Chapter 3 The Individual Entrepreneur

§ 1. The Social Atom and Its Critical Importance

If economics generally and business theory particularly are ever to be made natural sciences capable of accurate prediction and causative explanation, they must be solidly grounded in the nature of the social "atoms" of all human-caused phenomena; namely, individual human beings. Economics as a science began along the path of being made a social-natural science in Adam Smith's treatise [Smith (1776)] but diverged from this path in the 19th and 20th centuries when it was made instead into a non-natural and merely mathematical science. Business theory has never pretended to be a science at all, although operating a business is a special pre-scientific craft.

The diversion of economics away from being made a natural science was a direct consequence of two factors. The first was an attempt by theorists to treat human economic activities while at the same time ignoring the fact that human beings are the direct causes of all such activities. The second was an artificial logical division into specializations 19th century theorists tried to draw between the divers "social sciences": political science, economics, social psychology, sociology, anthropology, etc. The first factor is understandable in view of the fact that scientific treatment of human economic activities on causative grounds could not be undertaken prior to the development of the natural science I named 'mental physics' in the first decade of the 21st century [Wells (2009)][1]. Mental physics is the natural science of mental phenomena, a "physics of mind."

The second factor is understandable but not excusable. Specious over-specialization is a habit people have been practicing for a very long time. Its philosophical basis was promoted and taught by most of the ancient Greek philosophers and raised to a point of being axiomatic throughout the philosophy of Plato. But all such logical divisions of topics are divisions by fiat and are merely mathematical ideas. No natural science, not even physics, is able to actually hold to such a pure system of divisions, although the science of physics – being the most simple of the physical-natural sciences – comes the closest to it. Where the artificial division cannot be sustained in physics, the community of physicists has a habit of handing off problems produced by its overspecialization to other sciences (most notably engineering, chemistry, and biology) while naively maintaining the fiction that physics is the "basis for" or "queen of" *all* other sciences.

In the case of social-natural sciences these artificial divisions have no objectively valid basis. This was a point expounded upon by Bloom in his criticism of present day social sciences:

> To look at social science first, it might seem that it at least has a general outline of its field and a possible systematic ordering of its parts, proceeding from psychology to economics to sociology to political science. Unfortunately there is nothing to this appearance. In the first place, it leaves out anthropology, although I suppose that if I were desperate to make a case I could find a way of squeezing it in; and it also leaves out history, about which there is a dispute as to whether it belongs to social science or humanities. More important, these various social sciences do not see themselves in any such order of interdependence. Largely they work independently, and if they, to use that hopeless expression, "interface" at all, they frequently turn out to be two-faced. Within most of the specialties, about half of the practitioners usually do not believe the other half even belong among them, and something of the same situation prevails throughout the discipline as a whole. Economics has its own simple built-in psychology, and that provided

[1] I think it is needful to stress that 'mental physics' as I use this term here is entirely separate from and has nothing whatsoever to do with a mystics' pseudo-religion espoused by a group of spiritualists who are headquartered in California and use the same name for their pseudo-theology. If I had known of their existence before calling this new science 'mental physics' in books and papers, I would have called it something else in order to avoid even the slightest appearance of it being associated with them in any way.

> by the science of psychology is either really part of biology, which does not help very much, or flatly contradicts the primacy of the motives alleged by economics. Similarly, economics tends to undermine the normal interpretation of political events that political science would make. It is possible to have an economics-guided or controlled political science, but it is not necessary; and it is equally possible to have a psychology-guided political science, which would not be the same as the former. It is as though there were a dispute among the various social sciences about which is primary. Actually each of the social sciences can, and does, make a claim to be the beginning point in relation to which the others can be understood – economics arguing for the economy or the market, psychology for the individual psyche, sociology for society, anthropology for culture, and political science for the political order . . . The issue is what is the social atom, and each specialty can argue that the others are properly part of the whole that it represents. Moreover each can accuse the others of representing an abstraction, or a construct, or a figment of the imagination. Is there ever a pure market, one not part of a society or culture that forms it? What is a culture or a society? Are they ever more than aspects of some kind of political order? Here political science is in the strongest position, because the reality of states or nations is undeniable, although they can in turn be considered superficial or compound phenomena. The social sciences actually represent a series of different perspectives on the human world we see around us, a series that is not harmonious, because there is not even agreement as to what belongs to that world, let alone as to what kinds of causes would account for its phenomena. [Bloom (1987), pp. 359-360]

Every human action rising above the level of autonomic reflex that a human being expresses is caused by that person's power of Self-determination in the phenomenon of mind. The structural organization of these determinations is produced by two structures within the mathematical model of mental phenomena. The first of these is called the manifold of rules, the second the manifold of concepts. Both of these manifolds are Self-constructed as experiential outcomes of interactions with the world. All of a person's empirical knowledge subsists in these structures and their interactions in judgmentation. This was illustrated in figure 3 in chapter one; that figure is reproduced for convenience as figure 1 below.

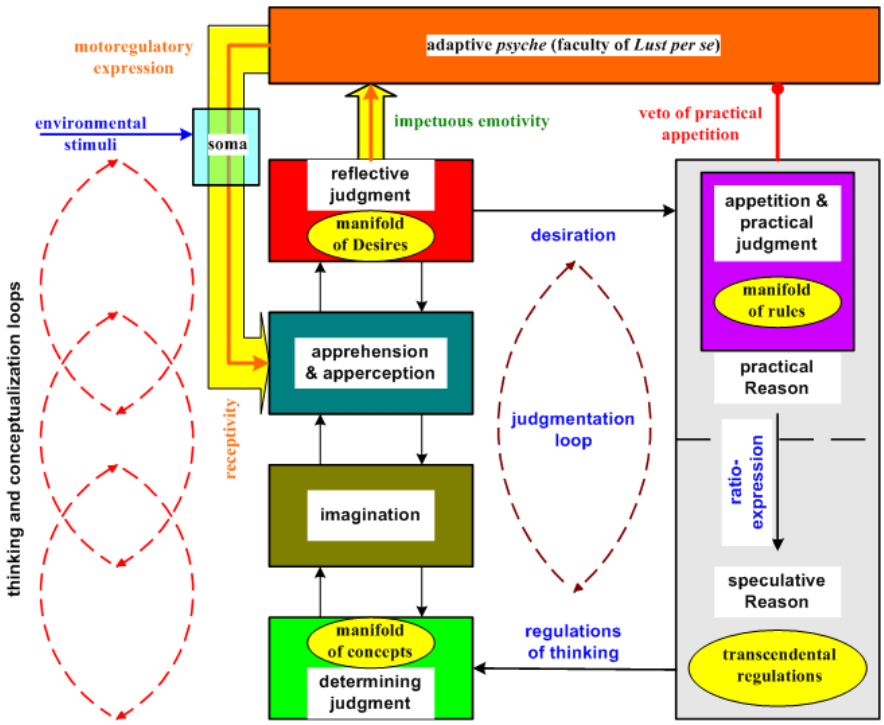

Figure 1: Overall thinking and judgmentation structure of the phenomenon of mind [Wells (2009)].

Every person's experience is different from that of every other person. Therefore no two people make exactly the same constructions of their manifolds of rules or their manifolds of concepts. This is the principal root of human individuality and has far greater effects on it than do the relatively minor physiological differences of body (*soma*) – a point we saw Hobbes hint at in chapter two. However, although no two people are exactly alike or behave exactly the same, all human beings are also alike to one another in a great many ways. This is in part because we are all biologically much more the same than we are different and in part because the *homo noumenal* nature of the phenomenon of mind is determined in each one of us by the *same* fundamental laws of human nature. The specific action expressions emoted by any particular individual cannot be predicted with total precision, but the general character of human action expressions *are* predictable up to a significant degree of accuracy because of the many similarities these laws of mental physics produce in people's constructions of their manifolds of rules and manifolds of concepts. These similarities and commonalities of human-natural phenomena make social-natural sciences possible when, and only when, that science is grounded in Critical metaphysics [Wells (2006)].

Exploitation of human similarities for purposes of a natural science might seem to imply that such sciences must be statistical. To be sure, the mathematics of statistics has an important role in social-natural science *but this role is not a primary role*. Statistical models are not causative models and statistical predictions beyond the range of data used in compiling these models are not reliable and in most cases are inaccurate. Statisticians know this better than anyone but often non-statistician users of statistical models behave as if they were ignorant of this fact. Those who mistake statistics for causative explanation act under a fallacy of metaphor suggested by the success physics had using statistics to explain thermodynamic phenomena. However, physicists' success with thermodynamic theory is a consequence of exploiting a specific and very limited special case in application to which thermodynamic laws are strictly confined. This special case is popularly described as "the law of large numbers" but it a better description of it would be "the law of *enormously* large numbers" (on the order of Avogadro's number). The case is met with when one is dealing with a liter of typical gas but it is *never* met with in *any* social phenomenon. This point is clearly presented and explained in Weinberg (1975), pp. 1-23. Social phenomena all fall into a category Weinberg described as "the law of medium numbers."

