positions require you to render services for the group that hired you. The very right to render such services, the expectation of remuneration for such services, and access to the resources necessary to render the services are all borrowed powers, as they can be taken away by the employer.

Certain types of owned power are particularly useful for acquiring borrowed power, first and foremost the skill of persuasion. Since acquiring borrowed power entails someone else *giving you* some of their power, being able to persuade them that this is a good idea is very useful. Another is knowledge about the system in which you hope to gain power. For example, knowing the interview questions you will be asked ahead of time makes it a lot easier to get offered the position for which you are interviewing. Another is specialized skill that enables you to do useful work. The physicists who worked on the Manhattan project were given the resources and latitude to develop the atom bomb on the basis of their expertise. Unpersuasive nerds get employed by top banks at high salaries to do quant trading on the basis of their mathematical abilities.

It is possible to choose sources of borrowed power that also provide some owned power. An executive assistant, for example, could learn from and about their employer, and such knowledge would be a source of owned power. Improving your understanding of and ability to acquire borrowed power can thus improve your ability to acquire owned power.

Defending Borrowed Power

Since power is owned to the extent that it can be defended, when we talk about defending borrowed power, we are really talking about making borrowed power owned power. The primary way to do this is by exploiting information asymmetries. When power is lent, an information asymmetry always comes to exist between the lender and the borrower because the lender can't have complete knowledge about the actions of the borrower, and this can be exploited by the borrower to acquire owned power.

Let's say you get a job filing TPS reports in a cubicle at Initech Software Solutions. It turns out that you can do the TPS reports in less than a quarter of the time the company expects them to take, so you spend all of the extra time you suddenly have reading articles on Medium. The person that hired you would probably fire you, or give you extra work, or reduce your hours, if they knew that you were doing this, but if they don't know and can't find out—you're really good at minimizing your browser whenever your supervisor appears—then they can't do anything about it (this is the information asymmetry), so the position is more a source of owned than borrowed power. You've exploited an information asymmetry to acquire owned power, which you've then used to be paid for reading Medium articles.

As power borrowers are incentivized to maximize the information asymmetry between themselves and their lenders, borrowing and lending power is inherently adversarial. Power lenders are thus incentivized to spy on their borrowers to minimize information asymmetries. The ability of a system to lend power without losing ownership of it thus increases as the difficulty and cost of surveillance decreases. Likewise, the ability of a borrowed power system to accomplish the goals of its creator increases with the system's ability to minimize the information asymmetries within the organization. For example, if Initech has a system that records its employees' computer activity, you will be much less able to read articles instead of filing TPS reports, thus making the position more borrowed.

While exploiting information asymmetries is the primary one, there are other methods for defending borrowed power (though many of them will exploit a similar mechanic). One is to make yourself less replaceable to the lender. If they want a something done that only you can do, this gives you leverage over them. You can also do things, like building trust, that cause the lender to decrease their level of surveillance. There are many other strategies of this sort.

Acquiring Owned Power

As we've discussed, borrowed power can be converted into owned power, but there are of course other ways to acquire owned power. Again, the major sources of owned power are resources, personal relationships, knowledge, and skills. Skills can be a tremendous source of power because they can allow one to gain nearly all other sources of power. For example, as I mentioned, persuasive skill is extremely useful for gaining, among other things, borrowed power. Many powerful people become so primarily on the basis of their persuasive ability.

Personal relationships are similar to persuasive ability in that they can be used to get people to do things for you. For example, say you are a young software engineer planning to start your own company, but you are working at a startup to gain more expertise. You develop strong personal relationships with your coworkers, and so when you decide to found your startup, you convince some of them to leave with you and use others to get introductions to funders. (This is an instance of converting borrowed power into owned power, because you have professional relationships with them due to your job.)

We can sometimes pursue knowledge on our own. It is possible to observe and contemplate our environment. Holding special information about your environment represents a notable advantage when navigating it. However we usually acquire knowledge from others. When we read the book of nature we stand on the shoulders of giants.

We learn from them. Sometimes we can talk to them about our study in person and at other times they speak to us through institutions and books. Classic works are interpreted and contextualized by others. We might for example rely on a historian's understanding of Greece in the age of Aristotle to interpret Aristotle's claims in the Politics. You might consult your thesis advisor on an unusual result in your experiments. As our understanding grows, more and more of our knowledge in an area becomes in-sourced, and we grow to where we can with good epistemic standing disagree with the intellectual authority that was an invaluable step in our development. To consider the position of the teacher from the other end, this authority is itself a source of owned power that comes with knowledge.

Skills can be considered operationalized knowledge, or at least closely linked to it. They represent the ability to carry through on the logistical steps for a course of action. It is possible to know something can be done and should be done, without knowing how to perform the steps that make this occur. It is possible to use knowledge that is not operationalized as skill as a means to power. One possibility is trade with someone in an opposite configuration—they have operationalized knowledge, they have the steps, but they don't know what exactly can be done or what needs to be done with them.

Resources are usually acquired because of skill, personal relationships, or information, and so one should aim first at these other sources of power as a means to them. There exists a virtuous cycle in acquiring skills that are leveraged into personal relationships that are leveraged into resources and information, and then the cycle repeats. If you miss some of these and focus on

acquiring resources, you will sooner or later hit a ceiling you cannot pass. Contested resources need active defense.

II. Core Theory

Competition for Power

To win on the global strategic stage, you must understand how to gain and wield power. As soon as you decide to gain power, however, you'll find yourself surrounded by others doing the same. Suddenly, you're competing for power. By studying the competitors and the nature of the competition, it becomes possible to craft a winning strategy.

Understanding the competition for power also provides a window into understanding the behavior of other important players. While you yourself may not be competing in a strategic landscape, other powerful people certainly are. Understanding the landscape they're competing within begins to reveal their plans, goals, and next moves, which you can use to piece together what's happening all over the world.

So, how does the competition for power work?

Map of Competitors: Ambition, Skill, and Location

There is good reason to think skill lies on a Pareto distribution—some people are dramatically more skilled than others and can accomplish feats others cannot. For example, very few people have the skill to found a company, far fewer have the skill to found a *successful* company, and fewer still can found a successful company that *does anything at all interesting*. Google seeks to hire programmers who are 10 times more competent than others, known as 10X programmers. Master Go players consistently beat those of even slightly lower rank. Some politicians are drastically more persuasive and charismatic than others.

There are two theoretical explanations for this that I find plausible. I call the first explanation the Completeness Hypothesis. It is the idea that having *all* of the important contributing pieces makes a given effect much, much larger than having *most* of the pieces. Having 100% of the pieces of a car produces a very different effect than having 90% of the pieces. The four important pieces for producing mastery in a domain are good feedback mechanisms, extreme motivation, the right equipment, and sufficient time. According to the Completeness Hypothesis, people that stably have all four of these pieces will have orders-of-magnitude greater skill than people that have only two or three of the components. This produces the observed distribution.

The second possible explanation is the Efficacy Arms Race Hypothesis. This theory claims that your ability to accomplish your goals is determined by relative rather than absolute skill; to succeed in competitive domains, beyond a basic threshold of skill, you just need to be better than your competitors. Consider for example the skill required to create a successful restaurant. Beyond the relatively low level of default skill necessary to make the restaurant passably functional, the actual skill required for your restaurant to succeed will be determined by the skill of your competitors. It will be a lot lower in Boise than in New York City. If everyone in the ancient world had been as skilled as Alexander the Great, he wouldn't have been Great. Certain players can out-compete others due to their greater *relative* level of skill rather than their absolute level of skill.

One or both of these explanations might be at play, and they have grounding in various theories of skill acquisition. Completeness relies on the nature of certain kinds of intricate tasks and processes. Building half an internal combustion engine, does not give you the benefit of a combustion engine after all. The car housing it doesn't move at all, no matter how much gas you pour into the tank. The arms race hypothesis relies on the nature of competitive learning. Imagining someone aiming to become a chess player that has never played with someone else, but only attempted to derive optimal moves from the rule-set. Competitive skill growth typically just doesn't work that way.

Ambitious people will tend to be found near the upper end of the skill range. Ambitious goals require significantly more skill to achieve than unambitious goals. As such, perceptive ambitious people will be strongly motivated to develop the skills necessary for achieving their ambitious goals. Such strong motivation is one of the key prerequisites for achieving mastery—you do not reach great skill without great motivation.

In these upper ranges of the skill distribution, the ambitious people fall again into a Pareto distribution: some with moderate skill and a few with *very high* skill.

Ambitious moderately skilled people

Those with moderate skill will tend to be found in areas of visible power and prestige. Ambitious people are often interested in winning these resources. Resources are highly concentrated in particular locations. Skilled ambitious people tend to flock to these resource dense locations and enter into the few major domains of competition located there. In the United States, for example, they can be found pursuing finance in New York City, startups and technology in Silicon Valley, and

politics in Washington DC. A very large number of ambitious moderately skilled people can be found competing in these domains and locations.

Ambitious highly skilled people

In contrast, the few people with very high skill will tend to congregate in largely unoccupied areas offering owned power. Owned power is power that cannot easily be taken away. For example, persuasive skill can't be taken away easily and is a source of owned power. In contrast, a particular position in a company that could fire you doesn't constitute owned power. Unoccupied areas with opportunities to gain owned power may or may not overlap with areas of visible power and prestige. Very skilled people and not others can be found in these areas for two reasons: (1) gaining owned power is strategically superior, which people of high skill will be able to recognize. As a result, they'll seek out sources of owned power; and, (2) these areas require skill to find, as they are well hidden.

Skilled people will seek owned power as it is extremely versatile—it can be used for nearly any strategic aim. Borrowed power is significantly more limited in its usage. Furthermore, highly ambitious projects frequently specifically require owned power. For example, you need owned power to successfully found a company. You even need owned power (typically in the form of technical skill or persuasive ability) to successfully climb the ladder in competitive borrowed power systems, like government bureaucracies. Very skilled people are likely to be strategically savvy enough to understand these considerations, and they'll hunt for owned power as a result.

Less skilled people may be wise enough to hunt for owned power, but they'll tend not to find it—areas with great potential owned power are frequently difficult to identify.

At any point in history, there are only a few good places to gain large amounts of owned power. In the middle of the 18th and 19th centuries in the British Empire it was the colonies. At the turn of the 20th century in Texas, it was the burgeoning oil industry. While the details differ across time and place, it has always been the case that there are relatively few at any given time.

In addition, the best places to gain owned power are new, undiscovered places. Old sources of owned power will become better known and more competitive, and frequently the resources available there will dry up. This phenomenon is especially apparent within great centers of power like Washington D.C. today or Rome during the time of Caesar. As a result, the best places to gain owned power will be far from the center and frequently not prestigious. For example, despite being a much better route to owned power, moving to Texas to compete in the burgeoning oil industry

was less prestigious than competing in finance in New York or politics in DC at the time. Julius Caesar conquered Gaul to win the allegiance of his legion such that he could return to Rome with enough owned power to be named Dictator by the Senate. Leading an army to conquer Gaul is grueling work compared to residing in Rome in relative comfort. Gaining owned power is dirty and doesn't happen in well-established prestige centers.

To make matters worse, sources of owned power are deliberately concealed by those competing there. Once strategic players locate these areas, they will seek to conceal their existence so as to minimize the entry of other players into the area. Since competition or prestige are signs of these areas' existence, they will seek to conceal competition and sometimes to avoid prestige, as well as obfuscate any other visible indicators.

By virtue of being few, undiscovered, and actively concealed, the best places to gain owned power are very difficult to find. Without investigative, strategic, and theoretical skill, at least, players won't reliably find and be found in areas of owned power. People that are ambitious, strategic, and highly skilled will converge on the few available routes to gaining owned power. These people will be among the most skilled and competitive players that exist. To gain large amounts of owned power, expect to find yourself at the heart of staunch competition occurring between very skilled people in highly unusual places (geographically and intellectually).

Competitive Dynamics: Unlimited Action, Symmetrical Escalation, and Covertness

Limited vs. unlimited action

There are two types of actions in competition—limited action and unlimited action.

Unlimited actions are competitive actions that do not pertain directly to the competitive domain or do not stick to the rules. Befriending the judges of the essay competition to bias them is an example of unlimited action. Unlimited actions are often considered unfair. The vast majority of people don't take unlimited actions when competing.

Limited actions are competitive actions that pertain directly to a given domain of competition and stick to the "rules." For example, in an essay competition, trying to write a *really good* essay would be a limited action. Most people only compete using limited actions.

There are four primary ways in which players' competitive actions can be limited.

First, some means of competition can be **monopolized** by a given player and thus taken away from the other players. For example, most national governments have a monopoly over the legitimate use of violence. As such, competitors in an essay competition are unlikely to murder one another to increase their odds of winning, because they'll suffer the wrath of the US government.

Second, some strategies cannot be used by players who are **insufficiently skilled**. For example, it takes skill to use proxy warfare against a competitor. It is unlikely that low-level players will be aware of this strategic option, and if they did attempt the strategy, they would probably fail to execute it. Many competitive strategies only become available once a player has reached a sufficient level of sophistication.

Third, some actions that would otherwise increase a player's chances of victory are deemed **off-limits** by the competitors themselves. For example, most competitors in the essay competition will be unwilling to *consider* ways of sabotaging their competitors. Not sabotaging opponents in this case might be strategically sensible due to the risk of getting caught, but this is not the point. Competitors don't even *consider these strategies*. If there were a safe and reliable way to sabotage other competitors, most players would not find it.

Fourth, competitive action can be limited by **personal incentives**. Players will pursue the strategies that best accomplish their goals. A particular strategy might win a given competition while causing problems for the competitor's broader goals. For example, President Truman might have been able to achieve global American hegemony by nuking the Soviet Union after World War II and not done so because he didn't want to kill millions of people. It might be a bad idea to sabotage competitors in an essay contest due to the potential reputational damage if caught compared to the meager benefit of winning the competition.

