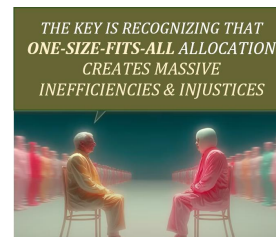


Intro

We configured the most advanced AI models to create a new economic model for the 21st century using two characters, a heterodox economist and historian and a systems designer and anthropologist. They designed their economic model in 10 steps. We asked five AI models to rate this new economic model based on these eight criteria. We also asked these models to score America's, China's, and Germany's economic systems for comparison. This newly proposed economic system scored higher on almost all criteria, suggesting that at least from the AI's perspective, it's better than what we already have. All right, let's get into details.

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Step 1 - Problem Definition

Step one, problem definition. What are the core systemic failures we must solve that neither capitalism nor socialism has adequately addressed?

Both systems fail at the basic coordination problem, but in opposite ways. Capitalism uses price signals to coordinate economic activity effectively. When iPhone demand rises, prices signal producers to make more iPhones, but markets consistently ignore costs they don't have to pay for, like pollution or worker burnout. Since the 1980s, financial markets have grown much faster than the real economy, meaning money increasingly chases financial returns rather than funding actual production. Socialist economies reduced inequality significantly compared to capitalist ones. But central planners couldn't process the millions of daily decisions about what to produce and where.

The key insight both miss.

Historically successful economies always combined multiple organizing systems. Medieval towns had markets, guilds, family businesses, and shared commons all working together. The mistake is thinking you need one master system when *humans naturally organize through multiple overlapping institutions*. That multi-institutional point is important. But I think there's an even deeper design flaw both systems share.

When I study how people actually make economic decisions across different cultures, the same individual operates completely differently depending on context. Someone might negotiate ruthlessly in a marketplace but share everything freely within their extended family.

Both capitalism and socialism try to force one behavioral model across all social situations which creates constant friction. Traditional economies worked because they were context sensitive. People naturally shifted between competitive cooperative and reciprocal modes based on relationships and circumstances. The real failure isn't just institutional. It's assuming you can predict and control human economic behavior through uniform incentives. We need to understand how humans naturally self-organize across different scales and design economic systems that work with those patterns rather than against them. Building on that behavioral insight, both systems also completely fail at time horizons. Markets optimize for quarterly profits, while ecological and social systems operate on decade or century time scales. Socialist planning was better at long-term thinking, but still tied to political cycles. Neither system has figured out how to make decisions that account for costs and benefits that show up 30 to 50 years later. We're literally eating our future, depleting soils, aquifers, and stable climate. Because both systems treat environmental resources as either free inputs or acceptable externalities.

And here's another critical failure. Neither has solved democratic economic participation. Capitalism concentrates decision-making power with capital owners. Socialism with party officials.

Most people spend half their waking hours in economic institutions where they have zero voice in major decisions affecting their lives. Those time horizon mismatches point to something even more fundamental. Both systems assume infinite growth on a finite planet, which is mathematically impossible. But there's another layer.

They both scale terribly. Markets work reasonably well for local exchanges, but create massive coordination failures at global scale, like supply chains that optimize for cost while ignoring human trafficking or carbon emissions. Socialist planning worked better in smaller, more homogeneous societies, but became increasingly dysfunctional as scale and complexity increased. Neither has solved how to maintain human agency and meaningful relationships while coordinating across millions of people. and both treat technological change as either a market opportunity or a



planning challenge, missing how technology fundamentally reshapes social relationships and power structures. We're trying to run 21st century technological complexity through institutional frameworks designed for much simpler economies.

Step 1 - Summary

All right, step one, problem definition is complete. The models identified 10 core systemic failures that neither capitalism nor socialism has adequately addressed. Let's move on to the second step.

Step 2 - First Principles

First principles, exploration. What is an economy fundamentally supposed to accomplish for human flourishing? An economy should enable every person to develop their capabilities while contributing to collective well-being. That means ensuring basic material security first. food, shelter, health care, education. But not stopping there. Humans need meaningful work that uses their talents, social connection, and some degree of autonomy over their lives. The economy should also maintain the ecological foundations that make all human activity possible and create conditions for future generations to flourish too. Everything else, markets, planning, institutions are just tools. The fundamental purpose is expanding human potential within planetary boundaries. Both capitalism and socialism got distracted by ideological arguments about means instead of staying focused on these ends. A successful economy creates the material and social conditions for people to live dignified, purposeful lives while preserving the natural systems we depend on. That capability framework is solid. But I'd add that an economy must also preserve cultural diversity and social cohesion. Humans aren't just individual capability maximizers. We're deeply social beings who derive meaning from belonging to communities with shared values and practices. The economy should enable different groups to organize economic life according to their values. Whether that's more individualistic or more collective approaches, it also needs to be adaptive, capable of learning and evolving as conditions change rather than optimizing for one set of circumstances.