Successful scientific theorizing in Weinberg's "medium numbers" circumstances is achieved not by statistical models but, rather, by what are called "phenomenological models" [Wells (2010), chap. 1, pp. 11-13]. For example, one of the most important and successful theories in neuroscience, the Hodgkin-Huxley model, is a phenomenological model for which Hodgkin and Huxley were awarded the Nobel Prize in medicine [Wells (2010), chap. 3]. Properly developed, phenomenological models possess a property merely statistical models do not; namely, *predictive power based on causative mechanisms*. The best phenomenological models generally are model schemas (not simple formulas like Newton's famous $F = m \cdot a$). The Hodgkin-Huxley model is an example of such a modeling schema. If it were not, it could not have been extended for general application in neuroscience and they would not have won the Nobel Prize for it.

Economics as a natural science falls into Weinberg's "medium numbers" case. Objectively valid predictive models with the power of causative explanation in economics will for this reason turn out to be phenomenological models. Successful phenomenological modeling depends on how the objects used in the model are defined. They must be objectively valid constructs and, furthermore, be linkable to causative fundamental laws and principles. It is here where present day economics comes up lacking and is therefore doomed to be a "social science" instead of a *social-natural* science. The reason for this lack is economics' isolation from causative factors subsisting in the "social atoms" whose behaviors it attempts to describe macroscopically.

I think a good way to illustrate this is to briefly critique Polanyi's thesis [Polanyi (1944)]. Polanyi's thesis had an important influence on present day labor and tax policies in the areas of

free trade, free labor markets, and monetary policy. Essential differences in ideology between the Republican Party and the Democratic Party in the U.S. can be traced to conjectures, opinions, and prejudices discussed in his thesis. At the same time, Polanyi's thesis illustrates some of the ways by which present day economic theory severs connection with its social atoms and thereby renders itself a so-called "social science" discipline incapable of causative explanations.

Like many authors, Polanyi tended to vaguely present and use many key technical terms. Occasionally he omits definitions or explanations of terms altogether, apparently regarding them as "self evident." Sometimes he seems to use the same term in multiple ways that are not self-consistent. If there is one lesson the history of science repeats time and time again, it is that "self evident" terms and objects generally are *not* self-evident. Indeed, it can seem as if scientists never learned anything about the problem of undefined terms from the early dialogues of Plato – a not-surprising situation considering that a majority of people with PhD degrees have never read one word of philosophy. More surprising is how many of them have made themselves Platonists despite their ignorance of Plato's writings. When fundamental terms are taken for granted the usual outcome in science is the generation of theories flawed at their roots that eventually fail.

In Polanyi's case, he – like most economists – appears to take the term "economy" for granted. Neither Bannock *et al*. (2003) nor Polanyi (1944) provide any definition for it. Polanyi sets off presuming not only that everyone understands what "economy" is but that everyone understands it *the same way*. When a term is treated thusly, a reader has no recourse but to turn to some dictionary definition for it; in this case, the relevant definition from Webster (1962) is, "An economy is a system of producing, distributing, and consuming wealth." Dictionary definitions are not technical definitions (they are language conventions) and this language convention is not the same as the Critical term ***economy***, i.e., *the general social dynamic of entrepreneurial interactions in a Society or between Societies due to commerce arising out of division of labor*. The dictionary definition merely states an *outcome*; the Critical one identifies *phenomena*.

The dictionary states that an 'economy' is a system. Of its thirteen definitions of 'system' the pertinent one here is "a system is a set or arrangement of things so related or connected as to form a unity or organic whole." This is a special case of the Critical definition, i.e., a ***system*** is *the unity of various knowledge under one Idea*. An object embodying this unity is called 'the system' and, because it is an object, the understanding of it is ontological. When economists use the word 'economy' it is an ontological understanding to which they refer.

Now, *real* understandings (as opposed to merely mathematical understandings) of empirical objects are understood from the practical Standpoint of Critical metaphysics. From this Standpoint '*a* system' as an object is *a set of interdependent relationships constituting an object with stable properties independently of possible variations of its elements*. If an 'economy' is a system then it cannot be some arbitrary aggregation of things said to be "of an economic nature." An aggregation of that sort is nothing but a hodgepodge of concepts whose relationship with each other is entirely *subjective* in an individual's conceptions. This does not define a real object any more than a five-year-old child's drawings depicting a person as a body next to a head, next to arms, next to legs, next to eyes, etc. depicts an actual human being. To a child the head "goes with" the body, "goes with" the arms, etc.; in other words, it is a depiction of juxtaposition lacking the unity of a syncretic understanding of the object [Piaget (1928), pp. 221-228].

The concept of 'an economy' must stand under some regulative principle of actions (an Idea) which gives it its unity *as a system*. For an economy, this regulation is provided by the principle that an economy is a social dynamic – a representation of the *Existenz* [2] of a potential power of organization for human beings living together in situations requiring them to have interactions

[2] *Existenz* means the way or manner in which something exists.

with one another. The principle is one of human interrelationships. The specific power of organization at work in organizing the totality of their activities and interactions is found within the individual human beings themselves, and this power of organization is nothing else than the power of human beings to determine their actions from practical rules each has self-constructed in his manifold of rules in practical Reason. The organization that results is called a Society.

This is the Critical connection between the vague dictionary idea of an 'economy' and the social atoms of all human-produced natural phenomena that *result* in producing, distributing and consuming wealth assets. The principle identifies *causative* foundations that must be considered whenever one is dealing with an 'economy' as an object or attempting to decide if some peculiar set of social phenomena does or does not constitute an objectively valid 'economy.' Without these causative foundations no social-natural science of economics is possible.

The success of any natural science – as well as an objectively valid determination of whether or not what its practitioners do even merits being *called* a science – depends on the specificity of its empirical laws and concepts. Physicist and Nobel laureate Richard Feynman said,

> In general we look for a new law by the following process. First, we guess it. Then we compute the consequences of the guess to see what would be implied if this law that we guessed is right. Then we compare the result of the computation to nature, with experiment or experience, compare it directly with observation, to see if it works. If it disagrees with experiment[3] it is wrong. In that simple statement is the key to science. . . .
>
> You can see, of course, that with this method we can attempt to disprove any definite theory. If we have a definite theory, a real guess, from which we can compute consequences which can be compared with experiment, then in principle we can get rid of any theory. There is always the possibility of proving any definite theory wrong; but notice that we can never prove it right. . . . In the future there could be a wider range of experiments, and you might then discover that the thing is wrong. . . . But it could never be proven right because tomorrow's experiment might succeed in proving wrong what you thought was right. We are never definitely right, we can only be sure we are wrong. . . .
>
> Another thing I must point out is that you cannot prove a vague theory wrong. If the guess that you make is poorly expressed and rather vague, and the method you use for figuring out the consequences is a little vague . . . then you see that this theory is good because it cannot be proven wrong! Also if the process of computing consequences is indefinite then with a little skill any experimental result can be made to look like the expected consequences. [Feynman (1965), pp. 156-158]

Every science seeks causative explanations of phenomena. If the objects treated by a science are vaguely expressed and left without possible connections to root causes, then that science cannot validly be called a science. This is the principal flaw in the "social sciences" of today and the reason why these social sciences are segregated from the physical-natural sciences in today's universities. The *only* foundation for social-*natural* sciences is found in the human nature of the "social atoms" of all social phenomena.

Another example from Polanyi is provided by his concept of a "market." In his treatise, and in the "social science" of economics today, this word is actually an abbreviation for "marketplace." Polanyi actually uses the term "market" in two homonymous ways. In one place he defines a market as "a meeting place for the purpose of barter or buying and selling" [Polanyi (1944), pg. 59]. In another he defines it as "actual contacts between buyers and sellers" [*ibid*., pg. 75]. His

[3] or with experience from direct observation; Feynman is using 'experiment' as an abbreviation for the longer phrase. This expanded usage for the word 'experiment' is necessary for non-laboratory sciences (e.g., social-natural sociology, political science, or economics) to be practiced *as* sciences.

first usage is clearly a *place* where commerce occurs and this has no established connection with root causes of economic phenomena. His second usage has a vague connection with the real explanation of "market" provided earlier in chapter one, i.e., *a market for an economic good* is *the population of persons who regard that economic good as a wealth asset and are willing to exchange some part of their stock of goods in order to obtain it*. A market can only be defined as a real object connected to causative factors if it is defined in terms of a *pair* of specific economic goods and the people who hold those goods to *be* goods. In most instances of commerce the seller's good he brings to the exchange is a tangible object or a service; the buyer's good he brings to the exchange is an intangible represented by money, the "universal instrument of commerce" [Smith (1776), pg. 24]. One can say the money exchanged provides the seller with the option to choose what economic good he ultimately receives in exchange for the one he sells.