Competitive dynamics between skilled, ambitious individuals

Competition between people who are ambitious, strategic, and skilled will tend to be particularly vicious because the most of the previous constraints will either not apply or only apply in a limited way. Since the players are highly skilled, competitive strategies that require high levels of skill are accessible. Additionally, these players will limit their strategic actions much less than other players (by considering off-limits actions and aligning their personal incentives behind their competitive goals), because the stakes of the competition are usually high (losing a potential

opportunity for owned power can be extremely costly). As a result, competition in the areas offering owned power will feature unlimited action and is likely to be extremely brutal.

Within this vicious unlimited competition, strategic players will reverse engineer strategies that their opponents use, which yields symmetry in the strategies employed. As soon as a single competitor uses a strategy, all other competitors gain that strategy as well. For example, if one company gains an advantage over competitors by reducing costs using a Pakistani programming company for basic coding tasks, other companies will then rush to imitate the strategy to remain competitive. Because they are skilled and their actions are unlimited, they are frequently able to do so successfully.

Offensive moves in competitive environments then result in escalation, through forcing the opposing side to counter the offensive move (frequently by reverse engineering and matching the tactic used for the escalating, or a more severe tactic). Imagine two companies dominate an industry in a particular country. One serves the eastern half of the country while the other serves the western half. If one company contests the other's territory, the other must contest in return, lest it lose too much business and demonstrate an unwillingness to fight, inviting further attacks.

Such escalation would be net-negative for both companies. To avoid this, they will sometimes avoid contesting the other's territory. In situations where no competitor has a clear advantage spoken or unspoken agreements to not engage in certain types of competition will often arise among competitors.

Nonetheless, competition among strategic players will tend to escalate because victory requires escalation. If a competitor wants to win, as such competitors often do, they won't indefinitely tolerate a stalemate (negotiated or otherwise). They will seek novel unlimited strategies to defeat their opponents, and they will find them. Executing new strategies is an escalation in itself, and if opponents reverse-engineer them, as they often do, there will be further escalation. Hence, competition at the highest levels tends to escalate symmetrically.

Conclusion

The paths to power available to the naive aspirant are mostly false prestigious paths, pursued by ambitious people of only moderate skill. The actual paths to power pursued by strategic players are surprising, as they center around disguised or undiscovered sources of owned

power. Developing a correct understanding of the strategic landscape given this noise is non-trivially difficult.

Along the path to power, it is necessary to take competition seriously. If you are on track, you will encounter extreme competition from ambitious, skilled people in unusual areas. This competition will tend to be extremely unchecked, with a tendency to escalate quickly on both sides. Seek to postpone such competition as long as possible, to be ready for it when it does arrive, and to be able to discern between innocuous and actually threatening attacks.

Empire Theory

Empire Theory is a framework for understanding and practicing competitive strategy. Competitive strategy is the art of defeating opponents. Once you have chosen a domain of competition, good competitive strategy enables you to *win*.

Competitive strategy requires understanding how actors behave based on their position in a strategic landscape. This knowledge serves two clear purposes. First, by recognizing the patterns of these strategic players, it's possible to infer a vast amount about the strategic landscape on the basis of relatively little evidence. Second, a deeper understanding of strategic moves and opponents' incentives allows us to better craft our own competitive strategy, through predicting, planning for, and responding to behavior.

Part I: Competitive Landscape

Empires

Here we use **empire** to mean a group of coordinated actors that operate around some central power. Coordinated actors are those people using discernible mechanisms for aligning their actions to achieve particular goals. A central power is an actor or set of actors causing others in a given region to coordinate. The actual central power may not be the ostensible central power; for example, a startup might be de facto run by its CTO rather than its CEO. An empire then, being a group of coordinated actors, will among those actors always have some kind of central power that is maintaining coordination. Let's list some example empires to illustrate:

- *A company:*
    - Coordinated actors: Employees, business partners, customers
    - Central power: The CEO / executives
- *A government:*
    - Coordinated actors: The civil service, the military, corporations, citizens
    - Central power: the king / the president / the legislature

- *The Muskiverse:*
    - Coordinated actors: People at SpaceX, Tesla, Solarcity, and the Boring Company, perhaps others
    - Central power: Elon Musk

The Fractal Nature of Empires

Empires are fractal. There will be sub-empires within any given empire. In the Catholic Church, for example, we could consider the coordinated actors to be the global Catholic clergy plus lay people and the central power to be the leaders at the Vatican. However, it also makes sense to consider a single parish as an empire where the coordinated actors are the members of the parish and the central power is the priest. Likewise, a social movement like Effective Altruism could be considered an empire where the coordinated actors are the members of the movement and the central power is the cluster of people and organizations guiding the ideology and strategies of the rest. That said, an individual organization within the movement could also be considered an empire.

The fractal nature of empires follows from the fractal nature of coordination mechanisms. An empire can be identified either by noticing a group coordinating, or by identifying a coordination mechanism and then identifying the actors coordinated by that mechanism. As there will be different coordination mechanisms present at various places within an empire, and thus sub-clusters of tighter coordination, empires will be fractal.

The Contents of Empires

Empires are composed of players, resources, and other empires. Players are the individuals with enough power to be relevant to the overall functioning of the empire. Resources are assets that can be drawn upon for the empire to function. This category features many things besides physical resources, including money, information, and personal relationships. Coordination mechanisms (both natural and constructed) and people that are not sufficiently powerful to be relevant for the overall functioning of the empire are also considered resources. Finally, because empires are fractal, empires contain other empires.

The Problem of Local Focus

In a given empire, the dynamics of the most central sub-empire have a large effect on the rest of the empire, and control of the central sub-empire is important to top strategic players as it yields control of the rest of the empire. As a result, the top players in an empire tend to prioritize controlling the central sub-empire. This phenomenon repeats in a fractal manner. To illustrate, consider the United States an empire, and the president of the United States a player seeking to control the empire. Within the United States, let's say the central sub-empire is the executive branch. Within the executive branch, let's say the central sub-empire is the cabinet. If the president cannot control the cabinet, then it will be much more difficult for him to control the executive branch. If he cannot control the executive branch, then it will be much more difficult to control the United States government.

A great deal of resources then tends to be spent on control of the central sub-empire. This allocation of resources detracts from the proper functioning of the rest of the empire and hurts the empire's expansion, as more resources spent on central infighting means fewer resources spent on other things essential to the empire's functioning. Unfortunately, this outsized expenditure is not the result of corruption and whimsy, but political necessity (a lot of what we usually call "corruption" stems from political necessity). This problem of *local focus* is one of strongest limiting factors on the sizes of empires, because the problem tends to get worse as an empire gets larger. The problem of local focuses increases in larger empires because the more power an empire has, the more skilled players are attracted to it. The more skilled players are attracted to a given empire, the more difficult it is to control the central sub-empire. The more difficult it is to control the central sub-empire, the more difficult it is to preserve and expand the empire. As a result, the problem of local focus hugely limits the expansion of empires.

Power Classes

The coordinated actors in an empire will have differing amounts of power. For example, consider a tech startup as an empire. The founder can hire and fire people, will usually play the lead role in determining the startup's strategy, and can contribute directly to the creation of the company's product. In contrast, a newly hired programmer may only be able to contribute to the product. As such, the founder has more power in the empire than the newly hired employee. **Power**

classes are a typology of the coordinated actors in an empire on the basis of their relative power levels.

High is the central power that defines an empire's zone of coordination. Without high, the empire would not exist and the other actors would not be coordinated. High also plays the largest role in determining the distribution of resources within the empire. High can be an individual (e.g. a forceful CEO) or a group (e.g. the board of directors of a foundation). It will often make sense to model high as an empire in itself, because there are naturally occurring coordination mechanisms that cause high to be its own cluster of coordination within an empire, and there are usually a small number of individuals in high that coordinate the other high players (a high within high). These natural coordination mechanisms include that high players are mutually threatened by middle players and by aggressive outside empires.

Mid is the collection of individuals or groups that have sufficient power to challenge high's control. Mid players will often have smaller empires of their own. Mid plays an important role in constraining the action of high. In our tech startup example, mid players might be the managers of the engineering and sales teams.

It does not usually make sense to model mid as a single empire. They are very seldom coordinated as such.

Because mid players control fewer resources than high players, any mid player will have to expend a greater portion of their resources to secure the coordination of a fellow mid player. An investment of $1M is a notable and risky venture when your net worth is $20M. It might be an afterthought if your net worth is $2B.

Each individual mid player controls notably fewer resources than high, you have to coordinate more of them to reach the same capabilities a single high player can provide. Coordination costs are superlinear, so pooling anything except the simplest resources in this way is uneconomical. Coordinating 30 different strategic players rather than 3, is likelier to increase costs by a factor of 100 rather than 10.

For any given mid player, high is usually a preferable ally to other mid players. Given these known problems and the existing uncertainty in mutual evaluation, a mid player must then not only match, but outbid the offer high gave mid. This event occurs infrequently.

Low is the collection of players that can challenge mid but cannot challenge high. Low has the largest population and the least power. In our tech startup example, the low players would be individual programmers or sales people. The programmers on an engineering team could plausibly challenge their manager, but they could not plausibly challenge the founder. Like mid, it does not make sense to model low as an empire.

Outside is any actor that is not coordinated by the high power. In our example, this could be an employee at another company or the mayor of a town in France. Outside players may still seek to affect an empire, including by meddling in its internal affairs.

As mentioned earlier, certain actors are best modeled as **resources**. Any actor that cannot independently challenge mid is best understood as a resource, because these actors will not be relevant for understanding the empire. They can be understood as resources, because they will be used by low, mid, and high players to accomplish their objectives. For example, they might provide labor or be weaponized by players against each other.

Examples of classifying by Power Class

In the United States today, high is best understood as being composed of key federal agencies. Heads of major institutions such as large companies, banks, universities or governors of individual states can be understood as mid. State officials, heads of local groups and smaller organizations can be understood as low. Everyone else is best modeled as a resource. Relevant outside powers consist of key foreign governments such as China or Russia.

At Harvard University, perhaps high is occupied by the president, provost, deans, vice presidents, or trustees. Mid might be key professors, long-time staff, heads of departments and major donors. Low might be student organizers or less important professors. Other students, assistant professors, replaceable staff, and smaller donors. Relevant outside players might be companies that recruit from the university or the local city government.

Power Classes are Fractal

Like empires, power classes are fractal. The same actor can be classified as low, mid, or high depending on the frame of reference. For example, a parish priest in New York might be low if considering the entire Catholic church, mid if considering the Archdiocese of New York, and high if considering the priest's parish itself.

Cautions in Classification

The official story of who is and is not powerful does not always match the actual story. For example, it might be that the president of Harvard has only moderate internal influence and that one of the deans has by far the most internal influence. In this case, the president might be better classified as a mid-player. When assigning individuals and groups to power classes in an empire, be skeptical of your assessments, as it is easy to assume power distributions based on the official story.

Strategic Landscapes

A **strategic landscape** is a domain of competition among players. A domain of competition is a region in which players compete for scarce resources.

Trying to analyze a strategic landscape without specifying a domain of competition will yield confusion and error. If the domain of competition isn't specified, ends and means cannot be distinguished. Most actions are ambiguous, so unless they are interpreted through a definite hypothesis, investigation has no clear direction and uncertainty cannot be resolved.

This approach distinguishes the mere accumulation of facts from analysis. The crucial task is determining which facts are relevant and prioritizing them. While you might imagine a logistical analysis that doesn't specify a domain of competition, it will fail to predict the range of interactions between players.

You might correctly note the industrial capacities in a particular region, but if you are not keeping track of whether the factories are aligned either through an owner, a state or an oligopoly, you will fail to predict which products can be built or which projects will be carried out.

Since players can modify any mere logistical fact, the accumulation of facts without knowledge of the domain of competition will perhaps correctly show the functioning of some systems but will fail to predict changes in the system.

For example, analyzing the strategic landscape that includes the oil industry and the social justice movement without specifying a resource they are competing over will result in something like a list of reports of media events and general beliefs. To understand their dynamics or even correctly evaluate the facts on the ground you have to identify either a definite conflict point, or their overall strategic aims and position.

You might begin to analyze them as a part of the political strategic landscape in which the resource competed over is the allegiance of a particular congressman.

The oil industry might have the ability to offer positive resources in the form of financial or legal support for the congressman. Their purpose for competing in the political landscape being favorable legislation for their industry. The social justice movement might be able to mount a campaign against the congressman, attacking their character. Their purpose being social reform, perhaps through legislation.

In the competitive scenario laid out it would only makes sense for an unpopular or weak congressman to go with social justice, and only temporarily, since all they can offer is to stay their hand, while the oil industry can provide useful resources, that improves the congressman's long term position.

Empires are domains of competition, and domains of competition tend to be empires; empires are always domains of competition in which players are competing for power, and domains of competition almost always have coordinating mechanisms binding the competitors together (for example, competitors in the oil industry coordinating to defeat clean-air legislation).

The term "landscape" provides a useful metaphor for thinking about these domains of competition. You can think of the terrain of a strategic landscape as being determined by the competitors and their relative power. Imagine yourself standing on a precipice overlooking a strategic landscape of a university. You see rolling hills off to the left, some of which are larger than others, representing the heads of the various humanities' departments. In the middle is a tower mountain representing the central administration, upon which there is high rocky outcrop representing the president of the university. The landscape is not static, but dynamic, with the terrain shifting as players make moves and gain or lose power. If you want to compete in this strategic landscape, you will have to navigate it, taking into account the powers of the other players in determining your path, your competitive strategy. The same goes for the other competitors.