Most critically, it should work with human social instincts rather than against them. We naturally reciprocate.

We care about fairness. We form in-groups. An economy that treats these as bugs to overcome rather than features to work with will always create stress and instability. The goal is creating conditions where human nature and economic necessity align rather than conflict.

Step 2 - Summary

All right, step two completed. Here's the learning. An economy should fundamentally provide basic material security, meaningful work and social connection while preserving ecological foundations. We should work with human nature rather than against it, focusing on outcomes that enable human flourishing within planetary boundaries rather than getting caught up in ideological debates about economic systems.

Step 3 - Human Nature

Step three, human nature assumptions. What model of human motivation and behavior should we design our system around? Humans are conditionally cooperative. We'll collaborate when we trust others will too, but we'll compete or defect when we think we're being exploited.

This isn't fixed behavior. It's adaptive response to institutional design. People respond to different motivations simultaneously. material self-interest, social status, group loyalty, moral principles, and personal autonomy. The key insight from behavioral economics is that context shapes which motivation dominates. In anonymous market transactions, self-interest prevails. In small groups with repeated interactions, reciprocity and reputation matter more.

The economic system needs to create contexts that activate our cooperative instincts while having safeguards against bad actors. We can't design for saints or assume everyone selfish. We need systems that work with the full spectrum of human behavior, including people's tendency to follow social norms and their need for both individual agency and community belonging. That conditional cooperation model captures something crucial. But we also need to account for how humans naturally organize into hierarchies and handle resource distribution. Across every culture I've studied, people have intuitive concepts of fairness, but these vary dramatically based on relationships and context. Within families, people share based on need.

Among peers, they prefer equality. In hierarchies, they accept unequal outcomes if the process feels legitimate. People also have strong reciprocity instincts. They'll punish freeloaders even at personal cost and they'll reward those who contribute to group welfare. The system needs to harness these instincts rather than fight them. Most importantly, humans are status-seeking creatures, but status can be based on wealth, skill, service to others, or cultural achievement.



The economic system should create multiple pathways to status and recognition, not just material accumulation. We're also meaning making beings who need to feel our work and lives matter beyond just survival.

Step 4 - Resource Allocation

*Step four, resource allocation mechanisms. What method should determine who gets access to what resources and when? We need a **hybrid allocation system** that matches different mechanisms to different types of resources and contexts for basic necessities, food, health care, education, housing, universal access based on need funded through collective contributions. For personal goods and services where preference matters, entertainment, clothing, travel, market mechanisms work well because they aggregate individual preferences efficiently for common pool resources like water, forests, or bandwidth. Democratic governance by affected communities with science-based limits. For investment in future production, participatory planning where communities decide priorities but with market feedback on feasibility and demand.*

The key is recognizing that one size fits-all allocation creates massive inefficiencies and injustices.

Markets fail for public goods and natural monopolies. Democratic planning fails for complex preference aggregation. We need institutional diversity that deploys each mechanism where it works best. That hybrid approach makes sense, but we need to think more carefully about the boundaries and transitions between these systems. People behave very differently when they know something is market territory versus commons territory versus basic rights territory. The allocation mechanism itself shapes social relationships and power dynamics. When housing is treated as a commodity, people see each other as competitors. When it's a right, they see each other as fellow citizens. We also can't ignore that every allocation system creates its own constituencies who will fight to maintain or expand it. The challenge is designing governance structures that can actually manage these transitions and prevent any single allocation logic from colonizing the others. For example, how do we keep market mechanisms for personal goods from creeping into basic necessities? And how do communities make democratic decisions about common resources without getting captured by vocal minorities or paralyzed by endless process? The allocation mechanism has to include built-in protections for its own boundaries. Two critical gaps we haven't addressed. Global allocation and crisis response between regions and nations. We need frameworks that account for historical resource extraction and current ecological capacity. Rich countries can't keep consuming 10 times per capita while claiming market efficiency, some form of global resource quotas, with tradable rights, but with floors and ceilings to prevent extreme inequality for crisis allocation, pandemics, natural disasters, supply shocks. We need emergency protocols that temporarily override normal mechanisms. Essential goods get rationed fairly, luxury consumption gets curtailed, and communities mobilize mutual aid networks. The system has to be able to shift gears rapidly without completely abandoning its principles. Both global equity and crisis resilience require some degree of buffer stockpiles and redundant capacity, which pure efficiency optimization doesn't provide.