A seller "has no market" if no one wants to buy or barter for what he wants to sell. A buyer "has no market" if no one wants to sell or barter for what he wants to buy. Thus, a market is always defined in terms of *two* populations – buyers and sellers – and each population "brings to the marketplace" their own peculiar economic good for exchange. A Critical market is what makes commerce possible.

There are other terms Polanyi and other economists use that are have definitional deficiencies. These include terms like 'market economy', 'market prices', 'commodity,' 'self-regulating market,' 'market pattern', and 'market institution'. This treatise will deal with these deficiencies as they come up in its discourses.

§ 2. Motivated Behavior: Interests, Obligations, Duties, and Mini-Community

An entrepreneur is a person undertaking personal enterprise activity for the purpose of satisfying a Duty-to-himself in regard to the tangible power of his person (tangible *Personfähigkeit*)[4]. Despite a widespread habit of vanity that attempts to reserve 'entrepreneur' as some sort of title of honor to be exclusively associated with proprietors and capital investors, *every* person actively endeavoring to produce an income revenue for himself *is* an entrepreneur. This includes wage-laborers as well as proprietors, non-capitalists as well as capitalists. The sort of vanity which would deny non-capitalist wage-laborers the title of 'entrepreneur' is nothing else than an habituated maxim of self-conceit[5] produced out of social customs that trace directly back to the class divisions between 'the nobility', 'the gentry', and 'the commoners' that existed in feudal England during the European dark ages. Perpetuations of this habituated vanity act to perpetuate uncivic free enterprise. In a Republic, a person who perpetuates this vanity through his actions is a person who is perpetrating a deontological moral fault. An understanding of entrepreneurs in Society begins with understanding the Critical nature of personal interests.

An ***interest*** is an anticipation of a satisfaction or a dissatisfaction combined with a representation of the *Existenz* of some object of desire. As an Object, interest is a judicial function of Relation (to formal expedience in reflective judgment) and can either be immanent (internal expedience subsisting merely in affective perception), transeunt (external expedience subsisting in the actual *Existenz* of an object of desire), or reciprocal (transitive expedience subsisting in a subjective state for which the *Existenz* of an object of desire is merely a means of achieving that state of satisfaction). The sorts of interests that are the most fundamental to commercial enterprise

[4] The Critical theory of *Personfähigkeit* (power of a person) is crucial to the discussion now being entered into. Readers unfamiliar with this term or encountering it for the first time should refer to Wells (2012a), chapter 13, pp. 456-457; 467-476. Tangible *Personfähigkeit* is that power of a person which is the most immediately pertinent to his actions relating to commerce and enterprise.

[5] *Eigendunkel* [Kant (*c*. 1784-85), pg. 357]. Self-conceit is expressed by actions that present appearances indicative of arrogance and of a person who holds unwarranted pretensions of merit.

are those which are called ***deontologically valid interests***, i.e., interests grounded in conditions under which a person satisfies the requirements of his self-made Duties or Obligations. This is because these kinds of interests are connected in a person's manifold of rules to his high level practical constructs of imperatives and tenets of action. Perceived situations that evoke such imperatives *are always* acted upon by the person. His actions taken in response to the evocation or provocation of such imperatives in interpersonal interaction situations typically will evoke or provoke counter-responses by the persons with whom he interacts. Interpersonal transaction sequences among these people generally determine if the relationships between them are cooperative vs. competitive, amicable vs. hostile, civic vs. uncivic (state-of-nature).

Therefore, understanding the human nature of deontologically valid interests is essential for understanding conditions and circumstances under which free enterprise is manifested either as civic free enterprise or uncivic free enterprise. This understanding begins with a person's personal society [Wells (2012a), chap. 10, pp. 314-316] and a fundamental theorem that governs it. This theorem states: ***every person makes his own personal society and he is the sole determiner of who is and who is not part of this society and what their places are within or without it.*** Figure 2 illustrates an example of a personal society.

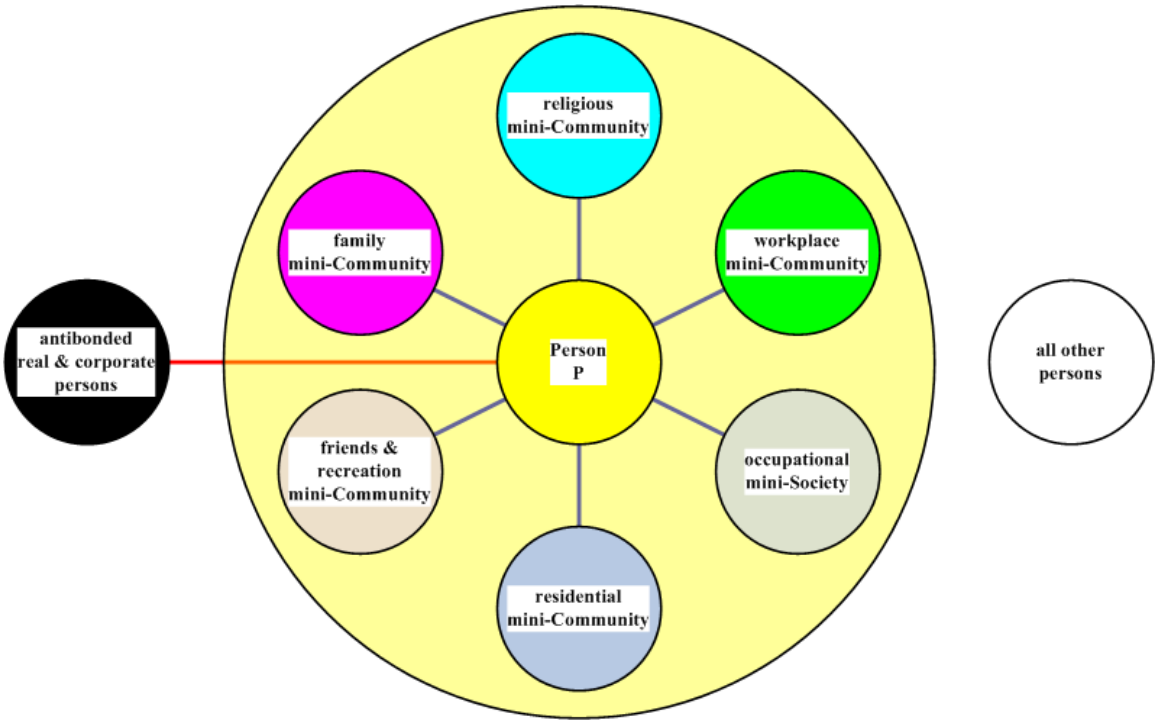

Figure 2: Illustration of an example of a personal society self-defined by Person P. The mini-Communities contained within Person P's social sphere consist of individuals with whom Person P has formed social bonding relationships and with whom he binds himself in reciprocal obligations and Duties. The black sphere represents individuals he deliberately excludes from his personal society and with whom he has formed anti-bonding relationships. The sphere labeled 'all other persons' consists of people with whom he holds no bonds of reciprocal obligation and neither includes in nor deliberately excludes from his personal society. The relationships he holds with people within the sphere of his personal society are relationships of civil Community and social contracting. His relationships with those he excludes are those of a state-of-nature unless the governance of the Society within which he lives promotes in him (through education) an abstract Ideal of a general civil association (a Republic) to which he commits himself to reciprocal Duties of citizenship and civil rights under a social contract. In this case, his pledges of commitment are based upon his development of remote interests in his general Society. [Note that a society and a Society are not the same thing. See the glossary for the technical distinctions].

The individual (Person P in figure 2) makes for himself practical rules of what he holds-to-be reciprocal obligations in his manifold of rules and he conceptualizes ideas of reciprocal duties and Duties between himself and those others within his personal society. It does not matter if the people he places in his society hold to the same rules of obligation and ideas of Duty he does so long as their interactions with him do not persistently gainsay his *expectations* for their behaviors. A person whose actions persistently gainsay Person P's expectations will eventually be cast out of Person P's society by Person P and will often end up in the antibonded group. If that person expresses an action that egregiously contradicts Person P's expectations, he can find himself cast out as a result of just that one interaction or event. A person's self-defined personal society is a fluid and evolvable construct. Furthermore, the expectations of behaviors Person P establishes do depend on the mini-Community relationship. These can be and usually are different for people in his family mini-Community vs. people in his religious, workplace, and other mini-Communities.

The basis of an individual's personal society subsists in rules of reciprocal obligations and concepts of reciprocal Duties arising from private and deontologically *moral* rules and concepts. These are *grounded* in Person P's Obligations and Duties *to himself*. Human beings have no innate "social instinct." Rather, a person *develops rules of social habits* that are bound to practical maxims and tenets in his practical manifold of rules. His experience produces rules expedient for satisfying the categorical imperative of equilibrium. Although there are many problematic issues and a number of errors in Kant's moral/ethical theory[6], he was correct to say

> The first topic [of deontological ethics] . . . is our Duties to ourselves. . . . By way of introduction, it should be noted that no part of morals has been more defectively treated than this of Duties to one-self. Nobody has framed a correct concept of such Duties; it has been deemed a trifle and ultimately thought only as a supplement to morality and believed that once a man has fulfilled all his Duties he may finally think about himself. . . . Far from these Duties being the lowest, they actually take first rank and are the most important of all [Kant (*c*. 1784-85), 27: 340-341].