Conclusion

Earlier I claimed that actors exhibit common patterns of behavior depending upon their relative position in a strategic landscape. Now we can parse this: in a domain of competition, aspects of the behavior of high, mid, and low players will be consistent and recognizable. This means, for instance, that there are patterns of interaction between high and mid, and that, if we identify high

and mid in a particular domain, we will immediately learn much about how those players will behave. The common behaviors of players are a consequence of what works and does not work for players given their position on the landscape. Understanding such patterns thus substantially broadens one's range of available strategic options. We will explore these dynamics in detail in part two.

Part II: Power Dynamics

Power classes are a useful typology for players in an empire, because each group is subject to consistent incentives. As a result, there are consistent patterns of interaction between these groups. Understanding these patterns enables a deeper understanding of the strategic landscape and the crafting of superior strategy. In this essay we will explore these dynamics in detail.

The Dynamics of Power

Coordination and power go hand in hand. To understand both the opportunities for cooperation and under what conditions competition makes sense we have to take a look at key facts about power.

1. Power is a convergent instrumental good

Power can be used to accomplish a very broad range of goals. As such, many kinds of actors will aim to acquire power in the pursuit of their goals. The more effective they are and the better their understanding of reality is, the likelier they are to seek power. .

There are two interesting consequences of this fact. First, those aligned on ultimate goal and values might still choose to compete over power, if they have different ideas as to how to achieve those goals.

Second, even those that aren't aligned on ultimate aims can still choose to cooperate for a time to acquire power together. Those that accurately understand the instrumental value of power recognize each other and cooperate in ways that are not available to the less savvy.

To miss out on the usefulness of power is to miss out on a mechanism of coordination with the powerful, while failing to protect yourself from competition by the savvy.

2. Power is Pareto-distributed

The most powerful players are orders of magnitude more powerful than all other players. This distribution is observed in many, many domains vital to gaining and maintaining power, ranging from land ownership to income to political contacts to personal effectiveness.

3. The competitive nature of reality

Everyone is locked in a state of de-facto competition against all others trying to access the same scarce resources as they are (e.g. companies in Silicon Valley competing for talent). Power is a scarce resource, and, as noted above, it will be pursued by many actors. Thus pursuing power successfully can quickly result in reaching high levels of competitive difficulty.

4. The difficulty of coordination

Coordination is a troublesome problem. It takes a large amount of skill and resources to successfully coordinate large numbers of people. If you've ever tried to organize a group of volunteers or run a company you know just how true this is.

5. The insufficiency of inherited models

Society doesn't equip people with correct ideas about how the social world works. A lot of political and social common sense is wrong or contradictory. For example, many people talk about decision making through consensus, but many people also say that committees are utterly ineffective. Inherited models are insufficient for effective action.

6. The deceptive side of society

Sometimes rather than merely being insufficient, the models people are equipped with are actively deceptive.

In most modern cultures vicious competition is not socially acceptable. There are carved out exceptions to this, such as in business or entry to prestigious educational institutions (such as the Ivy League universities).

Even there, the competition is claimed to be limited to only a few domains. Further, the justification for these partial exceptions is prosocial and ultimately cooperative. There are a few possible justifications for competition.

One of them is the notion of a meritocratic society, one where positions of privilege are distributed in accordance with merit, that is talent and skill. Everyone should be as excellent as they can be—ultimately competition is supposed to produce relative rankings for the distribution of positions, rather than an absolute standard.

In the example of elite universities, the justification is applied to admissions tests of various kinds. SAT scores and the like limit attendance at the universities to the talented, rather than using some other key such as say family ties.

Sometimes this prosocial story is correct and other times it isn't. The deceptiveness of the societal story and the attempts to obscure competition are especially visible as low, mid, and high form secret alliances to attack other players and claim power for themselves.

The Dynamics of Power Classes

High

As we said in Empire Theory, Part 1: Competitive Landscape, high is the central power and cause of coordination in an empire.

High is generally concerned with maintaining its power in the empire; since high is already in the most powerful position, high has a lot to lose and less to gain locally. Due to its preoccupation with maintaining power, high will consistently be concerned about mid players growing strong enough to overthrow and replace high. As such, high will seek to control mid, usually through distribution or denial of resources.

High will also seek to expand its empire as a means of securing its position within the empire. There is an important difference between resources high directly owns versus resources in the empire. While high can benefit from having powerful middle players with a lot of resources, high cannot directly use these resources. The total power of an empire is always larger than the power of high. High will try to steer growth with the priority of benefit to its internal position as the first priority, the overall growth of the empire is a secondary goal. Security and the ability to produce other kind of effects in the world, are usually not at a trade off; when they are, however, security takes priority.

Mid

Mid is the group of players that can challenge the high power.

Mid will often fight with other mid players, both to destroy competitors and to add those mid players' resources to their own empire. Mid will also often make alliances with high by specializing to perform services which high cannot or will not provide. Businesses, banks, and universities are good examples.

Mid players, in pursuit of increasing their own power, will be strongly incentivized to challenge high (as high has the most obvious concentration of resources). As such, mid needs to receive something very valuable from high in order to not challenge it. *The tense interaction between mid and high is the most important thing to focus on when trying to understand an empire.*

Low

Low players can challenge mid players.

Low usually matters little as an independent force within an empire, although it will sometimes contest mid players. Instead, low is important because it will very often be used as a proxy by both mid and high players for their own purposes. As such, it will be commonplace to observe low powers being picked up and discarded by stronger powers. Low players will rarely demonstrate agency in their strategic moves.

Outside

Outside is the group that is not within high's empire. Outside is composed of all empires and players outside of high's zone of coordination. As such, outside will include competitors of high, as high will be competing with other empires for expansion.

Sometimes outside empires will invade and try to take over an empire in their quest for growth. These takeover attempts might include alliances with players inside the empire so as to subsume or disintegrate it. Mid powers are often interested in leaving empires, and might accept aid from outside to break off from high. Low powers might be interested in rising to mid in the new empire lead by the former outside. A negotiated surrender is an example of such an alliance between high and outside.

Outside can also aim for opportunistic collaboration to achieve a particular end without aiming to merge. An example would be the cooperation between the French company Sud Aviation and the British Aircraft Corporation to develop the world's first supersonic passenger airline, the Concorde. The alliance is narrow, with the intent to produce a particular piece of technology.

The Dynamics of Interactions

The following sections will discuss all pairwise interactions between high, mid, low, and outside players.

In this discussion, there is an important distinction between degrees of cooperation. When two players are cooperating, they are working together to achieve a particular goal, but they are not necessarily generally aligned. Two players can cooperate in one domain while battling in a different domain. I call this a **narrow alliance**. When two players are coordinating to achieve most of their goals and no longer contest one another, I call it a **broad alliance**. Narrow alliances are the default between most players in an empire, whereas broad alliances are unusual.

High-high

High can be made up of many individuals. Each of these individuals will seek to expand their own power and increase the size of their personal empire. High/high alliances will emerge when individual high players discern that the best way to grow their personal empire is if high can act in a unified manner. High can do things that no other player can do, because of the large pool of resources available to its members. As a result, there will often be especially large rewards for high acting in a unified manner. For example, in many countries, the only organization that can successfully execute large engineering projects is the central government, because they are the only group with sufficient resources and coordination power. The construction of the US highway system beginning in the 1950s is an excellent example of this.

What does the unification of high look like? In considering the dynamics within high (when it is composed of multiple individuals), it can be useful to model high as an empire unto itself (yielding low high, mid high, and high high players). High is in a state of unification when high high and mid high are broadly allied. If high high and mid high are not broadly allied, then high is disunified.

High will tend to be unified when it has the ability and opportunity to expand its empire. In this circumstance, individual high players will perceive that the best way to grow their personal empires is to help the larger empire to expand. If these opportunities dry up, high will often become disunified, because the best strategy available to individual high players is to contest the other high players' power.

High disunity is especially problematic when considered in the context of the problem of local focus. When high is disunified, high players will contest each other's personal empires. The focus of each high player will be the defense of his or her personal empire. In order to transition back to a unified high, the attention of high players needs to return to expansion of the broader empire. This transition can be very difficult to achieve, because all high players will need to simultaneously stop contesting each other's empires such that their attention can focus on the larger empire. As a result, high disunity is an equilibrium that is extremely difficult to break out of. High unity is then unstable, because any outbreak of internal strife can lead to stable disunity.

High-mid

Mid players usually gain by participating in the empire's domain of coordination. For example, two dukes can resolve a border dispute by going to the king instead of having to resort to violent conflict. Similarly, national governments can enforce contracts for mid players in modern states. As seen in these two examples, by establishing a narrow alliance with high, high can resolve problems that are outside the reach of either mid player; high provides a coordination service.

Likewise, high gains from having mid players, because there are goals high cannot achieve without the cooperation of mid. For example, consider a startup in which the founder is the sole high. Since the founder's time is scarce, he cannot personally manage each programmer once the company grows beyond a certain size. As such, he will cooperate with mid players (programming team managers) to manage the lower-level employees.

There is an interesting asymmetry in what has been described so far. The coordination services described provided by high are insufficient, as they are merely making interaction with other mid players smoother.

On the other hand the delegation services provided by mid are frequently sufficient to justify the cost of the coordination service and more from the perspective of high. Providing arbitration and other means of coordination in exchange for delegation is almost always a worthwhile trade for

high. Mid however is, on the face of it, incentivized to leave the empire and only opportunistically ally for such services when needed.

Absent further action from high this incentive is often followed leading to cascades of mid players leaving being one of the common causes of the downfall of empires.

Further, since mid players will always seek to expand their personal empires and high has the most resources in the empire, mid successfully challenging high is among the most rewarding possible resource acquisition strategies.

To establish a broad alliance between high and a mid player, high must provide mid with something that both offsets the cost of delegation services as well as the temptation of seeking to challenge high. As a result, high will usually control the distribution of resources in an empire, thereby incentivizing mid players not to challenge high. For example, a central government can bribe mid players to not challenge it by distributing industrial contracts. A totalitarian state can coordinate mid players by giving them the opportunity to not be sent to a prison camp.

In general, if an empire is not expanding, broad alliances between high and mid will be fragile. A high player coordinating mid players primarily with threats will usually not be able to coordinate the mid players long term.

Providing and denying opportunity are asymmetrical. You only have to occasionally provide positive opportunities for collaboration to be worthwhile. If you are merely denying opportunities to force cooperation, you have to carry this out always.

For example, a CEO that is constantly threatening to fire his managers due to the company's poor performance will not be able to stably coordinate those managers.

As such, the most stable high and mid broad alliance is one in which mid is receiving resources from high (e.g. colonies, subsidies, commissions, etc.). High can give its own resources to mid in exchange for cooperation, or high can get resources from outside the empire and give some of these to mid.

The latter strategy is much more stable than the former, as it allows high to maintain the relative distribution of resources to high's advantage, while the former does not. For high to stably distribute resources from the outside, however, the empire must be expanding.

High and mid achieving broad alliances, like those described above, is important for handling the problem of local focus. If both high and mid players do not need to focus on defense of their personal empires against adversaries within the broader empire, more effort can be put into expansion of the empire. An allied high and mid is an extremely effective internal structure for empire expansion.

High and mid can also ally to attack other mid players. High will often narrowly ally with a mid player to attack a more threatening mid player. For example, consider a university in which an influential tenured professor is rallying other professors to question the budget decisions of the administration.

The administration can ally with a different set of professors (who will usually be weaker or less politically savvy) to challenge the original professor. The professors allying with the administration can get pay increases, promotions, desired policy changes, or departmental budget increases in return for their cooperation.

If high is undertaking such an alliance, we can infer that it is already notably weakened. After all, it chose a mid player rather than a low player, which already means it is required or desired the assistance of someone well positioned. We can predict that the alliance will be short lived as the mid player might in turn become threatening.

Frequent alliances like this are not a good sign for an empire. It means that for some reason or another high is chronically finding difficulty to align with mid powers. It suggests that the only means available to it, to preserve its domain, are undermining the powerful members of this domain (rather than, for example, distributing external resources to mid to preserve high's power and mid's loyalty). The limit of the empire's power has been reached.

Finally, high will sometimes scrap mid players to add their resources to those under high's direct control. We have previously mentioned the important difference between resources that are at high's direct disposal versus resources that are in direct control of other players in the empire. One way high can increase the amount of resources at its direct disposal is to take a mid player's resources. For example, a government can nationalize a particular industry as a legally held monopoly.

High-low

As we have previously said, low players are mostly irrelevant to high players. They don't have enough power to effectively attack high, and they don't have enough resources to be worth scrapping. They are also more difficult to usefully coordinate with than mid or outside players. Since they are individually weak, a large number of them must be coordinated in order to make it worthwhile. Coordinating such large numbers can be prohibitively difficult. For example, if the CEO of a tech company is working to launch a big new feature, it is much easier for him to work with three lieutenants to manage the project than manage 50 programmers himself.

Given the difficulty of usefully coordinating low players, why would high ally with low? High will ally with low because low can be weaponized against high's adversaries. A common offensive move for high is to ally with a low player to attack a mid player. Low players are strong enough to attack mid players but are not strong enough to be dangerous to high, making this alliance very safe for high. For example, say the CEO of a tech startup wants to get rid of one of his managers but doesn't have sufficient legal ground to fire them. The CEO could ally with one of the lower-level programmers managed by this person who has been doing poorly on recent work performance reviews. The programmer is tasked with filling a harassment complaint against the manager with HR in exchange for leniency in work reviews.

There are two important observations about this common type of offensive alliance. First, it helps explain the seemingly irrational paranoia that can be found among strategically savvy individuals. Attacks by powerful players will often appear to be random harassment by low players. Second, all alliances between high and low are very asymmetrical. Since low cannot challenge high, the relationship is almost completely in high's control. The low player is *disposable* in high/low alliances, something important to keep in mind if engaged in an alliance with high as a low player.