Those global quotas require legitimate international institutions that don't exist yet. How do we get from here to there without recreating colonial dynamics? The crisis protocols also need to account for how different communities respond to emergencies. Some cultures prioritize individual preparedness, others collective response. The system has to accommodate both approaches while preventing hoarding or freewriting. Most importantly, crisis allocation can't become the excuse to permanently erode democratic control. Emergencies create opportunities for authoritarian capture. We need clear triggers for when emergency protocols activate, automatic sunset clauses, and community oversight to prevent mission creep. The mutual aid networks you mentioned are crucial because they maintain social solidarity during stress, but they need to be embedded in normal times, not just activated during crisis. People have to practice cooperation before they need it desperately.

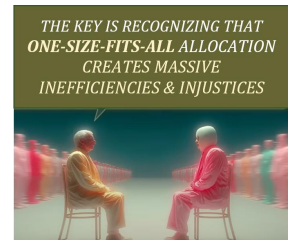
All right, here's an executive summary.

Step 4 – Summary

We need a hybrid allocation system that matches different mechanisms to different types of resources. Universal access for basic necessities, market mechanisms for personal preferences, democratic governance for common resources, and participatory planning for investments.

Step 5 – Power Structure Design

How do we structure economic power to prevent harmful concentration while enabling effective coordination?



Power concentration is inevitable if we don't actively design against it. We need multiple overlapping systems of accountability rather than single points of control. Economic enterprises should have stakeholder governance. Workers, communities, customers, and capital providers all get representation proportional to their stake and risk. No single group controls everything.

For larger coordination, we use federated structures where local units retain autonomy but delegate specific functions upward. Think Swiss canton or how the internet works. Distributed authority with standardized protocols.

We also need *counter-majoritarian protections* and *rotation of leadership roles* to prevent capture. Most critically, we *separate different types of power*. Those who control investment shouldn't control information flow. Those who manage operations shouldn't set regulatory standards. The goal isn't eliminating hierarchy, which is impossible, but creating multiple competing hierarchies with different power sources and accountability mechanisms.

That separation of powers concept is essential, but we also need to understand how informal power networks operate alongside formal structures. In every organization I've studied, there are *shadow hierarchies* based on relationships, information access, and cultural capital that often override official decision-making. The system has to account for these informal networks rather than pretend they don't exist.

We also need mechanisms for legitimate leadership emergence. Some people are better at coordination, have more expertise, or are trusted by their communities. The challenge is creating pathways for competent leadership while preventing permanent power accumulation.

Technology adds another layer. Algorithms and data control create new forms of power that traditional democratic institutions can't regulate effectively. We need governance structures that can adapt to new technologies without getting captured by tech elites, plus ways to ensure technological development serves community priorities rather than just maximizing control.

The enforcement problem is real. Powerful actors will always try to corrupt or capture oversight mechanisms. We need redundant enforcement through peer monitoring, whistleblower protections, and economic incentives that make rule-breaking costly. When someone violates power sharing agreements, they lose access to the cooperative benefits that make the system valuable.

For expertise concentration, we distinguish between temporary authority based on knowledge versus permanent control. A surgeon leads during surgery but doesn't control hospital budgets. Technical experts advise, but communities decide. The key is ensuring expertise translates to influence, not ownership. That expertise distinction is crucial, but we also need to prevent knowledge hoarding as a power strategy. Information and training have to be actively shared, not gatekept.

For enforcement across different scales, we need nested systems: community pressure for local violations, economic sanctions for regional ones, and coordinated responses for global power grabs. The tricky part is preventing enforcement mechanisms from becoming new centers of power themselves. International coordination is especially challenging because there's no higher authority to appeal to. We need economic incentives that make cooperation more profitable than domination, plus cultural norms that stigmatize power accumulation beyond legitimate need.

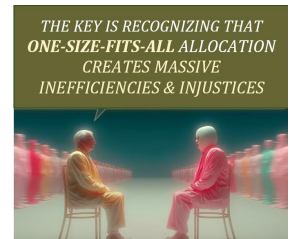
Step 5 – Summary

Power naturally concentrates unless we actively prevent it. The solution requires multiple accountability systems with stakeholder governance where different groups share control rather than one group dominating. We need federated structures that separate different types of power and recognize both official hierarchies and informal influence networks.