The development of reciprocal Obligations and reciprocal Duties arising out of childish maxims, grounded in his own Self-interests, has been observed in children's development of moral judgments [Piaget (1932)], although Piaget's offered explanations of *why* these judgments are developed by the child contain some errors of speculation rendering some of his theoretical conclusions objectively invalid. Put another way, Piaget's *experimental* observations are sound but his accompanying attempt at developing a causative *theory* is not [Wells (2012a), chap. 5].

Reciprocal obligations and Duties are first constructed only when Person P associates himself with others in a civil Community. When there are multiple contexts in which he associates with others, these different contextual circumstances give rise to mini-Communities, each of which operates under a social contract peculiar to that mini-Community. In the great majority of cases, these social contracts are understood informally and subsist in shared expectations more or less commonly held by all its members. Very rarely are mini-Community social contracts committed to the structure of a formal and written compact that gives them legal codification. Rather, most of them are exhibited through action expressions of social customs, mores, and folkways. This is especially so when the Community is small and its members know one another personally. The

[6] The source of Kant's errors is rooted in what Palmquist correctly calls "Kant's theocentric orientation" [Palmquist (2000)]. It was an orientation that led him to fall victim to an error he had himself warned others against making in *Critique of Pure Reason* [Kant (1787), B: 670-673]. His error began when he mistook the categorical imperative of pure practical Reason for "the moral law within me." The categorical imperative is no such thing, although it is the regulation of practical Reason that gives rise to a person's construction of his own private and individually peculiar "moral code." Kant's errors were compounded when he used this transcendent illusion of "the moral law within me" to posit another illusory *noumenon* he called 'humanity'.

few exceptions where one finds some kind of codification include such social contracts as those which are represented by, e.g., the Mayflower Compact and the Constitution of the United States.

Different contexts in which a person associates himself with others reflect different interests in making the associations and involve different types of satisfaction achievements or dissatisfaction negations the person acts to realize by means of the associations. *Within* a mini-Community it is typically sufficient for the formation and maintenance of the association if all of its members have *congruent* interests in the association. An interest of a person A and an interest of a person B are said to be congruent interests if and only if a satisfaction of interest by either person does not necessarily prevent the satisfaction of interest by the other person. It is not necessary that each person in the mini-Community holds the *same* interests as the others in it. It is sufficient if these interests do not contradict one another such that when one person satisfies his interest this satisfaction necessarily frustrates another member's satisfaction of his interest.

However, a complication is introduced by the fact that, in any Society with a population sufficiently large enough to support multiple contexts of association, *every or nearly every person in that Society is simultaneously a member of more than one mini-Community*. Each person forms his own individual society which contains multiple associations, and this means that in addition to the requirement for congruent interests within a mini-Community it is also necessary that the interests attaching to one of Person P's mini-Communities must be non-contradictory to those other interests he attaches to his other mini-Communities. To take one specific example, if Person P's Duties in his workplace mini-Community come into conflict with his Duties to his family mini-Community, then either some accommodation of Duties must be made or Person P will be motivated to disassociate himself from one of these mini-Communities and satisfy the interests he invested in that mini-Community by some other means. This is to say that the *special* interests of each mini-Community must also be congruent with the special interests of the others. The possibility of any *civil* Society depends on this congruence of special interests.

Not every person is an entrepreneur and no entrepreneur acts in the role of an entrepreneur in all the contexts that go into the makeup of his personal society. But an entrepreneur's commercial interests in those mini-Communities where he expresses his entrepreneurial roles must be special interests congruent with interests in his other mini-Communities or his associations do not work. The most civil social condition arises if people can find ways to satisfy their personal commercial interests through forms of mini-Community association in such a way that these associations do not come into conflicts of interest with others. *Uncivic* social circumstances arise when merely changing mini-Community associations does not resolve conflicts of special interest and people within the general Society find *their* special interests frustrated by the *Existenz* of *other* people's mini-Communities. Under such circumstances, the overall Society comes to harbor state-of-nature relationships among its constituent mini-Communities, and these eventually lead to the breakdown of the Society and threaten its disintegration if these state-of-nature relationships cannot be or are not transformed into civil relationships with congruent interests.

In the terminology of social-natural political science, what I have just described stands under the ideas of *domestic tranquility* and *the general welfare* in a Society. It is in these two arenas where individual interests meet with the *common interests* of members in an overall Society. Institution of civic free enterprise and institution or tolerance of uncivic free enterprise have very different implications for domestic tranquility and a Society's general welfare. To understand these differences, a closer look must be taken at the types and kinds of individual interests exhibited in human action expressions.

There have been a number of empirical classifications proposed by psychologists that attempt to describe more or less general characteristics of so-called "psychological forces" controlling behaviors. Arguably the best known of these is Maslow's "hierarchy of needs."

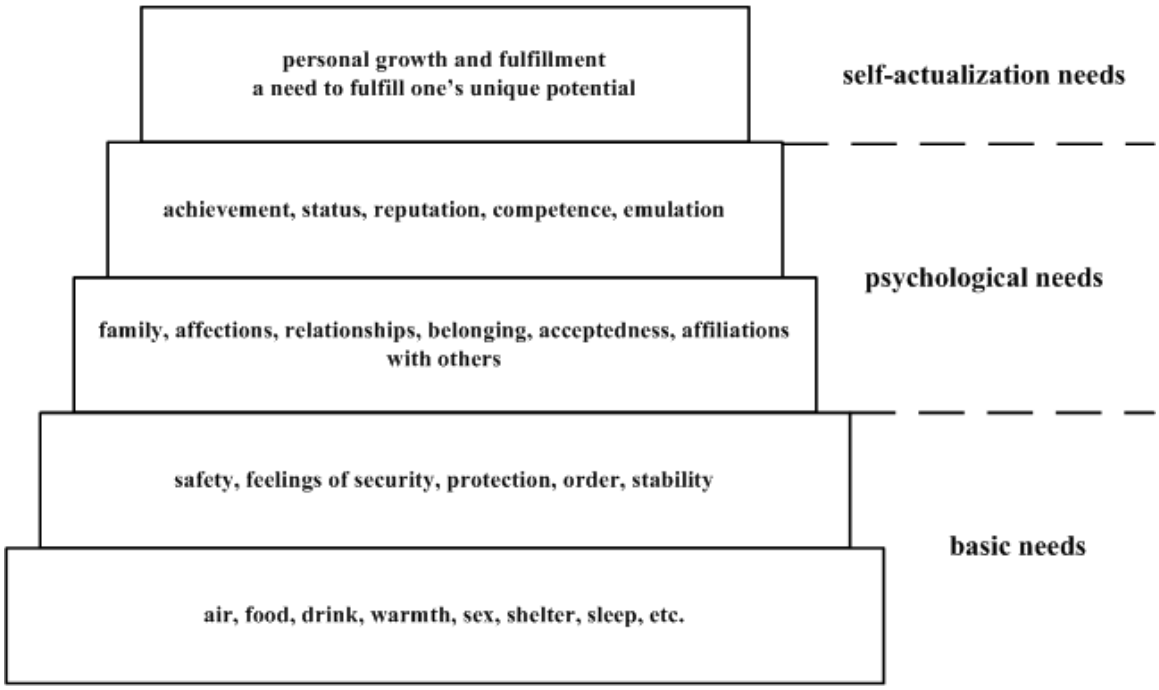

Figure 3: Maslow's proposed hierarchy of motivating needs.

Figure 3 illustrates a typical way of summarizing Maslow's theory [Maslow (1943, 1954)]. He proposed that human needs are arranged in a hierarchy, as illustrated in the figure, and suggested that these needs are inborn (innate) and universal (common to all human beings). Maslow's ideas have been widely used over the years in various applications to management and organization. However, other studies, e.g. Wahba & Bridwell (1976), refute Maslow's speculations about the innateness and universality of these "needs" and even his idea that they are hierarchical. Maslow's theory is a failed attempt to formulate a causative theory of what impels human behavior but it is still a useful way to grasp descriptions of the sorts of typical goal-achievement objects that frequently appear to be made objects of desire in many human expressions of behavior. Put another way, they can be regarded as examples of the sorts of goals used in attempting to satisfy achievements of re-equilibration in response to psychological disturbances. Anticipations that such objects of desire will satisfy a person's categorical imperative to attain a state of equilibrium therefore constitute personal interests. One should note, however, that the words used to describe Maslow's putative objects of desire are broadly and vaguely expressed so as to lack the sort of specificity that would be needed to adequately understand an individual's behavior.