High will also often ally with low players to avoid empowering mid players. For example, say the president of a university has to choose a professor each year to give a speech in front of the entire school. The president may pick an obscure professor so as to avoid giving a notable and powerful professor, a mid player, resources (in this case, public acclaim), since the president consider such professors a threat to his influence over the university. High/low alliances can appear extremely puzzling, because it will seem like high either has poor judgment or is wasting time with low players. In reality, though, it may be a prudent maneuver against mid.

It is useful to be aware of high's predisposition to ally with low if you are a low player within an empire. Low players can position themselves to ally with high in order to destroy a mid player and achieve mutually beneficial aims.

"*Grassroots movements*" are an example of this. Take, for example, the Little Rock Nine. After the historic *Brown v. Board of Education* Supreme Court case in which the racial segregation of schools was declared unconstitutional, the Governor of Arkansas deployed the Arkansas National Guard to physically prevent black students from attending previously all-white schools.

In response, President Eisenhower nationalized control of the Arkansas National Guard and sent the 101st Airborne Division to enforce the racial integration of the schools. One way of describing this event is that the grassroots desegregation movement won a major victory against segregationists. An alternate description is that high (the US Government) took a resource (the Arkansas National Guard) from a mid player (the governor of Arkansas) using a conflict between low and mid which had been incited by high (the desegregation of schools, incited by the Supreme Court verdict) as justification.

High-outside

There are four major ways in which high interacts with outside players. First, high can attack them to expand and gain resources. Second, high can use them to fight internal political battles. Third, high's empire can be invaded by them. Fourth, high can ally with them to attack other outside players.

High is incentivized to expand the empire as a means of increasing its own power and as a means of coordinating mid players through the dispersal of resources. Sometimes high will expand by acquiring an outside empire. Consider Google acquiring a startup. Google will often acquire a start-up because there is something that the outside empire can do which it cannot do (similar to how mid players specialize to coordinate with high). When an empire is acquired, it usually retains its original structure and some power, but becomes coordinated by and subordinate to high. In this case, the acquired company might maintain its internal structure and some powers like hiring, but what it produces will be owned by Google. Acquisition can also be less cooperative, like military conquest, for example.

Similar to how high can ally with low or mid players to defeat opponents in the empire, high can also ally with the outside to defeat its internal opponents. Take a tech startup in which the CTO

and CEO disagree about strategy and the board is split on which to support. The CEO might hire a prestigious, supposedly unbiased consulting firm to rubber-stamp his decision in the hope of swinging the board. Another example is the hiring of foreign mercenaries by rulers to quell local rebellions. These sorts of alliances are basically always narrow alliances. It will rarely be the case that high and outside enter a broad alliance.

High inviting outside players into the empire carries a significant risk, the outside players might turn on high. This situation is particularly dangerous; outside players will learn a lot about high and the rest of the empire when they are invited in, because they need that information in order to coordinate with high. However, high won't necessarily learn very much about the invited player. This information asymmetry can be extremely dangerous for high.

For example, in 1169, the King of Leinster invited Norman mercenaries to help settle a rebellion in his kingdom. Instead, the Norman mercenaries ended up seizing the territory for themselves, deposing the king. When inviting players from the outside, it is easy to misjudge their power due a lack of information about that player. Even a single, highly persuasive individual can be dangerous to invite into an empire if he or she cannot be controlled.

Just as high can attack other empires to gain resources, other empires can attack high's empire. Because there is intense competition for power, outside attacks are common and empires must defend against them. Competition in a market is one example. If your company locates a previously unserved market, you shouldn't expect to be alone for long if you see any success. Other companies will soon seek to chip away at your empire. For example, Apple's success with the iPhone rapidly led to many copycat competitors like the Samsung Galaxy.

High can supplement its strength against an external enemy, by building a narrow alliance with a third player from the outside. The strategy is particularly apt when the aim is defeating an external empire rather than acquiring its resources; because high needs to spend fewer of its resources to acquire an outcome, and isn't concerned about possible spoils, the ally can then be paid from the spoils. Successive Chinese dynasties relied on this policy heavily over the centuries, to the point of it being artfully captured in an idiom: Use foreigners to subdue foreigners; let the barbarians fight it out among themselves (以夷制夷).

Mid-mid

Mid players will often behave antagonistically towards one another because other mid players are their primary competitors for gaining power. For example, the US government often offers competitive contracts for construction projects. Mid players (large construction companies) will have to battle one another for the contract.

That said, there are two ways in which mid players will sometimes coordinate. First, mid players will ally to create an anti-high coalition. This is the only common mid/mid broad alliance. Second, mid players will narrowly ally to attack other mid players.

There are four common types of anti-high coalitions: conservative coalitions, coup coalitions, secession coalitions, and dissolution coalitions.

A conservative coalition is when mid players coordinate to oppose the actions of high in an empire. For example, if the federal government is trying to pass a law curtailing the power of state governments, state governors might ally to oppose the legislation. If the CEO of a startup tries to push for the adoption of particular code testing policies, the engineering team leaders might collectively reject the CEO's policy. In both cases, the mid coalition may succeed; conservative coalitions can block attempted changes by high, but will often succeed only at *slowing* high rather than halting them altogether.

A coup coalition is an alliance in which mid players coordinate to depose high with the aim of having the group become high themselves. A classic example is when a king's ministers depose the king and install a patsy as the new king. When this sort of transition happens, the empire will usually remain intact but with a new high. Such coalitions are most viable when a small number of mid players are notably more powerful than the rest. When this isn't the case, the new high will not have sufficient advantage sufficient to keep the empire intact.

The third anti-high coalition is the secession coalition. Mid players will often have their own empires within the larger empire. If the benefits of being coordinated by the high power are not worth the costs, then mid powers will be incentivized to exit the empire. Sometimes mid players will simply leave the empire, although frequently this move will be blocked by coordination mechanisms (e.g. military force in the context of a local government breaking off from a national government or social pressure in the context of a manager leaving a tech startup). In these cases, mid players can ally to aid each other in breaking away from the empire. The US civil war is a classic example of this.

The fourth anti-high coalition is the dissolution coalition. Sometimes, instead of mid players coordinating to leave the empire, they will simply destroy the empire. If a collection of state governments collaborates to destroy the national government, then sovereignty will devolve the individual states. This process drove the collapse of the USSR, with the individual Soviet Republics cooperating to reduce the legal and political role of the union, and eventually helping legitimize its dissolution as well.

The risk of mids creating a dissolution coalition provides a strong motivation for high to distribute valuable resources to mid players so as to make the empire's continued existence preferable to them. Such distribution is viable if high's domination of resources persists, through some kind of growth; otherwise high is merely giving away its own advantage. Such generosity might slow down a particular dissolution attempt, but will make success more likely when dissolution is attempted.

Since redistributing resources to the most powerful mid player trades off against the risk of them initiating a coup, buying off weaker participants in a dissolution coalition first staves off dissolution without increasing the risk of a coup.

These scenarios often preoccupy high's attention and determine what actions are viable. Only the largest and most skilled mid players can fruitfully pursue them. In most circumstances continued cooperation with high is the best option.

An easier and more common option for cooperation among mid players is that of joining together against other mid players. Mid players compete for power, since they benefit from influence over the commons and possible allies in the empire. As a result, it is sometimes viable to create a narrow alliance to defeat a particular mutual mid competitor. Fewer strong competitors means more resources available for the remaining players.

Mid-low

There are four main ways in which mid and low players interact.

First, low players can be weaponized by high to attack mid. See the section on high-mid dynamics for a discussion of this.

Second, low players can be weaponized by mid players against mid opponents. This takes the form of a low player supporting or protecting a low player that is frustrating their common

opponent. One might step into an existing conflict of interest between the two and support the weaker side to prolong it, or one can even incite the conflict to begin with.

Third, mid players will sometimes ally with low players in order to expand their own empires. For example, the manager of a team of programmers might notice a talented programmer on another team. The manager could befriend that programmer and convince him to join her team as a means of improving her own team's performance.

Fourth, low players will sometimes aim to ally with mid players in hopes of becoming mid players themselves. This alliance usually occurs either by low riding on mid's coattails as mid increases in power or by low directly gaining power through their alliance with mid. A good example of coattail-riding occurs in US presidential elections. Campaign staffers (low) ally with a presidential candidate (mid) in the hopes that that mid player will win the election and then become high. If this occurs, the new president will repay the campaign staffers by delivering White House appointments, making the staffers mid players. An example of low directly gaining power through a mid alliance is mentorship. A mid player invests in a low player in the hopes that the low player becomes a tightly coordinated mid player.

Mid-outside

Interactions between mid and outside are often tense, because it is risky for mid players to interact with outside players. Mid will primarily interact with outside in two contexts: when outside is attacking their empire and when mid is going outside of the empire for resources.

Aggressive outside empires will often try to ally with mid players in an empire they are invading. Mid players can be extremely valuable to an invading empire because they will often have useful information on the target empire. Also, stealing them both increases the invader's power and decreases the target's power. For example, consider two website-builder tech startups competing with one another. It is very useful for one company to steal a highly skilled manager from the other company, because it gains a highly skilled manager, the opposing company loses a highly skilled manager, and the manager brings with her detailed knowledge of the opposing company's strategy and internal dynamics. Due to the damage defection can cause, punishments are usually harsh. In the context of competing states, treason is punishable by death. Defectors are usually completely socially ostracized after being discovered. Even between competing companies, defecting to the

opposing company will often result in total social ostracization from the first company. Defection of mid players is a rare and destructive event.

After an empire has conquered another empire, they will attempt to ally with the conquered mid players in order to preserve basic working order of that empire. Much of the value of an empire comes from the local players' ability to coordinate with one another. Setting up the structures necessary for effective coordination is very difficult. As such, when an empire is conquered, the conquering empire will often simply reuse the coordination structures that have already been set up by the previous leaders of that empire. Mid players are also incentivized to ally with the new regime, as the alternative is usually destruction (although sometimes mid players will attempt to break off from the empire during the chaotic period of high's replacement). This pattern of reusing existing coordination structures leads to such structures being surprisingly durable, usually lasting far longer than any single empire.

Venturing outside the empire is an interesting challenge for the mid player. In a space of many somewhat coordinated players, it is ideal to achieve growth with the help of said players rather than against their designs. Opposition is costly.

In the British Empire of the 18th and even 19th century, great fortunes and energies could be absorbed by political struggles in the capital. However, one of the best routes for influence in London was making your fortune by expanding Britain's colonial holdings and then bringing that capital to bear. The returns were often better than fighting in the system. Examples of this were the military career of Sir Robert Clive, who conquered Bengal for the British East India Company and the business ventures of Cecil Rhodes that drove expansion into Africa.

When high is coordinating mid players and distributing patronage from the common effort to grow the empire, there are few reasons for mid to pursue additional projects. Alexander the Great's generals are best served by staying with his army and carrying out his orders; their prospects for wealth and fame against a still standing Persian empire were miniscule. In such contexts a high player is staking their position on their ability to continue providing patronage rather than on the ability to defeat mid players.

In this example, Alexander demonstrates the ability to win battles against the Persian Empire and acquire more and more provinces. He is overwhelmingly incentivized to maintain such growth. He takes on most of the cost of failure, but will share in the spoils of his success. An independent

venture by a mid player means they are spending their own resources and also directly bearing the risk of failure.

Given these expenditures and risks, mid players should pursue outside growth when high is not offering sufficient resources for the mid players' growth. An even more dire circumstance is when outside expansion is attempted to circumvent a high power actively trying to starve a large mid of resources.

Low-low

Low is generally unimportant except for when being used by mid and high. As such, low/low interactions are mostly unimportant at the empire level. That said, there is one circumstance worth mentioning. A low player will sometimes assemble a cluster of other low players into a local empire, making the organizing low power a new mid power. For example, consider the situation in which a town is passing new zoning laws setting a minimum size for plots of land in a county. Low-income residents of the county would be hurt by this law, because plots of land would be notably more expensive if they could not be further subdivided. One low-income resident might rally other low-income residents to fight the zoning law, with the organizer becoming the group's leader. In this case, the organizer has suddenly risen from low to mid by coordinating low players using a new coordination mechanism (low-income homes' personal incentive to oppose the zoning law). As the primary difficulty among low players is the cost of coordination, it is common to see the creation of new mid players when the strategic landscape changes and there are newly available coordination mechanisms for low players.