Step 6 – Innovation and Growth

How do we drive beneficial progress while staying within planetary and social boundaries?

We need to decouple innovation from material throughput and redefine what we mean by growth. Real progress means improving quality of life with less resource consumption, better medicine, more efficient energy systems, stronger social connections. Innovation should target genuine human needs rather than manufactured desires.



We redirect competitive energy towards solving collective challenges through prizes, open-source collaboration, and mission-oriented research programs. Think Manhattan Project or Apollo program, but for climate solutions, healthcare and social technologies.

The economic system rewards innovators based on social impact, not just market capture.

We also need innovation in institutions and social practices, not just technology. Most breakthrough innovations historically came from public research anyway—the internet, GPS, touchscreens.

Private markets are good at incremental improvements and scaling, but terrible at fundamental research with uncertain payoffs. The growth has to be in capabilities, knowledge, and well-being, not just material accumulation.

That mission-oriented approach works, but innovation also needs space for serendipitous discovery and local experimentation. Communities should be free to try different economic arrangements and learn from each other's successes and failures.

The system has to balance coordinated big pushes with distributed small-scale innovation. We also can't ignore that innovation creates winners and losers. New technologies often displace existing livelihoods and communities. The framework needs built-in transition support and retraining, not just celebration of disruptive change.

Innovation incentives should prioritize solutions that work for everyone, not just early adopters with resources. Open-source models and commons-based peer production show how creativity flourishes when people can build on each other's work rather than hoarding knowledge for competitive advantage.

The key is creating innovation ecosystems where knowledge flows freely, communities can adapt solutions to local conditions, and the benefits get widely shared rather than captured by first movers.

Step 7 – Crisis and Adaptation *How should the system respond to shocks and evolve over time without collapsing?*

Resilience requires redundancy and modularity, not efficiency optimization. The system needs multiple pathways to accomplish essential functions. Diverse food systems, distributed energy grids, various manufacturing capabilities. When one pathway fails, others can compensate.

We build in automatic circuit breakers that prevent local failures from spreading throughout the whole system. Think financial firewalls, but for all critical systems.

The economic structure should have fast and slow adaptation mechanisms: rapid response teams for immediate crisis, plus longer-term processes for institutional change. Communities need local self-sufficiency for basics while maintaining global coordination for complex challenges.

Most importantly, we design for graceful degradation rather than cliff-edge collapse. When stressed, the system should shed non-essential functions while protecting core needs and values. This means accepting higher costs during normal times to maintain spare capacity and diverse options.

That redundancy principle applies to social systems too. Communities need diverse leadership, multiple communication networks, and various mutual aid traditions they can activate during stress. But adaptation also requires ways for institutions to learn lessons from each crisis without overreacting to the last problem.

Humans have terrible cognitive biases around risk. We either ignore slowly building threats or panic about rare events. The system needs organized ways to reflect that help communities learn from both successes and failures without abandoning what works.

Crisis response also can't become the excuse for permanent emergency powers. We need automatic return mechanisms and community oversight to prevent temporary measures from becoming permanent control.

Most critically, different communities will adapt in different ways based on their cultures and resources. The framework has to accommodate this diversity rather than imposing uniform solutions. Some will emphasize individual preparedness, others collective response. Still others might develop entirely novel approaches. The meta system needs to enable knowledge sharing between different adaptation strategies.

Step 8 – Implementation: *How could this system realistically emerge from and replace existing economic structures?*

Transition has to be gradual and voluntary, not revolutionary. We start with existing cooperative enterprises, municipal ownership programs, and community land trusts. Expand what already works.



Cities and regions can pilot hybrid allocation systems for specific sectors like housing or healthcare. Worker cooperatives can federate into larger networks, demonstrating stakeholder governance at scale. The key is proving superior outcomes, not just moral arguments.

When the hybrid model delivers better living standards with less environmental damage, adoption spreads organically. We need parallel institution building, creating alternative economic structures alongside existing ones, then gradually shifting activity toward the more effective systems.

Crisis periods accelerate adoption when old systems fail visibly. The transition probably takes 50 to 100 years and happens unevenly across regions and sectors. Some areas will lead, others will resist until forced by circumstances.

We can't wait for global consensus. We need working examples that demonstrate viability. That pilot approach is essential, but we also need to understand the political resistance. Existing power holders won't passively watch their advantages erode. They'll use legal, economic, and cultural tools to block alternatives.

The transition requires protecting cooperative experiments from being crushed by incumbent systems. We need supportive legal frameworks, financing mechanisms that don't depend on traditional capital markets, and cultural narratives that legitimize alternative economic models.