The Critical theory of the phenomenon of mind finds against Maslow's ideas of innateness and of a hierarchy described in terms of Maslow's putative "needs." However, it does find there is a pseudo-hierarchical structure to action expressions and behaviors inherent in the construction of a person's manifold of practical rules in practical Reason. Within the manifold of rules, practical rules are structured with lower rules standing under higher ones which act as conditions on them. These higher rules, in their turn, stand under still higher ones until at last a set of rules is reached that are presently unconditioned (i.e., there are no higher rules under which they stand). These highest rules are called *practical imperatives* and they are conditioned by nothing except the overall regulation of practical Reason by the categorical imperative.

The structure built into the manifold of rules by the actions of practical judgment (figure 1) is what determines what actions will be expressed by a person and what impetuous expressions of emotivity by reflective judgment will be vetoed. The manifold replaces Maslow's hierarchy and it

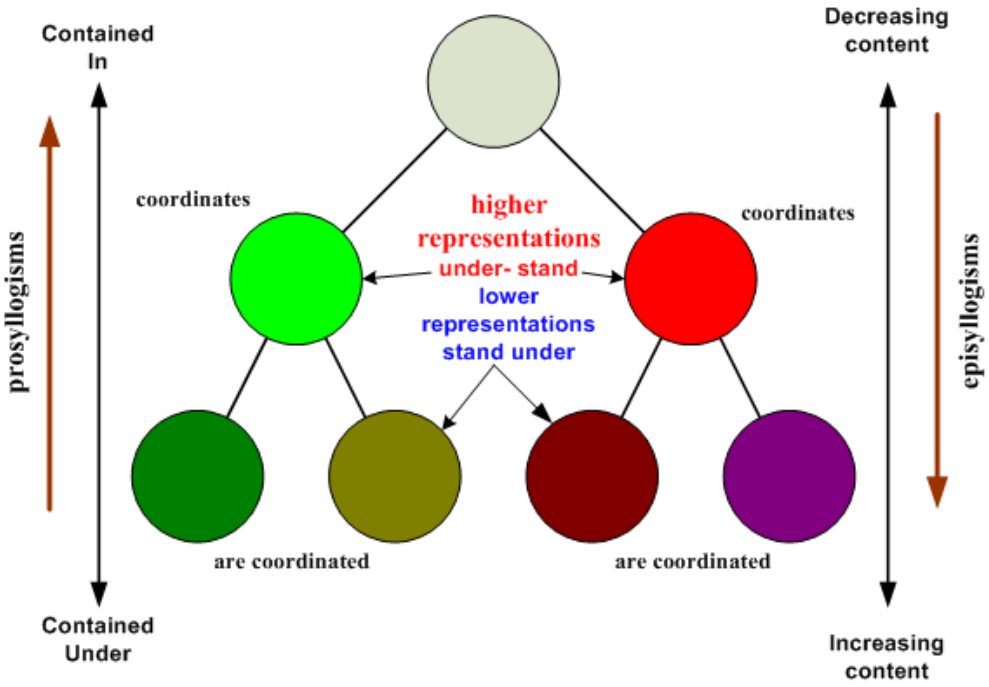

Figure 4: Formal construction schema of connections in the manifold of concepts or manifold of rules.

is therefore necessary to make a brief digression and discuss the nature of rule-structuring by practical Reason.

§ 3. Structure, Construction, and Provocation of the Practical Manifold of Rules

The manifold of rules in practical Reason and the manifold of concepts in determining judgment both follow the same general schema for construction and connection of representations illustrated by figure 4. It consists of higher representations coordinating lower representations by means of connections made by inferences of judgments (inferences of understanding in the case of the manifold of concepts; inferences of practical judgment in the case of the manifold of rules). A higher representation coordinating two or more lower ones is said to "under-stand" the lower ones, and the lower ones are stand to "stand under" the higher one. Higher representations are made by abstraction from two or more lower representations. All that is in common in the lower representations is retained in the higher representation, and all that differs between the lower representations is removed from the higher representation [Kant (1800)].

The connections of coordination are the first level connections in a manifold but they are by no means the only kinds of connections rendered by judgment. Beyond coordination connections there are also connections which establish *series* of representations in the manifold as well as connections that establish disjunctive *sets* of representations. These are higher-order connections in the manifold are not necessarily established when coordinating connections are made but are necessary for the possibility of complex representations in thinking and in action determination. These connections are outcomes of processes of synthesis. In the case of series connections the synthesis is called a ***polysyllogism*** and there are two types: ***prosyllogisms***, which proceed from a lower representation to higher ones; and ***episyllogisms***, which proceed from a higher representation to lower ones [Wells (2011)]. In the case of disjunctive sets the synthesis is called a ***disjunctive inference of Reason*** [Wells (2012b)]. Representations connected by synthesis of either type are themselves types of unitary representations, i.e., are compound representations that can function as an *entire concept* (manifold of concepts) or an entire *maxim* (manifold of rules).

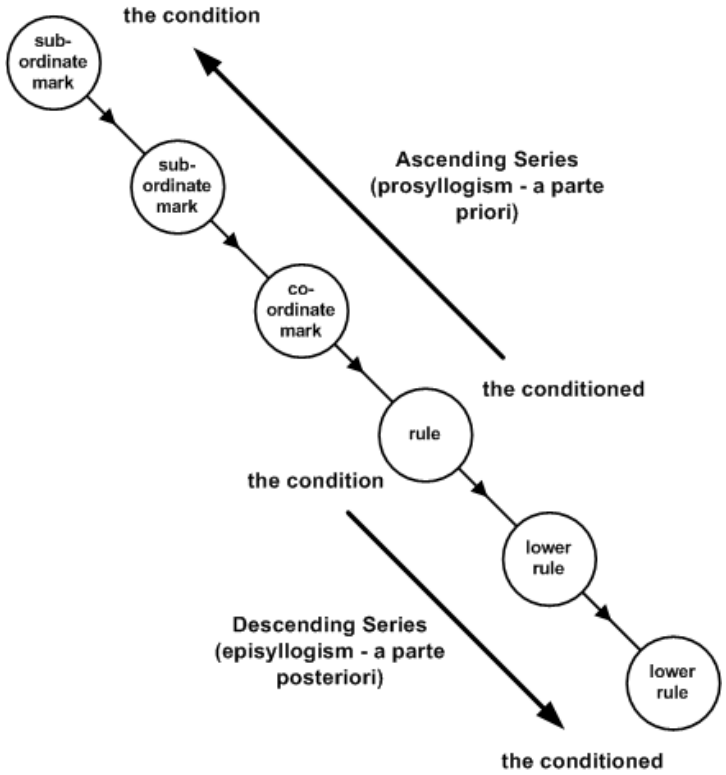

Figure 5: Illustration of possible chains of rules synthesized from the representation denoted "rule" in the center of the figure. A formally identical structure is used in the manifold of concepts, where the representations are concepts rather than practical rules of action. If the synthesis proceeds in the direction of an ascending series (a prosyllogism) the rule is said to be conditioned by the highest rule connected in the chain. The latter is then called the condition. If the synthesis proceeds in the descending direction of the chain (an episyllogism) the rule is said to be the condition for the lower rules in the connected series and the latter are said to be conditioned by it. Note that a mere sequence of coordinating connections does not form a connected chain. To represent a chain requires the synthesis of a polysyllogism.

Figure 5 illustrates the technical terminology used for series connections in a manifold using the manifold of rules as the illustrating manifold. A mere sequence of coordinating connections is not sufficient to represent a series-connected *chain* as a compound (or 'entire') representation. It requires the synthesis of a polysyllogism to represent a chain [Wells (2011)]. Figure 6 illustrates a convention for denoting that a series of coordinated rules is also represented as connected chain. Representations united in a chain through polysyllogisms are denoted by the colored ovals in the figure. There are three distinct types of chain syntheses: episyllogisms, prosyllogisms, and full (both epi- and pro-syllogisms) polysyllogisms. Synthesizing a prosyllogism does not necessarily lead to synthesizing an episyllogism or vice versa. This is because each of these is carried out by an inference of Reason during judgmentation (figure 1) and every inference of Reason is an act of judgmentation that is *provoked* by disturbance to equilibrium. Judgmentation cycles *do not persist* beyond the point where reequilibration is achieved; this is the satisficing nature of human judgmentation and reasoning. One might anthropomorphize the process of pure Reason a bit and say that human Reason is not curious. Ratio-expression is not enacted by Reason unless the actions expressed by the human being are *frustrated* by not achieving equilibrium. This is a consequence of the regulation of non-autonomic actions by pure practical Reason and its categorical imperative [Wells (2009), chaps. 9-10]. This characteristic of judgmentation and the motivational dynamic underlies the formation of habits as well as workplace phenomena of which it is often said that people enact "routines" and "rituals" in performing their daily activities.