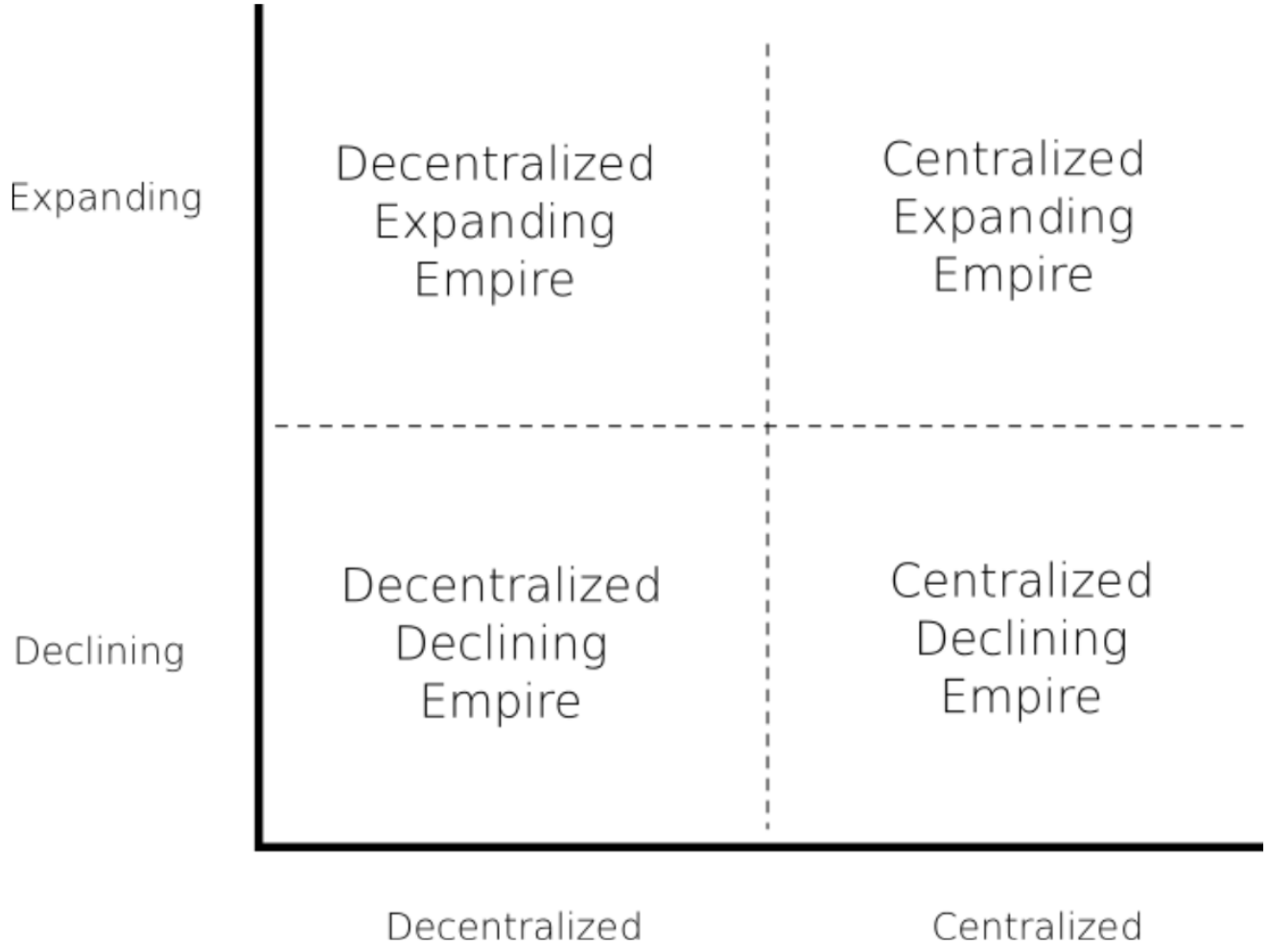
Low/outside

Low/outside dynamics are usually unimportant, but there are a few worth mentioning. First, low will sometimes coordinate with an invading empire by being weaponized against mid players- after the conquest they may coordinate with the new high. Second, low will sometimes leave the empire. It will usually be easier for low players to leave the empire than mid players, because an empire losing a mid player is both costlier and riskier than losing a low player, so the coordination mechanisms tend to be weaker in the case of low players.

Growth and Decay in Empires

We can use our understanding of the dynamics of power classes to determine whether empires are healthy. Since power is always at least somewhat insecure, there is always a need to import resources previously not in the empire, even if only to maintain the status quo.

When thinking about coordinated groups (i.e. Empires), health and growth are synonyms. How is this growth achieved, or how is the scarcity managed? Depending on how centralized the empire is these dynamics of growth and decay play out differently.



For any empire, we can ask how centralized it is -to what degree is high coordinating and coordinated with the rest of the empire, specifically mid? Though the level of centralization is a continuum, we can draw a line somewhere in the middle and say that an empire on one side is

centralized, and an empire on the other is decentralized. We can also ask whether the empire is expanding, that is, gaining resources from outside, or declining. Combining the answer to both questions yields four empire types. Typing empires in this way allows us to rapidly understand the basic internal dynamics of an arbitrary empire.

Centralized expanding empire

In a centralized expanding empire, the central power (i.e. high) is broadly allied with the middle powers, often by buying them off with resources acquired from outside of the empire. The coordination thus bought is then directed towards keeping the empire growing. Growth can take the form of captured provinces, new trade routes, acquired competitors, new technologies, and so on. Since high is driving the growth, the empire tends to expand decisively in one direction at a time. This type of empire can usually be discerned by its decisive manner of expansion.

Centralized declining empire

In a centralized declining empire, the central power is keeping the mid players coordinated by denying them resources and preventing them from acquiring resources from outside. Such an empire will either shrink gradually or suddenly and catastrophically implode. This type of empire can be discerned by observing a tightly coordinated empire that has shrunk over time, but hasn't had any major parts of the empire break off and become independent.

Decentralized expanding empire

In a decentralized expanding empire, the central power isn't strong enough to prevent middle powers from going outside for resources. High maintains its position by acquiring resources for its direct control from the outside without the help of middle powers and by occasionally scrapping weaker mid players. In this state, the empire is growing. It grows in multiple directions in a patchy manner, due to the desynced actions of mid and high. This type of empire can be discerned by its multi-directional expansion pattern.

Decentralized declining empire

In a decentralized declining empire, the central power is failing and isn't strong enough to keep middle powers coordinated. In particular, it isn't strong enough to prevent their growth. The empire is fragmenting, with no clear successor to the dying high. This type of empire can be

discerned by observing an empire that is shrinking and has significant parts breaking off and becoming independent.

Conclusion

The landscape of power and coordination are intimately interwoven. Patterns of alliances and rivalries come through necessity to define who we coordinate with and why. No matter what goals we pursue, we face this reality of power, and so must understand and account for it.

We explored a classification system for the power of individuals and institutions, pairing it with an overview of the dynamics that play out between these classes. This analysis allows us to take several important steps. We can diagnose the current landscape of an institution and the state of coordination dynamics within it. We can predict with reasonable confidence the effects of various actions and strategies on a given empire. Finally, we can track on relations between the powers in an empire to accurately predict where in the life cycle of institutions the empire falls.

The importance of growth for the health of empires stands out. In the analysis growth seems indispensable for harmonizing the interests of relevant high and mid stakeholders. Empires coordinated through cooperative ventures, by carrot rather than stick, will plateau and decay later, translating into more coordinated allies and resources.

The best way to win at adversarial encounters then, is to focus energy on building out cooperative ones. In the long run, acquiring power and empowering others is mutually reinforcing rather than mutually exclusive. Something to keep in mind.

Functional Institutions are the Exception

Every great company is unique, but there are a few things that every business must get right at the beginning. I stress this so often that friends have teasingly nicknamed it "Thiel's Law": A startup messed up at its foundation cannot be fixed.

-Peter Thiel, Zero to One, page 107

The Inequality of Institutions

Within nearly every institution bigger than a dozen people, insiders are resigned on how hard it is to get things done. They maintain a coordinated competence only barely above the level necessary to keep the institution in existence. Perhaps worse, many institutions persist for a surprisingly long time despite failing at their formal purposes; they've fallen, unwittingly or not, into new reasons for being. Unprofitable companies and declining nations often last longer than their critics remain solvent.

Most things fail. Things that exist have avoided failure. So far. Institutions we do see are functional enough to persist because of selection effects, not because humans are particularly good at making them work.

In my research, I found something that puzzled me: in any given type of institution: state, church, for profit or non-profit, there are some organizations that outperform the others by orders of magnitude. This is true even when comparing only institutions that have similar material wealth, human capital, and formal structures in terms of their ability to reshape the world in service of their formal purpose, their informal purpose, or perpetuating themselves. Regardless of the exact measure, exceptional institutions do exist, but they are rare.

An elegant explanation for this phenomenon is that everything is broken. When something works the way it should, it appears exceptional. It's not that a particular institution started off with more material wealth or higher quality people than its competitors. Rather, it is simply put together properly; the cogs and gears fit.

A tornado cannot assemble a Boeing 747 by passing through a junkyard. Functional institutions are not spontaneously generated. The machinery, if it functions, was assembled by someone with good judgment: the institution's founder.

The institution was also probably assembled properly from the start, rather than made functional over time. It is much more difficult to make a dysfunctional institution functional than to create a functional institution from scratch; Institutions will nearly always have internal forces that resist change, and diagnosing institutional dysfunction is usually very hard. If an institution is broken, it's usually broken in many ways, not just one, and so discerning what's going wrong in order to fix it is very hard. This explains Thiel's law: a founder's best shot at creating a functional institution is to get it from the start.

This is not to say, however, that fixing dysfunctional institutions is impossible. A talented founder can do it, but it is hard. He must defeat those opposing him in such a one-sided way that he establishes peace, a peace in which he can build. He must then build well.

Most institutions are broken

I maintain that normal institutions frequently don't effectively pursue their formal goal, but spasm ineffectively in its general direction. Often, however, like in education or medicine, this doesn't appear to be the case. From afar, the institution looks functional. Research is being done, children are being inspired—there are even pictures!

These cases provide a challenge to our theory of rare functionality. How do we explain this?

We posit that the appearances are deceiving. The reality, under the organization's facade, is by default one of a poorly run social club—a group of people with no stronger drive than fulfilling some of their social needs.

Unfortunately, institutions usually aren't even well optimized for that; the formal purpose, when too weak to exert pull, becomes an obstacle. Many members don't notice this or pretend not to notice. Specialization is haphazard; people often choose their fields based on social needs or other goals that are not tightly correlated with achieving the goals or the preservation of the institutions they find themselves in. Bottlenecks result in much wasted effort and local information being thrown away needlessly. Much effort is also lost in communication and political struggles.

Further, the number of people involved is usually too small to organize via market mechanisms, at least internally, and market mechanisms require certain working institutions to maintain them anyway. As a result, the institution also fails to effectively fulfill its members' subterranean social goals.

In such an institution, efforts don't multiply each other, but merely accumulate linearly. The sum of this activity is a noticeable but very weak optimization force. The optimization force, together with naturally occurring hierarchies, is quite sufficient to govern small tribes under conditions similar to those prevailing for most of our evolutionary history. But most institutions try to be something different.

Working order is fragile

When order emerges, it can be a dysfunctional one. A functioning machine can still be poorly designed, based on faulty assumptions or incomplete knowledge. It can also be unlucky—it is possible to pursue an excellent plan and build a functional well-designed institution, but have the circumstances simply be too difficult to prevail.

Often, when there appears to be an outgrowth of impressive order without impressive results, it is a deception. Depending on the scale, this is sometimes maintained by charismatic individuals, or by a smaller and less impressive order of coordinated and enforced deception. The latter is particularly interesting, since the institutional energy is put into maintaining outside appearances instead of internal functionality; examples include various kinds of legal compliance, party lines, and more mundane public relations strategies. "Comrades, we have outperformed our quota!"

The order around us is also fragile and often more an illusion than a reality. Examples are numerous. The formal charters of companies never capture the reality of the office politics actually constraining and initiating actions. Areas that rely only on the police for safety tend to be dangerous. An army's morale is fickle—should it falter, it reveals that the command structure has rested on quicksand. Soon after, it becomes unable to function.

An absence of designers

Why are there so few true founders that can assemble good institutional machinery? There are many preconditions, but I think the key one is planning, defined here as considering your actions in advance and improving the entire sequence, rather than just one step at a time. Successfully planning is the exception rather than the rule.

We fail to plan for many reasons. For one, we don't have much time to figure things out. The world is large, and each of us has only a few decades at best in our prime. To make matters

more difficult, much of the thought we do engage in is about making other humans treat us nicely or give us the things we want, rather than about discovering what is true. Desperate for social survival, we explicitly or implicitly agree to pay the long-term price for immediate improvement.

Thus, the "plans" we do make are not maps of actual future action towards the goals they claim to have. Rather, they become an agreed-upon lie, aimed at solving the immediate political problems of the people collaborating. This means the activity called "planning" is often an exercise in persuasion rather than engineering, with predictably bad results.

Given relevant knowledge, complying even with a benevolent plan, one that eventually fulfills our needs, requires us to postpone gratification. The self-domestication of mankind has barely begun to imprint this ability on the feral human animal. On the other hand, self-domestication has imparted a strong urge towards conformity in thought.

This is a useful feature in the components of the machine, as I will explain, but a bug for any would-be designer. The founder has to keep an accurate understanding of cause and effect over the extended lifespan of institution building they engage in. Should they lose track of that understanding, they will not have much of an impact, becoming tools of the institutions and circumstances they find themselves embedded in, rather than transforming them.

How we control coordination costs

Uncertainty about people's behavior is an obstacle to local planning. How can we overcome it without paying the high cost of deeply understanding others?

We can sometimes work around the obstacle by simplifying our behavior—that is, making our actions follow a highly formulaic and even ritualized script, in order to increase predictability and standardize interactions. One example is what is usually called *professionalism*, another would be *courtesy*, another, the notion of being *law-abiding*. The most important, quite complicated form, is *virtue*. Failure to maintain all of these forms is apparent and common. When a community does merely marginally better at upholding them compared to most, the pay-off is large.

When we do manage to basically understand strangers, we still can't be sure they don't mean us ill. When stakes are low, and there is not much to gain for the other party from defection, we can still extend trust. What about highly competitive industries? Politics? In those high stakes contexts, where incorrect trust might cost us everything, we are forced to proceed as if they do mean us ill. It

is a failure of due diligence not to. An interesting result of social science is that different societies, rest at different equilibria of such trust between its members.

We try and ameliorate such modeling problems by self-sorting: making sure those we talk and interact with are as similar to us as possible. This strategy can work well, since even slight preferences for similarity end up almost perfectly sorting people into self-similar groups (this is demonstrated by Thomas Schelling's 1969 paper).

We also put effort into standardizing other humans, either by capture or manufacture, with measures like schooling and rewarding conformity.