The generational aspect is crucial. Younger people with less investment in current systems are more willing to experiment. Social movements and cultural shifts often precede institutional change by decades.

We also can't ignore international pressures. If one region develops a successful alternative, others will try to undermine it through trade rules, sanctions, or brain drain. The transition probably requires coordination between multiple regions to reach critical mass and resist external pressure.

Crisis periods are double-edged. They create openings for change, but also for authoritarian capture. The alternative systems have to be robust enough to handle both gradual adoption and sudden forced transitions.

Step 9 – Stress Testing: What are the worst-case scenarios and failure modes this system must be designed to handle?

The biggest failure mode is **fragmentation**: different regions developing **incompatible economic systems** that can't coordinate on global challenges like climate change or pandemics. Without some shared protocols, we get economic nationalism and resource wars.

Another major risk is democratic capture by vocal minorities or technocratic elites who manipulate participatory processes. Complex stakeholder governance can become paralyzed by endless consultation or dominated by those with time and skills to game the system. The hybrid allocation mechanisms could also create massive bureaucratic overhead and corruption opportunities at the interfaces between different systems. Most dangerously, the transition period creates opportunities for authoritarian movements to exploit economic uncertainty and promise simple solutions. If the new system can't deliver material improvements quickly enough, people will abandon it for populist alternatives. We also have to consider external sabotage: existing economic powers using military, financial, or cyber warfare to destroy successful experiments before they spread.

Those **political risks** are real, but there are deeper systemic vulnerabilities. The multi-institutional approach could create impossible complexity. People need to understand which rules apply in which contexts, and cognitive overload leads to system abandonment.

Cultural backlash is another major threat. If the new system challenges deep identity values around work, success, or community roles, it triggers reactionary movements that destroy it.

There's also the **scale** mismatch problem. What works in a city of 100,000 might collapse at 10 million. Resource scarcity could fracture the whole cooperative framework. When basic materials become genuinely scarce, even well-designed institutions can revert to zero-sum competition.

Technology disruption presents ongoing challenges too. Artificial intelligence, genetic engineering, or space resources could reshape economic fundamentals faster than institutions can adapt.

Most insidiously, the system might succeed but create **new forms of inequality and exclusion we can't predict**. Every economic system generates its own forms of advantage and disadvantage. The question is whether our safeguards can evolve fast enough to address emerging problems.

Step 10 – Final Integration

What are the essential rules, institutions, and principles that define this new economic model?

The core principle is contextual coordination: different **economic mechanisms** for different domains with clear boundaries and democratic governance of the interfaces.

Essential institutions include **universal basic services** for necessities, stakeholder-governed enterprises for production, community management of common resources, and federated planning for large-scale coordination.

The key rules are no concentration of multiple **power** types in single entities, mandatory rotation of leadership roles, open-source knowledge sharing, and automatic sunset clauses for emergency powers.

The allocation **algorithm** matches mechanism to resource type: **need**-based for basics, **preference**-based markets for personal goods, **democratic planning** for commons, and investment. All embedded in ecological limits with resource quotas and regenerative requirements.

The system maintains **redundancy** over efficiency, prioritizes **adaptation** over optimization, and protects institutional **diversity** against homogenization.

Success gets measured by capability **expansion**, ecological **health**, and social **cohesion** rather than just material output. This creates a **post-growth economy** focused on qualitative improvement within planetary boundaries.

That framework captures the structural elements, but we need **cultural practices** that sustain it. The system requires **widespread economic literacy** so people understand **why** different mechanisms exist and **how** to participate effectively. Social norms must valorize **contribution** over accumulation, **cooperation** over domination, and **long-term** thinking over short-term gains.

The integration happens through **nested governance** councils that coordinate between **local** autonomy and **global** challenges, plus **circuit breaker** mechanisms that prevent any single logic from colonizing others.

Technology gets developed through commons-based innovation with community oversight of algorithmic systems. The enforcement relies on peer monitoring, graduated sanctions, and ultimately exclusion from cooperative benefits for persistent rule breakers. Most critically, the system includes constitutional protections for institutional diversity and automatic evolution mechanisms that adapt rules based on outcomes. We could call this adaptive mutualism, an economy organized around reciprocal cooperation that can evolve contextually while maintaining core values of human flourishing within ecological limits. It's neither market nor state dominated, but a meta system that deploys multiple coordination mechanisms strategically based on scale, relationships, and resource characteristics.

All right, the blueprint is complete.

Are we willing to make the transition?