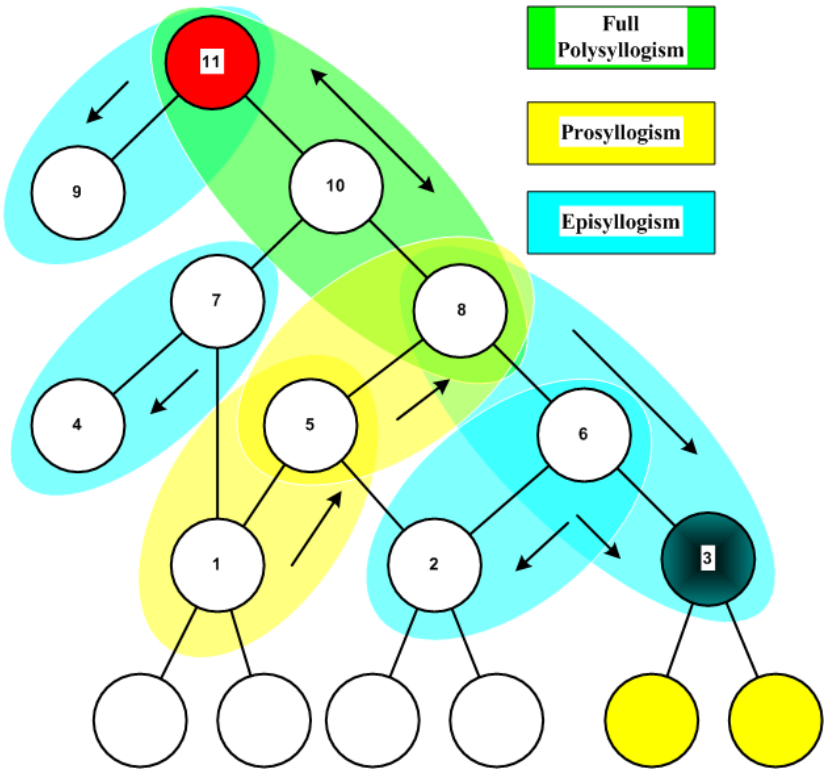

Figure 6: Illustration of interconnected chains synthesized in a manifold by polysyllogisms. Mathematically, this network of connections can be regarded as a directed graph [Berge (1958)]. Arrows in the figure denote directions in which polysyllogism connects have been made. If a particular representation, e.g. representation 3, is stimulated, all other representations connected with it by a polysyllogism are also stimulated along with the coordinated representations at the end of the chain. However, stimulation does not proceed in a descending direction below the coordinated lower representations at the end of the chain. In the figure, stimulation of representation 3 stimulates only the coordinated representations standing under it but does not stimulate representation 6 because its connection with 6 is made by an episyllogism. If 6 had been stimulated, it would stimulate representations 2 and 3 as well as their coordinated representations. Because of the polysyllogisms illustrated in this figure, stimulation of representation 5 would propagate to stimulations of representations 8, 6, 3, 2, 10, 11, and 9.

Figure 6 illustrates a highest representation (number 11) that is not presently conditioned by any higher representation. If the figure represents the manifold of rules, this highest presently unconditioned rule is called a *practical imperative of Reason*. Stimulation of practical imperatives *always provoke action responses by the person*. Furthermore, as highest rules in a practical chain of rules, practical imperatives underlie phenomena of which it is said that a person's actions are dictated by his private moral code. Unlike moral *concepts*, which a person might ignore, practical imperatives *are always* enacted by a person. This has direct bearing on generalizable principles of entrepreneur behavior in relationship to empirical theories of motivation such as Maslow's.

To properly appreciate and understand the human nature of motivation, we must discuss the role concepts play in the stimulation/provocation of practical rules. Figure 7 presents a more detailed depiction of the system depicted in figure 1, specifically in regard to the effect of concepts on a human being's Self-determination of his actions. The figure caption explains the general sequence of noetic acts establishing the motivational dynamic in judgmentation [Wells (2009), chap. 10]. People who possess sufficient experience have built up a sufficiently complex manifold of concepts structure in determining judgment that gives them the power to *anticipate* future consequences and thereby to foresee dissatisfactions provoking disturbances via concepts.

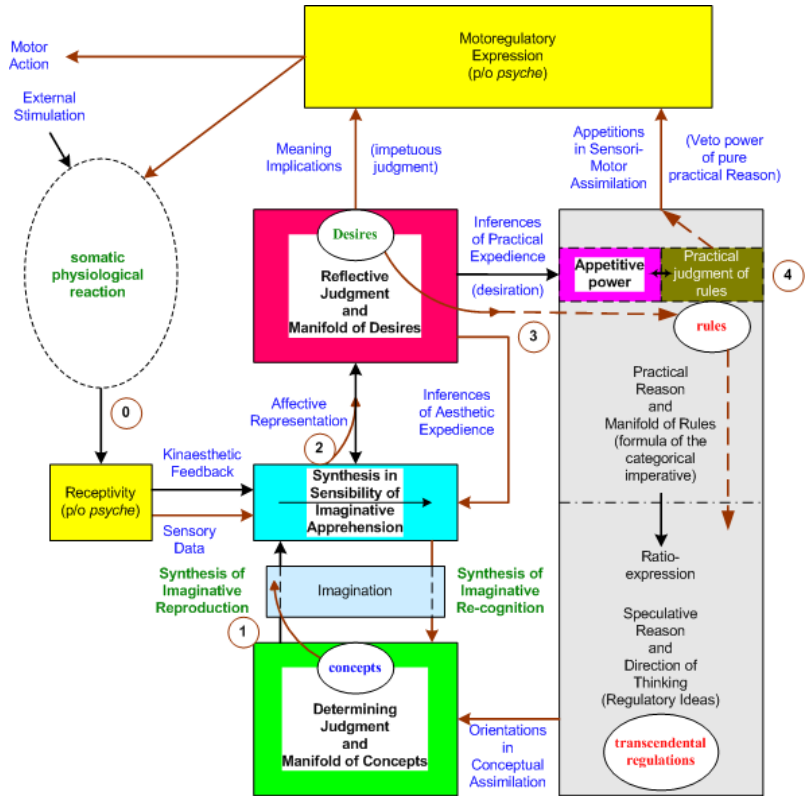

Figure 7: Detailed schematic of practical rule provocation in the manifold of rules by concepts. The logical sequence depicted proceeds as follows: (0) an external stimulus causes sensory data changes presented to the logical division of *nous* via receptivity; (1) this new presentation invokes the process of the free play of imagination and understanding, during which concepts are summoned back into sensibility via a synthesis of reproductive imagination; (2) the contributions of concepts in sensibility enters into the synthesis of apprehension; (3) the altered presentations in sensibility alters presentation of Desires in reflective judgment, which in turn alters meaning implications which the manifold of Desires presents; this effects both impetuous presentations of motoregulatory actions and presentations of desiration to the synthesis of appetition in pure practical Reason; (4) presentations of desiration are associated with the manifold of rules during the construction of this manifold; accordingly, the practical expedience (or inexpedience) represented in presentations of desiration stimulates associated practical rules in the manifold of rules; if the specific presentation constitutes a disturbance (i.e., if actualization of the indicated action violates the dictates of the categorical imperative for achieving and maintaining a state of equilibrium), then this disturbance provokes a groping for reequilibration through ratio-expression of practical rules by means of the process of speculative Reason (which re-orients and determines the further employment of the process of determining judgment). This, in turn, alters the re-presentation of concepts into sensibility and provokes the acts of the motivational dynamic in the overall cycle of judgmentation. This overall process results in action expressions the person actualizes in seeking to re-equilibrate his mental state.

This capacity to foresee possible effects and consequences lies at the root of the ability of human beings (especially adults) to react to possible future circumstances, make plans for dealing with these circumstances, and put into effect actions based on those plans. This is an ability that is built up through the acquisition of experience. Young children, who lack the depth of experience that an adult has acquired, are often unable to foresee and anticipate consequences to the same level of sophistication and abstraction that adults have acquired, which is why children often undertake actions that an adult regards as immature or foolish. Children's manifolds of concepts are simply not as detailed and complex as those of adults because they have not had as much time to develop and conceptualize actual events as an adult has had. The scope of a person's manifold of concepts not only affects his logical thinking processes but also his affective reactions to real

or anticipated events and situations. Thus, the evocation of the motivational dynamic in judgmentation brings about subjective ("emotional") responses in addition to logical reasoning responses. These two aspects (subjectivity of affect and cognizance of objects) are now known to be inseparable aspects as human understanding, planning, and decision-making [*c.f.* Damasio (1994)].

An anticipation of dissatisfaction which co-presents with a desiration evoking a practical maxim – especially those occupying positions as high level tenets or practical imperatives in the person's manifold of rules – is said to *provoke* the individual into taking actions aimed at either abolishing or preventing the actual object or situation the person judges to be dissatisfying. An anticipation of satisfaction in an object or situation that does not actually exist is said to *motivate* the person into taking actions aimed at making that object or situation actual. In either case, the ability of the person to express actions that further his aims depends on the structure of his rule manifold. The options he can call upon depend on the scope of his disjunctive sets of action rules contained in his manifold of rules. Figure 8 is an illustration of disjunctive structuring of a manifold effected through inferences of Reason [Wells (2012b)].