Difficult communication and imperfect models of others entail uncertainty about behavior. Scarcity as well as locally justified assumptions of ill intent result in conflict. Ultimately, if no other means suffice, people reach first for local politics and then violence. As those struggles proceed, a costly process of reducing uncertainty takes place.

Even if we understand how they tend to think and what they are like, our allies remain hard to understand—especially if they have thought about a subject with which we are unfamiliar. Enemies will try to disguise themselves as allies.

Our coordination costs are typically high, and we pay them in forms so familiar that they are usually not noticed. There are also high costs to figuring out who is competent and who isn't. Relying on others to help map out how the world works—a workaround to the limitations of our short-lived, small minds—is only a sporadically good idea and has failures that are hard to detect from the inside. *Epistemically sound collaboration is rare.* The design of functional institutions is then the products of individuals, not large cooperative groups.

A great man is someone with a secret and a plan

Our puzzle leads us to an interesting conclusion. Starting with exceptional institutions as unexplainable anomalies, we saw that functionality is the anomaly, and then concluded that a founder capable of bypassing some of the limitations of a typical human mind, himself an anomaly, produces this functionality. Only once assembled and functional does *the machine* possess the capacity for purposeful self-improvement beyond the founder's design.

Great man history, disparaged in academic consensus starting in the late 19th century in favor of socio-economic forces history, deserves a second look. Great forces are perhaps only

unleashed by particular great minds. The recasting of the pre-modern approach as "great minds history" provides a prophecy—one that extends beyond the human era. Those who find secrets, that is, correct and special knowledge about the world, and have the ability to plan, possess the building blocks of the next machine.

The Succession Problem

Only a few institutions fulfill their intended purpose. Such a functional institution stands out as remarkable. It is the exception rather than the rule, always tracing its beginnings to a founder. Such institutions at first always have a skilled pilot—he can alter and direct the institution in a way that preserves or improves its functionality. If he weren't able to do so, he would not have been able to create a functional institution.

However, the founder cannot remain the pilot forever. Another pilot, a successor, has to step in and take the reins for the institution to remain piloted. Furthermore, in order for the institution to remain functional and a live player, this new pilot must also be skilled. Such a person extends the life of the institution, allowing it to achieve more than it otherwise would. Ensuring the institution acquires this new, skilled pilot is the **succession problem**.

Institutional longevity is a matter of skill and power

As we see, the succession problem has two components: **power succession**(handing off the reins of the institution, keeping it piloted) and **skill succession** (transferring the skill needed to pilot the institution well, keeping it a live player).

If the founder handles both parts of the succession problem, successfully handing off the institution to a person who can skillfully alter it as necessary, then the institution remains piloted and a live player. If neither part of the succession problem is handled, then the institution becomes unpiloted and a dead player.

If power succession is successful but skill succession is not, then the institution remains piloted, but not a live player. Someone is at the controls, but they don't really know how to use them.

There are multiple possible outcomes to such a scenario. At worst, the pilot aggressively mismanages the institution. This situation can be catastrophic; the pilot might crash the plane. At best, the unskilled pilot remains at the controls but intervenes minimally, allowing the institution to function while also defending his *ability* to alter and direct it. Of course, if the pilot is also not skilled

enough to maintain his power then the institution will eventually become unpiloted unless a skilled pilot steps in.

If skill succession is successful but power succession is not, then the institution becomes unpiloted and a dead player unless and until the skilled person gains the necessary institutional power to pilot it.

As an example, the founder of a company might retire, giving way to an outside CEO appointed by a rather conservative board. Even if there is a junior engineer or designer that has the passion and expertise needed for a whole new kind of product that the team could deliver, he will not be positioned to realize this vision.

To successfully change the company, the engineer would have to at best persuade, at worst bypass, the new management. Ideally the employee eventually maneuvers themselves to the position of CEO. If this happens at all, it can take years. Instead, he might do better to fundraise and recruit for a new start-up.

If you imagine a chaotic and disorganized parent company, with shards of responsibility and bureaucratic entrenchment, in the above example the problem of succession gets harder and not easier.

Over the lifespan of a bureaucracy, power lent out to various delegates becomes owned, allowing individuals to use organizational resources to pursue agendas at odds with the purpose of the organization. They form an entrenched opposition, that makes rendering the institution functional a notable challenge. Gaining control of institutions that have become unpiloted is often more difficult than founding one's own institution, even for a skilled actor.

Even after becoming unpiloted, a functional institution can remain effective for a while, but it will decay and eventually cease to be functional or even cease to exist unless someone captures it and starts piloting it.

Creative destruction is not a necessity for innovation

Silicon Valley enthuses over disruption because we have become so used to the succession problem remaining unsolved. To disrupt an organization, industry, or culture can only be good if it

isn't possible to cooperatively transform it. Under such conditions each generation of innovators must start anew or waste their efforts with a sclerotic structure.

Successful skill succession coupled with failed power succession can lead to destructive strife. People of exceptional ability and ambition do not necessarily seek out conflict, but will generally be willing to endure it. Depending on their options it might be the best course of action to attempt to dismantle or destroy the old organization which they couldn't work with.

Functioning firms are repositories of many kinds of capital that cannot be liquidated, and when they die, it is destroyed. Such capital includes position, team synchronization, good organization and tacit technical know-how. These are casualties of economic competition.

We have no problem identifying this phenomenon as problematic in politics. We view the destruction of an old political order by means such as civil war or political strife as regrettable necessity at best, not something to celebrate. This stands in stark contrast with our view of the phenomenon in the economy, likely because we overlook the destructive side.

Few mature technological companies today use their position to support effective innovation. Many companies spend significant resources on research, but few manage to aggressively implement and deploy. Amazon provides a contemporary proof of possibility, with its constant pursuit of technical innovation in service of ever larger economies of scale and logistical efficiency.

That Amazon is one of the exceptions reflects the poor health of the current batch of institutions, rather than the nature of mature companies or even underlying market incentives. Disruption should be the backup rather than the first choice for innovation. That it isn't is the result of poor institutional health.

An overabundance of talent in the absence of sufficient opportunity and power succession can render society quite chaotic. If ambition is outlawed, only outlaws are ambitious. On the other side of the spectrum, buying stability through the absence of talent is futile in the long run. Institutions ultimately decay without renovation either from within or without.

Sclerotic institutions eventually break rather than bend, which is the source of catastrophic instability. When thinking of a company, this might result in a desolated company town, when thinking of a civilization, the result is societal collapse.

Organizations and societies that solve the succession problems will have a less harsh trade-off between stability and innovation. When institutions of the previous generation are actively handed off to the next, they retain needed flexibility to pursue restructuring.

While variation between individual organizations is notable, most rely on social technology that is widely distributed and implemented around their society. A society is best thought of as a dense ecosystem of institutions always borrowing from each other, outsourcing services and sometimes clashing over resources. It can be very difficult to implement a unique solution. If none of the institutions in a society solve a particular problem, the fragility of those institutions will be reflected in the fragility of society as a whole.

Conclusion

The foundation of a flourishing civilization is an abundance of functional institutions. These originate with founders who bring new social designs into being. In the natural course of events their institutional legacy decays, becoming less and less suited to achieving the desired positive effects.

The succession problem is the problem of ensuring founders can hand off institutions they have built to other founders. The key problems here are the creation and identification of sufficient skill, together with ensuring the next founder has inherited a position of sufficient power to remake the institution. Of course, even if the succession problem is handled once, it always returns.

If the succession problem is unsolved, the only process of institutional reform is the destruction of abandoned institutions by new ones, the process sometimes described as 'creative destruction'.. That our society valorizes rather than bemoans such outcomes, unfortunately demonstrates that we have become accustomed to failed succession and notable dysfunction.

We should temper our enthusiasm for intense political and economic competition and instead develop a greater appreciation for the importance of successful succession. This change would go far in remedying contemporary institutional sclerosis and stagnation.

Great Founder Theory

A theory of history

Our beliefs concerning large scale patterns of the present world carry predictions for the future and explanations of the past. Yet, when we think about society as a greater whole and the humans in it, it seems all too natural to consider these kinds of models separately.

We change explanations of social phenomena to fit time periods, without principled reasons for doing so, for why some factors come to dominate. This divide is an artifact of our lived experience and limited knowledge, not of reality itself.

Whether we like it or not, attempting to evaluate reality on the scale of society is to implicitly claim of an overall theory of history.

Through previous essays we've explored the functioning of institutions, the transmission of knowledge, and the landscape of power. These phenomena substantially overlap and interact.

In this essay I will illuminate this overlap and try to make the common driving factor of their dynamics explicit in what I call '**Great Founder Theory'**.

On institutions

What is an institution? This term conjures associations with organizations such as governments, courts, corporations, and universities. For our purposes, an institution is a zone of close coordination maintained by automated systems.

There is a spectrum of automation, however, and it is more useful to call something an institution the more automated it becomes. The most automated of institutions can be understood as bureaucracies.

We can understand the world as a landscape of functional and non-functional institutions. Functional institutions are the exception. Creating functional institutions requires a founder who knows how to coordinate people to achieve the institution's purpose, and who uses this knowledge to build new institutions or dismantle and rebuild existing ones.

Non-functional institutions, which inadequately imitate functional institutions, are the norm rather than the exception. They attempt to copy the relevant social technology from one or several functional institutions. Such non-functional institutions can still easily generate the external and internal story of being goal oriented and functional.

The internal story helps them achieve modest effects locally, but these are side effects of socializing. Its members might individually pursue actions towards the organization's goal, perhaps even believing they are pursuing them effectively; however, the social interface rewards appearance rather than reality, hence close cooperation towards the organization's goals cannot materialize.

One sign and symptom of this simple optimization for appearance is that everyone in the organization is trying to perform the same kind of task, the one that is most socially rewarded, rather than them being specialized according to their function.

The body of the institution becomes a social club gathered under pretense. We shouldn't disparage the value of socializing itself. Anomie, the rift between individual and community, has only grown since the sociologist Emile Durkheim introduced the concept in his diagnosis of 19th century society.Perhaps given our predicament it is wise to try and build community by any means available, so our society should tolerate some false pretense for socializing.

However, whatever the talent or intentions of individuals within such a non-functional institution, the main body of the institution, the communal fabric of socializing and even material incentive, stands in the way of fully realizing the institution's nominal function.

Ultimately, vital functions must be realized. To name only a few, imagine militaries that cannot win wars, churches that cannot maintain communities, governments that cannot guarantee security, universities that cannot maintain intellectual life, courts that don't uphold the rule of law, and industries that fail to advance technology.

To fail at all of these functions would amount to a failed society.

Limits to knowledge and effects of imitation

A society can make do with having some functional institutions and some dysfunctional institutions. You could argue that the Roman Empire for century after century succeeded in building

armies that could win wars, but failed to maintain the intellectual life inherited from the Hellenic era, for example.

Even then, such a society pays a high and often invisible opportunity cost. They might believe their institutions functional, because they have simply never seen the functions carried out well. There are no outliers that can be used to disprove the thesis that the status quo is the best that can be done.

The invisibility of dysfunction may follow from a lack of viable comparisons. Comparisons between often competing societies are difficult, because of clashing politics and social narratives. Comparisons across time are difficult, because of confounding factors we cannot control for. Comparisons against theoretical ideals are limited by the quality of theory.

We might only be able to clearly compare functional and non-functional institutions when functional institutions still exist in a domain of society. This illustrates what a crucial difference even one functional institution can make.

A functional institution is only an instance of a class. There is more than one technological company, for example, though there might be only one truly innovative company per industry.

If an organization is clearly better, it is possible to imitate it. In a famous Caltech commencement address, Feynman explained the folly of simple-minded imitation. However, as long as the functional example is around you can keep returning to it, each step narrowing down. You are only stuck building wooden airplanes or wearing turtlenecks if the original is no longer around. Success through reverse engineering is much easier than blind trial and error.

This kind of imitation can bring you to a better and better approximation of a given set of social technology. However, since the social technology behind functional institutions wasn't discovered through blind tinkering, it is ultimately grounded in an existing lineage of knowledge.

Once that tradition is lost, you are making photocopies of photocopies. Each subsequent copy loses information. A crucial difference between organisms and organizations is that organizations do not undergo natural selection. Since the fidelity of transmitting intricate social technologies is so low, complex adaptations cannot arise.

There is no corporate equivalent to DNA. The positive copying errors do not propagate and overwhelm the negative copying errors as they would in millions of years of evolution in wasps or elephants. This means that institutions only arise through the process of imitation and invention carried out by human minds.

A single new functional institution that visibly and strongly outperforms others in its reference class offers an educational example that can be followed by many. Imitation of practice is much easier and faster than transfer of knowledge, especially when the tradition of knowledge is still alive to be imitated.

Some functional institutions shoulder the burden of their civilizational function entirely on their own. There was only one organization that went to the Moon: NASA under von Braun.

Whether because of the scale of the task they handled and consequently their solitary nature, or because other institutions learn from their crucial example, functional institutions are often irreplaceable. When a functional institution dies, the living lineage of knowledge disappears, succeeded only with ever fainter echoes.

Such institutions, when they arise, provide far more value to society than they can possibly capture for themselves or their founders.

A civilization is an ecosystem of institutions

In "Institutional Failure as Surprise," we explored how institutions rely on each other for handling many necessities. Examples include infrastructure, enforcement of contracts, security, intellectual culture, design… too many to name.

No institution is self-sufficient. Rather it is a part of an ecosystem, receiving and giving support in complex arrangements. Due to interdependency and the extreme differences in functionality among institutions, functional institutions subsidize all others.

The functional institutions solve and handle hard tasks not just for themselves but many other organizations and communities. Since they can outsource to functional institutions, let alone imitate their example, even mere social groups become quite productive.

The reason is that there are multipliers external to the social group, provided by functional institutions elsewhere, that make the nonfunctional institutions' modest linear efforts worthwhile.