This is, of course, only a brief overview of the Logic of manifold structure and how manifolds are involved in determining actions and thinking. I suspect you will not find it surprising when I say that a great deal of formal development and mathematical research still remains to be done in future developments in social-natural psychology. It is very important that this work be carried out by future scientists and mathematicians, but in the present day solid *qualitative* understanding of these ideas is a great help in making advances in social-natural economics and social-natural sociology. It is worth noting that Grossberg has presented some rudimentary conjectures regarding mathematical methodology that can be applied to this general research area [Grossberg (1978), pp. 235-247]. These need more development and extension, but they are a starting point.

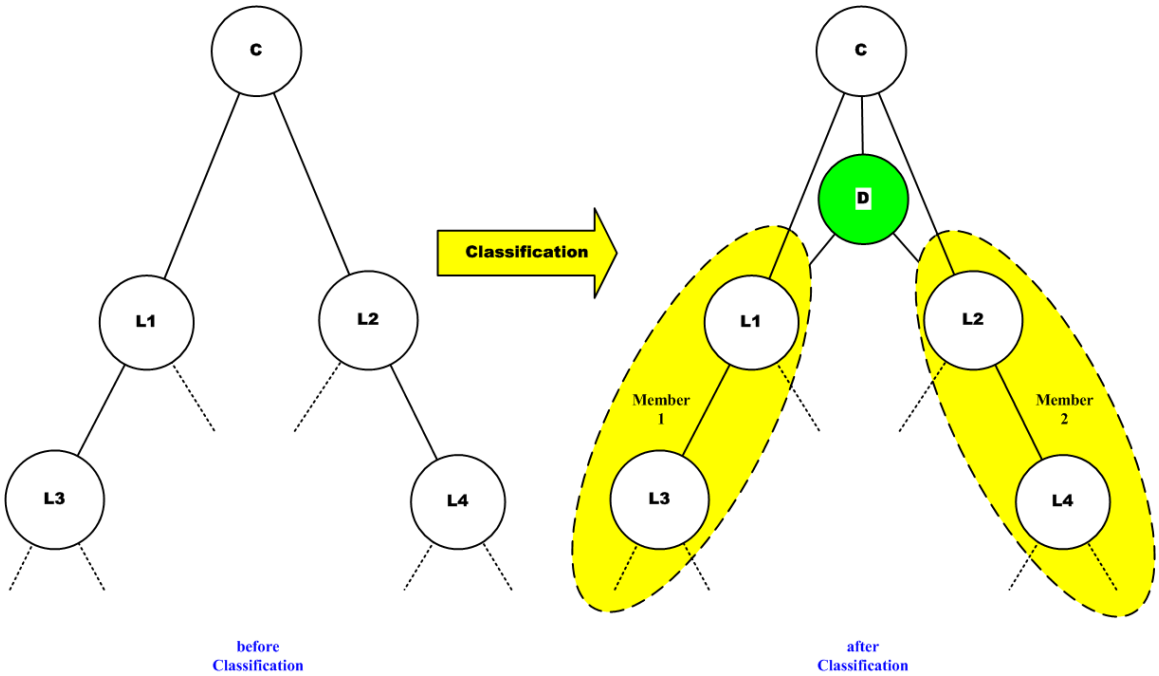

Figure 8: Illustration of disjunctive structuring in a manifold. The particular disjunctive structure illustrated in this figure is called a Classification. See the glossary for the technical definition of this and related terms. The members of a division are polysyllogism chains (and, possibly, additional disjunctions) representing mutually exclusive actions (manifold of rules) or cognitions (manifold of concepts). This is to say that evocation of Member 1 in this figure excludes the simultaneous evocation of Member 2.

§ 4. Commercial Interests, Motivation, and Social Actions in Economics

The preceding section pertains to interests in general. How do these relate and specialize to the commercial interests of an entrepreneur? Like all other interests, a person's commercial interests are subordinated to practical imperatives and tenets in his manifold of rules and are conditioned by a private "moral code" he constructs for himself based upon his own experiences. Commercial interests vary in their specifics from one person to another, but there are similarities as well owing to the same social conditions that spur the emergence of mores and folkways in Society. An understanding of the human nature of these common deontological factors is propaedeutic to gaining an empirically adequate understanding of entrepreneurs' commercial interests. Ultimately those interests are grounded in and conditioned by deontologically moral factors an individual values and holds-to-be-binding in his manifold of rules during his determinations of appetites.

Because of this, it is not possible for a social-natural science of economics or of business to separate *commercial* interests of an individual from that individual's broader deontological *moral* interests in Duties to which he has bound himself and the practical maxims he adopts in order to fulfill these Duties. When economics or sociology attempts to do so, its doctrine cuts a key causative connection and reduces the doctrine to mere descriptive abstraction lacking in *practical* causative validity. There can be no real division between 'economic man,' 'political man,' and 'social man' because causative grounds for human actions subsist in individuals' manifolds of rules and are enacted within social environments made up of overlapping and interacting personal societies and mini-Communities, each with its own special interests. As Max Weber pointed out,

> Action is "social" insofar as its subjective meaning takes into account the behavior of others and is thereby oriented in its course. [Weber (1922), vol. I, pg. 4]

All entrepreneurial actions in business and commerce are "social actions" as Weber defines it.

Empirical theories such as Maslow's were developed as attempts to answer the question, "what makes a person do the things he does?" Maslow and other early motivational psychologists tried to answer this question by referring to what they took to be object-oriented goals. In Maslow's case, these object-oriented goals are reflected in the things listed in the various boxes in figure 3. A small amount of reflection upon these objects will likely make it clear to you that these empirical descriptions are vague and ill-posed. Some of them, e.g. "self actualization," are not observable in a person by other people; at best the object is conveyed in a self report by a person who is trying to explain his actions to others. A natural science cannot get by with such ill-definable and vague objects for its objects-of-study. Maslow's theory (and others of a similar sort) relies on presuming that others will have the same understanding of what is meant by the terms used in figure 3 (a presumption technically known as egocentrism). But does everyone understand his 'needs' for air, food, sex, security, family, reputation, etc. in the Maslow hierarchy in the same way? Do we all mean the same things when we use such terms?

In point of fact, no, we do not. Why is one person an ascetic, another a gourmet? Why does one person seem to seek as much safety and security as he can find while another seems to deliberately revel in dangerous adventures and engaging in wild risk-taking? It does not serve science to posit vague explanations of "well, *this* person's needs are such-and-such and this *other* person's needs are so-and-so." How did such disparate 'needs' come about? How can such 'needs' vary so much even when, e.g., the two persons with such different 'needs' are brothers raised in the same family and in the same circumstances? *Are* Maslow's 'needs' really 'needs'? Such questions cannot find causative explanations in terms of object-directed speculations. Maslow's objects are merely accidents of understanding in overall manifestations of behavior.

Every person seeks to achieve and maintain feelings of satisfaction and seeks to avoid or

abolish feelings of dissatisfactions. In this the ancient Epicureans were not altogether wrong. It is an aesthetic dimension of *reflective* judgment. Every person also seeks to maintain or restore their state of equilibrium according to a practical structuring of rules he would make 'universal' if he could. This can be likened to a 'moral dimension' of *practical* judgment in the sense that a person's structure of practical rules Self-defines what he holds to be good or evil, right or wrong. In this regard the ancient Stoics and the Roman Eclectics were not altogether wrong. The aesthetic dimension is 'instrumental' in the sense that reflective judgment pertains to the person's consciousness of his empirical condition as this condition is affected by his natural circumstances. The moral dimension is legislative in the sense that practical judgment pertains to his liberty to alter and effect circumstantial relationships. The former pertains to what is often called "pursuit of happiness," the latter to what is often called "acting on principles."