In a civilization with several functional institutions, everything seems to work very well. The ubiquitous perception of functionality is then reflected in the culture and produces a very palpable mood of optimism. Nothing seems beyond the civilization's grasp.

People impact the world through institutions they build

The term institution is not synonymous with the concept of **empire**, though they can overlap in some cases.

An empire is a region of coordination around a central power, where the central power is the cause of the region of coordination. An institution can be the entirety of a given person's empire, but such an empire can also include multiple institutions. Naturally functional institutions can extend the reach of personal empires.

I argue in 'Competition for Power' that people's impact on the world follows a Pareto-like distribution, with the most impactful people having a far greater impact than the rest.

The creation of functional institutions is the means by which people are hugely impactful. People who build institutions are far more impactful than people who don't, and among those, people who build functional institutions are by far the most impactful.

The height of personal power amassed by creators of functional institutions can certainly dwarf that held by those merely inheriting them. But power is a means, not an end. The big picture impact of such impressive personal empires doesn't lie in the power to right particular wrongs or achieve particular aims, but rather in how such empires lay the foundation for building further institutions.

A functional institution can outright solve a problem for a civilization. It might, for example, complete the construction of infrastructure so important it changes the course of economic development for centuries to come, such as ancient China's grand canal or a hypothetical space elevator.

A functional institution can subsidize the working of many other ventures through providing services other institutions and communities can rely on. One might consider Hammurabi or Muhammad's systems of law as examples.

Those who build these functional institutions mold society. Among the founders of functional institutions, those who build the *most* functional institutions are much more impactful than the rest.

I will call those who found the most functional institutions that contribute to the bedrock of their civilizations **Great Founders**. *Via the creation of institutions, Great Founders become the shaping force of society.*

Conclusion

To examine a society, then, we should first look for functioning institutions. A simple way to do this is to identify businesses, religions, governments, and so forth that are radically outperforming their competitors. We then seek out the founders of these institutions.

By looking at the distribution of founders across various domains, we can make predictions about the future of specific fields and industries. Even further, by investigating the plans and intentions of Great Founders, and evaluating how likely they are to succeed, we can make specific predictions about what the future holds.

The actions and capabilities of Great Founders determine the future social and material landscape of civilization, and thus the future of the world. Societies with many Great Founders will innovate and flourish, while societies with few will stagnate and deteriorate.

II. Supplementary Documents

Bureaucracies

When we encounter unsavory features of reality, it can be tempting to look away. Instead, we should ask, "What purpose does this serve?"

With this in mind, let's look at bureaucracies. Some people fear bureaucracies; they fear "the Machine." Others are bothered by the bureaucracies ' apparent dysfunction. With a better understanding of bureaucracies—what they are, why they're here, and how they work—both of these responses evaporate, because the reality is this: bureaucracies aren't altogether bad. In fact, bureaucracies can be incredibly useful.

What is a bureaucracy?

A **bureaucracy** is an automated system of people created to accomplish a goal. It's a mech suit composed of people. The **owner** of a bureaucracy, if an owner exists, is the person who can effectively shape the bureaucracy. **Bureaucrats** are people who are part of a bureaucracy (excluding the owner).

Not all organizations are bureaucracies. Most organizations are mixed—they have both bureaucratic and non-bureaucratic elements.

The Purpose of Bureaucracies

The purpose of a bureaucracy is to save the time of a competent person. Put another way: to save time, some competent people will create a system that is meant to do exactly what they want—nothing more and nothing less. In particular, it's necessary to create a bureaucracy when you are both (a) trying to do something that you do not have the capacity to do on your own, and (b) unable to find a competent, aligned person to handle the project for you. Bureaucracies ameliorate the problem of talent and alignment scarcity.

Features of Bureaucracies

Bureaucrats are expected to act according to a script, or a set of procedures—and that's it.

Owners don't trust that bureaucrats will be competent or aligned enough to act in line with the owner's wishes of their own accord. Given this lack of trust, owners *should* be trying to disempower bureaucrats. Bureaucracies are built to align people and make them sufficiently

competent by chaining them with rules. When bureaucracies deliberately restrict innovation, they are doing it for good reason.

Bureaucrats are meant to have only borrowed power (power that can easily be taken away) given to them by the owner or operator of the bureaucracy.

Effective Bureaucracies

What is an effective, owned bureaucracy? Why are effective bureaucracies owned? To begin, we must make two important distinctions: one between **owned and abandoned** bureaucracies, and one between **effective and ineffective** bureaucracies.

Owned bureaucracies are bureaucracies with an owner; they're bureaucracies that someone can shape. **Abandoned bureaucracies** are bureaucracies without an owner.

If a bureaucracy is owned, the bureaucracy's creator is likely the owner. The creator will have knowledge about the setup of the bureaucracy that is necessary for properly reforming it. Others, unless given this information, will not understand the bureaucracy well enough to properly reform it.

The person technically in charge of the bureaucracy (e.g. the C.E.O. of a company who is not its founder) might not be its owner simply because he or she doesn't have sufficient information about the bureaucracy's setup to guide it. As a result, the official head of a given bureaucracy may just be another bureaucrat.

While the owner is typically the creator, this needn't be true, as long as the new owner has come to understand enough of the function of the bureaucracy to make effective adaptations to its procedures.

Effective bureaucracies are bureaucracies that are handling the project they were created to handle. **Ineffective bureaucracies** are bureaucracies that are not handling the project they were created to handle.

Bureaucracies that are properly set up will be effective at the start. Changes in reality require changes in procedures, however, so a bureaucracy's procedures inevitably need to be altered appropriately for it to remain effective. Over time, abandoned bureaucracies, having no person who can functionally shape the bureaucracy to make these changes, quickly become ineffective bureaucracies.

Owned bureaucracies, on the other hand, have a shot at making these adaptations to prevent decay. If the owner is skilled, the bureaucracy's procedures can be modified, and the bureaucracy will continue serving its original purpose. If the owner is unskilled, it is as if the bureaucracy is abandoned—the owner's efforts to change the bureaucracy's strategies won't yield successful adaptation, and the bureaucracy will become ineffective. As a result, for a bureaucracy to remain effective over time, it must be an owned, not abandoned, bureaucracy with a sufficiently capable owner.

Losing and Dismantling Bureaucracies

Bureaucracies are best thought of as an extension of their creator and as a source of power for him or her. However, the owner can lose control of the bureaucracy over time, as bureaucrats convert borrowed power into owned power by exploiting information asymmetries. While owners will try to limit the owned power of their bureaucrats, the bureaucrats will have more than enough time to study the instruments of their control and will learn what is rewarded and what isn't.

Imagine a bureaucrat that is supposed to be an assistant to the absentee owner of an institution. This senior assistant is supposed to research solutions to key problems, and then present several options to the owner, who then selects one. The assistant is then required to implement the one that was chosen. There is a very detailed document describing their job and requirements at every step of this process.

The key problem is that a very complex set of rules can be easily bent to acquire an arbitrary outcome. The outcome will be completely valid from the rule set. This is analogous to how in science a very complex model, that fits the data, is not very impressive. As Von Neumann put it: "With four parameters I can fit an elephant, and with five I can make him wiggle his trunk." Let's walk through the described process the senior assistant is supposed to follow to demonstrate how bureaucrats wiggle their trunks.

You might require the assistant to not engage in original research, but rather work as a search engine through more objective academic literature or best practices in a particular industry. The assistant, however, can cherry pick seemingly objective academic papers to argue for their preferred policy outcome. It is actually much easier to start with a preconceived opinion and then find work confirming it, rather than review a literature as a whole. The plausibility of this shortcut

should be intimately familiar to any university student who worked under the pressure a deadline for a class paper they didn't much care about.

The chief assistant can craft several options. They can make option B, their favorite, the most appealing, and cripple options A and options C. Maybe even include point 14, their core agenda, into all three proposals that vary on points 1 to 13 they don't much care about. Whatever the implementation of the selected solution is, the letter of the law can be bent and easily diverge from the spirit of the law.

In such a circumstance, an owner can lose control of the bureaucracy and the power that comes with it.

It is often beneficial for owners to dismantle bureaucracies after they have served their purpose to avoid losing ownership of them due to these information asymmetries. Bureaucracies of this type might grow to be independent powers that interfere with your plans.

Abandoned bureaucracies might also be viable targets for outside takeover. Such takeovers can be a serious problem if undertaken by your opposition. Bureaucracies nearly always carry a heavy legacy document footprint; when examined this footprint can not only produce, but also be used to carry out legal attacks. If the institution is vested with an authority or reputation, this can also be turned against you.

If it is too hard to regain ownership, dismantling the institution for resources may be the best option. These resources might be quite easily quantifiable, such as use of real estate or key employees. They might also be less tangible, such as the attention of your allies. Unless you formally retire a vehicle, these allies might mistakenly believe it active, causing communication issues or misunderstandings of your key priorities.

In short, when handling multiple organizations tying up loose ends becomes very important.

How to accomplish tasks in an institutional landscape

Building a bureaucracy is an effective way to accomplish your goals under the right circumstances, but it's not the *best* option. In order of effectiveness, here are general options for getting things done:

Delegate

If you can find a competent, aligned person who will do the project in question for you—let's call them a **delegate**—then let them. This person can create a bureaucracy *for* you, if necessary, as projects of a certain scale will require bureaucratization. Unfortunately, because of the harsh talent and alignment scarcity mentioned earlier, finding delegates can be challenging. Furthermore, correctly assessing whether someone is a worthy delegate takes skill. Frequently people will accidentally delegate a project to someone who is insufficiently competent or aligned. **Failed delegation** is worse than building your own bureaucracy, because it will lead to project failure.

If you have access to a delegate, don't treat them like a bureaucrat. This wastes a valuable resource: a delegate can perform tasks you didn't know needed doing and build aligned systems beyond your design, a bureaucrat cannot.

Further such treatment invites disalignment with your delegate. It isn't just a matter of interpersonal grace and respect, so it cannot be overcome with kindly management; rather if you are attempting to closely proceduralize the actions of a competent delegate, they might accurately conclude the best way to perform their job is to attempt to bypass your control. If you picked them well, they will be rather effective in doing so. They don't need a script—if they're competent enough for your purposes, they'll be able to figure out how to do the project.

Give them owned power, otherwise you might run them off.

Bureaucratize

If you can't find a delegate, then building your own bureaucracy (even if it's small) is the best bet. Bureaucratizing some things and not others, on the basis of whether the task can be proceduralized, is typically more effective than bureaucratizing everything by default. Figure out when using an automated system is the best option.

Do it yourself

While doing it yourself may be most likely to result in a well-run project, it is not always feasible—you have limited time and capacity. Without delegates or bureaucracies, the ambitiousness of the projects you can successfully execute will be bounded.

Don't do it

Some things, though useful, aren't worth doing…

Understanding the World Around You

Assessing People

An understanding of bureaucracies lets you analyze a given person's power: is someone acting as a delegate or a bureaucrat? Is someone *creating* delegates or bureaucrats? If someone has created a bureaucracy, do they understand the function of bureaucracies? Do they own their bureaucracy, or is it abandoned? If they own their bureaucracy, is it effective or ineffective? Are they creating bureaucracies under the right conditions? What is the role of bureaucracies in their plan?

If a person is powerful, what does it mean if he's created many bureaucracies? In some cases, the creation of many bureaucracies indicates the owner is extremely good at building automated systems. Alternately, he might have trouble delegating—perhaps because he can't find competent, aligned people, or because he can't assess people well. People who can work well with others and have access to sufficiently talented aligned people need fewer bureaucracies. Instead, they'll delegate to others, who can either do the project themselves or create a bureaucracy of their own.

On the other hand, if a person is powerful, what does it mean if he's created few or no bureaucracies? If he isn't delegating, it means that he's doing everything himself and possibly doesn't know how to design automated systems. If he is delegating, he's likely to be good enough at finding competent, aligned people that he doesn't need a bureaucracy. Powerful people who don't create bureaucracies can be just as powerful as people who do.

Assessing Organizations

The framework can be applied to evaluating organizations. For a given organization, begin by asking if it's a bureaucracy. If it is, expect it to behave in highly stereotyped ways, it will not be very adaptive to new challenges and will not accurately evaluate things outside the assumed ontology of its paperwork and internal division of labor.

If it's a bureaucracy, we can ask: is it an owned or abandoned bureaucracy? If it is owned, expect that a large enough challenge will eventually cause it to reorganize. You'll also be able to

reach out to the owner to resolve problems or find a way to cooperate that the bureaucracy itself doesn't understand.

Is it an effective or ineffective bureaucracy? If it is effective, you can rely on the interface it offers you to achieve the goal it claims to achieve. Ineffective ones will provide a sometimes bewildering service that might only tangentially be related to their efforts.

Remember that not all organizations are bureaucracies.

Some non-bureaucratic institutions will have to pretend they are bureaucracies on paper for legal compliance. This is an example of a more general principle: independent organizations interpret externally imposed regulation as damage, and route around it.

Organizations can be tightly coordinated groups the feature a lot of delegation and deference. In these, expect adaptive behavior; the ontology they are working in might rapidly change to respond to either your challenge or offer of cooperation. Most importantly there will be individuals beyond merely the leader who can exercise their own judgment.

Effectively Interacting with Existing Organizations

If an organization is not a bureaucracy but rather a tightly coordinated group, talk to the delegates if you want to get things done; they will have freedom to act competently within their own domain and will be easier to reach than leadership.

The key advantage of talking to people over engaging with automated systems is that you can bring considerations from outside their immediate institutional context into consideration. While the local balance of power might still be in the way of such considerations, it is surprisingly often viable to have them taken into account.

If it's a bureaucracy, you can either (1) go along with it, (2) figure out how to bypass it, or (3) coordinate with its owner, if it is owned. You may prefer to bypass (or game) the bureaucracy if it is abandoned and thus dysfunctional, or if you aren't aligned with its owner.

Conclusion

The origin of bureaucracies lies in them extending power and effects far beyond what a single individual can do. They can do so in the absence of expensive and difficult coordination, or difficult to train and evaluate individual talent.

Much like factories can produce cheap products at scale with unskilled labor, displacing craftsmen, so have bureaucracies displaced local social fabric as the generators of social outcomes.

We find ourselves embedded in a bureaucratized landscape. What can or cannot be done in it, is determined by the organizations composing it. The constant drive by talented individuals to both extend power and make due with unskilled white collar labor (a category that economists should recognize and talk more about) have littered the landscape with many large organizations. Some remain piloted, others are long abandoned. Some continue to perform vital social functions, others lumber about making life difficult.

Much as we might bemoan the very real human cost bureaucracies impose, they currently provide services at economies that are otherwise simply not possible. We must acknowledge our collective and individual dependence on them and plan to interact accordingly.

Institutional Failure as Surprise

Realizing an institution is near failure is a difficult epistemic problem. There are many outwardly visible pieces of institutions that do not reflect their actual health.

Before the collapse of financial institutions starting in 1929, naive observers were optimistic on the basis of soaring stock prices. Even after the Black Tuesday stock market crash, most observers expected a normal depression and recovery. Instead, the system continued to deteriorate, bank failures wiped out savings, the gold standard was abandoned internationally, and the Great Depression ensued.

Particularly in mature organizations, many automated systems handle tasks. Such systems can persist and even fulfill their function, while the institution as a whole is failing. The default is decay, maintenance of old abilities is difficult, and growth of new abilities is rare. One must look at what features of an institution indicate the current health of the core organization itself, while carefully distinguishing these from features reflective of past health and support from outside institutions.

From these signs, it's possible to discover whether an institution has the ability to face new threats or is merely trudging through a slow process of decay. If an institution is unable to adapt to meet new challenges, it will lose again and again. Enduring defeat can only last for so long, no matter how large or well established the retreating organization. Eventually the inability to win dooms all institutions.

Robots Outlive Their Makers

Institutions often proceduralize tasks; that is, they create sets of instructions for completing tasks. This process yields bureaucracies; bureaucratization is proceduralization. If you've ever worked in or with an institution of some size, you've encountered proceduralization. Getting a driver's license at the DMV is a great example. You must follow a rigid set of instructions to do so.

The DMV's procedures are annoying, but they get the job done—millions of people have gotten driver's licenses. However, proceduralization delivers very effective results at the cost of fragility. Human intelligence is a general process capable of solving problems. Applying your mind

to any given task produces an approximate, context-appropriate solution. You can greatly improve this solution by adapting it more and more to the particular context in which it is used.

However, as you adapt your solution to fit the case at hand, it is nearly impossible to also have the solution remain generalizable, let alone contain the full set of instructions necessary to fit it to all situations. As a result, proceduralization tends to sacrifice much of the adaptability and context fit that intelligence can bring to particular cases.

The basic structure of proceduralized systems makes it difficult for the people working inside them to deviate in order to adapt to a new context, even when doing so would be beneficial. Poor incentive structures and lack of employee knowledge are the two main factors that prevent adaptation.

A basic building block of bureaucracy is the creation of incentive schemes and responsibility distributions that allow you to have many people reliably follow a procedure of some kind. This kind of incentive-backed proceduralization pervades much of the modern workplace and institutional landscape. Because it is in the basic nature of such institutions to motivate with incentives and constraints, it is exceedingly difficult to change or adapt them from the inside, lest you incur punishment or fall behind your less innovative co-workers.

One specific aspect of the incentive structure further solidifies the un-adaptability of bureaucracies: Knowledge of the principles on which the institutions were built will inevitably fade, because the employees don't need to understand these principles in order to complete their tasks. Understanding beyond what is needed to play your role is not necessarily penalized, but it certainly isn't rewarded.

Over time, this incentive structure will result in a bureaucracy with no remaining understanding of the principles that generated it. Absent these models, it will be difficult to change the system or adapt the proceduralizations to better fit new contexts.

To make matters worse, the institutional stasis established by bureaucratic incentive structures and lack of principled knowledge will decay slightly over time. Systems of incentives often do not incentivize their own preservation. This fact results in a kind of erosion, as resources are extracted and minor things changed here and there at the expense of the institution's functionality.

Other times systems succeed in partially incentivizing their own preservation, which extends their life; however, even then they always align the incentives imperfectly. As a result, some parts of the system bloat over time, rendering it unfit for the original function.

In programming there is a kind of program called a Quine, a program that takes no input and as its output produces its own source code, replicating the code perfectly. There is no such thing as an institutional Quine, a self-contained institution with no inputs that perfectly replicates itself. A system of procedures tied to a system of incentives requires active maintenance to perform the task it was designed to perform, to counteract the inevitable decay that ensues as individuals fight to turn the organization's resources to their own ends.

This is the fundamental problem of bureaucracy: a system devoid of human judgment and oversight results in constant politicking, and constant politicking results in decay. This decay produces something worse than just an unadaptable system: an unadaptable system that fails to perform even its original limited function.

It is best to think of such institutions as machines with human parts. They can be constructed and designed by humans who are at the helm, but can easily outlast the humans that created them, even with no replacement at the helm. In this situation, they will not automatically fail, but will shamble along less and less effectively in the preordained direction, sometimes continuing to accumulate material wealth or even ever-greater numbers of employees. Their agility and adaptability will vanish, however, as will their ability to achieve their original goals.

In this way, a powerful institution can be brought down by attacks or changing circumstances which it cannot adapt to. For example, major newspapers are still struggling to adapt to the internet and the subsequent rise of online news. They have not recovered their previous profitability or effectiveness at shaping opinion.

The proceduralized actions such rigidified institutions perform, even if they are functioning well and not diminished by the usual transformations and distortions that arise in bureaucracies, are powerful but context dependent. As such, the institution as a whole is powerful but context dependent. Those that generate such institutions are powerful and not context dependent.

Leaning on the Outside

Some automated systems are not truly part of a given institution itself at all, but rather are an interface with an outside institution.

An interesting example might be the simple sign that a given institution appears to be keeping the lights on in the office. To do so requires members of the organization to work in a well-maintained building that is connected to a functioning power grid, while keeping up with payments for the service.

The building can be maintained by an appropriate service provider. *That the provider is doing their job is a sign of the health of the provider, not the organization hiring them.* That the power grid is functional also doesn't reflect the health of the organization under consideration, unless it is the city or national government. That the payments are being made is in itself a weak or moderately strong sign depending on the size of the organization. Generally if it is a very large or established one, it is a weaker sign. When large entities go bankrupt, they keep the lights on until the end.

Thinking about the example, you should generalize it to include all the relevant ways in which an institution relies on others to maintain its appearance. If it is using simple contracts to acquire visible resources (such as reliable lighting), do not consider these elements signs of competence beyond whatever competence is needed to acquire adequate funding.

This insight is especially important, because there are several types of institutions that will reliably have enough funding until their very end. Notable examples are large companies and government institutions. In these cases, signs like reliable electricity won't provide essentially any evidence of organizational flourishing.

If the institution is relying on non-monetary agreements, such as perhaps other institutions being legally required to provide them with a relevant service, you should ask yourself whether the organization could survive or at least oppose an attack on these services. Could the institution maneuver itself into having such guarantees, if it didn't already have them? If the answer is no, this means the institution has lost an important ability. It can no longer negotiate new deals. That the deal continues to endure is not strong evidence that the ability to create or even permanently secure the resources on which they are dependent endures.

When seeking signs of institutional failure, you must carefully filter out evidence that primarily indicates the success of other organizations, making sure to account for success-independent funding sources or unstable contracts that an institution would be unable to re-establish.

Official Trappings are Easy to Maintain

Under conditions of widespread institutional dysfunction, formal trappings can be disconnected from the core competence they are supposedly associated with. Sometimes they can even begin to anti-correlate. But assuming the institution in question doesn't exist in such a dysfunctional context, the formal trappings of an organization actually *do* indicate competence.

A crucial consideration is that such trappings are in general easier to maintain than set up anew. Naive intuitions are easily misled on this point. It is tempting to equate the difficulty of setting up a new, well-positioned organization with that of keeping an existing organization well-positioned, when in reality it is much more difficult to do the former than the latter.

When labor unions were established in the early 20th century, they organized striking workers to endure near-starvation levels of hardship and violent reprisals from factory owners, and eventually achieved a stable position. Now, unions maintain that position with bureaucratic and legalistic tactics, and strikes are resolved with contracts instead of truncheons and pipe bombs.

Reputation is another good example of this divergence in difficulty levels. Reputations generally remain, unless spoiled. A very easy way to avoid spoiling a reputation is never failing at a task. An easy way to never fail at an externally visible task is to never engage in a task. In this way, an institution that is notably inactive and perhaps incapable of new or effective action can maintain its prestige long after demonstrations of the power, ability, or knowledge that earned this prestige in the first place are beyond its reach. NASA relies heavily on the reputation it earned from the moon landings. This mostly persists today, even though the last manned moon landing was in 1972.

In many human endeavors, the most legibly valuable thing you can bring with you is a past track record of achievement. Sometimes you are only allowed entry into such a domain if you already have a track record. Barriers to entry enforced by assessment based on track record sometimes arise naturally and rationally, as there are no good alternative signs to judge relevant competence. Other times they are the result of cartel-like rent seeking, intended to protect incumbents.

Certain permits have harsh entry conditions but lax inspection for compliance. When this is the case, the barriers to entry very likely exist for their own sake and not as a form of quality control. A regulatory environment relying on track record is the most direct way to protect incumbent organizations from competition. Once such credentials are gained, they are hard to lose. These formal trappings show the organization was capable of acquiring the permits at the time of acquisition, but not later.

Unless recent, past success should not be taken as evidence of an organization's future endurance.

Fighting Institutions Do Not Fail

An organization engaged in ongoing conflict is surprisingly likely to be healthy, simply because surviving attacks requires some degree of health. Under conditions of real opposition, even retaining past resources, like prestige, should be understood as a sign of activity.

After all, should opposition be serious in pursuing its conflict, it will attempt to disrupt, attack, sabotage, or disable crucial automated processes and individuals. It will also attempt to wear out, destroy, or steal notable accumulated resources.

If the institution does not degrade, there is someone repairing the damage, and that someone has to be effectively working with the reality of the institution under repair. There are two important considerations that must be considered before accepting this read in a given case, however: 'How real is the conflict?' and 'How big is the besieged organization?'

How real is the conflict?

Not all apparent opposition is real opposition, as is frequently the case with cartels. Cartels are vehicles for reaping some of the benefits of a monopoly, without being a single organization. Some are like OPEC, the alliance of oil exporting countries, in overtly attempt to fix prices along their shared interests. However, many of these cartels have an incentive to disguise their coordination.

A recent example was Apple, Intel, Adobe, and Google making a secret agreement to not poach each other's employees with job offers. This arrangement gave all the companies a better negotiating position with their skilled engineers, enabling the companies to pay them lower salaries. The state of California doesn't allow for non-compete clauses in their contracts.

In such circumstances it is an asset rather than a liability for a set of companies if the public or crucial decision makers are under the impression that the companies are in conflict. As the arrangement came to light, they were sued and eventually had to settle, paying $415 million dollars.

At least sometimes the defeat of competitors isn't desirable for a given company or organization. The appearance of competition or opposition can be good optics. In Communist Yugoslavia, there existed toothless parties such as the Christian Socialists that were bound in a permanent coalition with the League of Communists of Yugoslavia. While the reality of this arrangement was a one-party state, the form was that of a multiparty state. The fig leaf of being a democratic society was preserved, at least internally. To eliminate these toothless parties would not be advantageous to the ruling party.

If the defeat of the other side isn't desired, then the attacks and counter-attacks can be, despite appearances, quite benign. Beyond politics with its staged political debates and occasional show trials, professional wrestling made an industry of producing performative feuds between its wrestlers for entertainment value. The pretense was that the industry was a sport; the reality was that it was show business. They even had an established term for keeping up pretenses of feuds, kayfabe. Since long standing fake conflicts of this kind can be proceduralized, they don't constitute strong evidence of an institution's vitality. Fake conflicts don't require much adaptability.

How big is the besieged organization?

A very large institution can survive real opposition, even if its organization is mostly hollow. It absorbs organizational damage, never truly recovering, but still persisting. As it is unlikely to simply outlast a determined opponent, in order to survive it must have some automated defense mechanism in place that can permanently disable or deter opposition.

A security organization's ability to launch investigations finding compromising material on their opponent is an example of this phenomenon. This ability is part of their core functionality and can easily be deployed. Such automated counter-attacks will not be innovative, but rather merely exercising one of the many organs the organization developed long ago.

Despite being more vulnerable to destruction by greater powers, fighting, self-contained, and young organizations are far likelier to be active. Where do we see these today? Overall, large and proceduralized institutions dominate the landscape in industry after industry. Even in Silicon Valley,

companies like Yahoo and Facebook are best understood as mature media companies rather than young upstarts.

Conclusion

Peaceful, integrated, and long-lasting institutions are often seen as healthy and likely to endure. However, precisely these conditions are what allow their gradual hollowing out and descent into dysfunction to remain unnoticed.

Their ancient nature might signify a fully automated machine. Their integration with the rest of society and other institutions can signal they are getting by on the health of their environment rather than their own remaining functionality. And finally a lack of serious conflict means their resources and positions aren't honest signals of their current abilities. The difficulty of assessing these factors makes it clear that organizational failure often comes as surprise not just to outsiders, but to insiders as well.