"Pursuit of happiness" is a subjective striving by empirical means that never finds causative explanation in terms of empirical objects of desire. Kant correctly remarked,

> The idea of happiness is not one such as man has abstracted by chance from his instincts and so derived from the animality in himself; on the contrary, it is a mere Idea of a state to which he would make the latter adequate under merely empirical conditions (which is impossible). He sorts this out himself and indeed in different ways through his complicated understanding by imagination and the senses; yes, and what is more, he amends these so often that this nature, even if it were to be totally subjugated to his choice, nevertheless could by no means undertake to determine a general law with this unstable concept, and so harmonize with the purpose that each arbitrarily intends for himself. But even if we either reduce this to the genuine urge of nature in which our species generally agrees, or, on the other hand, raise our skill so high as to provide for such an imagined purpose, yet even so what man understands by happiness and what is in fact his own proper natural purpose . . . would never be attained by him; for his nature is not of the type to stop anywhere in possession and enjoyment and to be gratified. [Kant (1790), 5: 430]

This aesthetical dimension operates under the Modality of possibility and reflects interests Kant described in terms of the question, "What might I hope?" [Kant (1787), B: 832-834]. On the other hand, the moral dimension is practical and reflects interests Kant described in terms of the question, "What should I do?" [*ibid.*]. This dimension pertains to the ceaseless regulation of all human actions by the categorical imperative of pure practical Reason (the formula regulating all non-autonomic human actions to strive for *Existenz* in a state of perfect equilibrium). This is a dimension of interest which operates under the Modality of necessitation. Santayana contrasted these two dimensions of the interests of human Reason in less abstract terms:

> The relation between aesthetic and moral judgments, between the spheres of the beautiful and the good, is close, but the distinction between them is important. One factor of this distinction is that while aesthetic judgments are mainly positive, that is, perceptions of good, moral judgments are mainly and fundamentally negative, or perceptions of evil. Another factor of the distinction is that whereas, in the perception of beauty, our judgment is necessarily intrinsic and based on the character of the immediate experience, and never consciously on the idea of an eventual utility in the object, judgments about moral worth, on the contrary, are always based, when they are positive, upon the consciousness of benefits probably involved. . . . The truth is that morality is not mainly concerned with the attainment of pleasure; it is rather concerned, in all its deeper and more authoritative maxims, with the prevention of suffering. There is something artificial in the deliberate pursuit of pleasure; there is something absurd in the obligation to enjoy oneself. We feel no duty in this direction; we take to enjoyment naturally enough after the work of life is done, and the freedom and spontaneity of our pleasures is what is the most essential in them.
>
> The sad business of life is rather to escape certain dreadful evils to which our nature exposes us – death, hunger, disease, weariness, isolation, and contempt. By the awful

> authority of these things, which stand like specters behind every moral compunction, conscience in reality speaks, and a mind which they have duly impressed cannot but feel, by contrast, the hopeless triviality of the search for pleasure. It cannot but feel that a life abandoned to amusement and to changing impulses must run unawares into fatal dangers. The moment, however, that society emerges from the early pressure of the environment and is tolerably secure against primary evils, morality grows lax. The forms that life will farther assume are not to be imposed by moral authority, but are determined by the genius of the race, the opportunities of the moment, and the tastes and resources of individual minds. The reign of duty gives place to the reign of freedom, and the law and the covenant to the dispensation of grace. [Santayana (1896), pp. 16-17]

Both of these dimensions of interest play into the commercial interests of the entrepreneur. To explore these interests scientifically, however, one is faced with an important methodological question. It is this: if every human being's manifold of rules differs from those of every other human being, how can it be possible to base causative explanations of phenomena important to social-natural economics and social-natural business on people's differing manifolds of rules?

By and large, both economics as a social science and business theory as a craft have faced this issue by resorting to statistics. Statistics, however, is not sufficient for methodology because a statistic never provides any causative explanation of phenomena and because economic and business theories are confronted with Weinberg's "medium numbers" problem. The tools that are provided by mathematical statistics require an accompanying analysis and modeling that is not confined to economic terms. A more comprehensive methodology is necessary. Weber wrote,

> It is important to realize that in the sociological field as elsewhere, averages, and hence average types, can be formulated with a relative degree of precision only where they are concerned with differences of degree in respect to action which remains qualitatively the same. Such cases do occur, but in the majority of cases of action important to history or sociology the motives which determine it are qualitatively heterogeneous. Then it is quite impossible to speak of an "average" in the true sense. The ideal types of social action which for instance are used in economic theory are thus unrealistic or abstract in that they always ask what course of action would take place if it were purely rational and oriented to economic ends alone. This construction can be used to aid in the understanding of action not purely economically determined but which involves deviations arising from traditional restraints, affects, errors, and the intrusion of other than economic purposes or considerations. This can take place in two ways. First, in analyzing the extent to which in the concrete case, or on the average for a class of cases, the action was in part economically determined along with the other factors. Secondly, by throwing the discrepancy between the actual course of events and the ideal type into relief, the analysis of the non-economic motives actually involved is facilitated. [Weber (1922), vol. I, pp. 20-21]

Weber presented an empirically sound approach to confronting these fundamental issues of social-natural science development [Weber (1922), vol. I, pp. 4-22]. In stark contrast to Polanyi, Weber starts out by carefully defining the technical terms he uses in his methodology and discussing factors pertinent to the question asked above. Weber's methodology *is* a social-natural methodology, explicitly recognizing individual human beings as social atoms and addressing issues of how statistics is to be regarded as a tool facilitating discovery of causative explanations. I will go so far to say that if a person is to engage in a scientifically competent practice of economics or business theory he *must* make himself knowledgeable of Weber's methodology.

He begins by making a strictly logical division between an abstract idealized model of rational decision-making (the 'rational man' model long used in economics) and what he improperly called the "irrational elements of behavior." By 'irrational' he meant how affectivity and subjectivity play into human self-determination of actions [*ibid*., pp. 6-7]. Weber wrote,

> For purposes of a typological scientific analysis it is convenient to treat all irrational, affectually determined elements of behavior as factors of deviation from a conceptually pure type of rational action. . . . Only in this way is it possible to assess the causal significance of irrational factors as accounting for deviations from this [pure type of rational action]. The construction of a purely rational course of action in such cases serves the sociologist as a type (an ideal type) which has the merit of clear understandability and lack of ambiguity. By comparison with this, it is possible to understand the ways in which actual action is influenced by irrational factors of all sorts, such as affects and errors, in that they account for the deviation from the line of conduct which would be expected on the hypothesis that the action was purely rational.
>
> Only in this respect and for these reasons of methodological convenience is the method of sociology "rationalistic." It is naturally not legitimate to interpret this procedure as involving a rationalistic bias of sociology, but only as a methodological device. It certainly does not involve a belief in the actual predominance of rational elements in human life, for on the question of how far this predominance does or does not exist, nothing whatever has been said. [Weber (1922), vol. I, pp. 6-7]

When Weber speaks of ideal 'rational actions' he does not mean this in the overly-narrow sense that predominated the teaching of economics at the college level in the U.S. for many years. That overly-narrow sense attempted to confine the 'rational action' idea to a vague concept called "utility," loosely regarded as "the pleasure or satisfaction derived by an individual from being in a particular situation or from consuming goods or services" [Bannock, *et al*. (2003)]. Used in this way, 'utility' is a hopelessly vague term which is at best merely descriptive *ex post facto* and quite incapable of rendering any real causative explanation. It has been economics' version of the old chicken joke: "Why did the chicken cross the road? To get to the other side." In economics theory this joke runs, "Why did the consumer buy this product at this price? To maximize his utility." As a vague term, classical utility 'explains' everything, but that which explains everything explains nothing. One might as well say every business transactions is caused by the will of God.

Weber's 'rational actions' idea is used in a broad context of conventions of social norms and intelligible objectives:

> In all the sciences of human action, account must be taken of processes and phenomena which are devoid of subjective meaning, in the role of stimuli, results, favoring or hindering circumstances. To be devoid of meaning is not identical with being lifeless or non-human; every artifact, such as for example a machine, can be understood only in terms of the meaning which its production and use have had or were intended to have; a meaning which may derive from a relation to exceedingly various purposes. Without reference to this meaning such an object remains wholly unintelligible. That which is intelligible or understandable about it is thus its relation to human action in the role either of means or of end; a relation of which the actor or actors can be said to have been aware and to which their action has been oriented. Only in terms of such categories is it possible to 'understand' objects of this kind. On the other hand processes or conditions, whether they are animate or inanimate, human or non-human, are in the present sense devoid of meaning in so far as they cannot be related to an intended purpose. That is to say they are devoid of meaning if they cannot be related to action in the role of means and ends but constitute only the stimulus, the favoring or hindering circumstances. [Weber (1922), vol. 1, pg. 7]

A social norm, for example, often constitutes a "favoring or hindering circumstance." In such cases it is "devoid of *subjective* meaning" in the sense that its meaning is generally understood in the same way by multiple individuals, i.e., it is *objectively* understandable. For example, several years ago in the little city where my university is located a small group of women students decided to engage in a private commercial venture to make money by washing cars. What was unusual about this was their 'marketing gimmick'; they washed cars out in public view without

wearing any upper body clothing. Not too surprisingly, they did attract a lot of business from male students and non-students alike for reasons I suspect are quite obvious to you. From this viewpoint, this novel 'product differentiation' feature of their business was quite objective (it relied on predictable male human behavior without reliance on individual customer subjectivity) and so comes under Weber's idea of 'rational action'. On the other hand, their car washing business was hindered quite a bit by law enforcement because it violated a city statute concerning public nudity – another clearly objectified 'rational factor'. It was chased from one part of town to another as offended local residents reported it to the police department. It would be closed down in one location only to reopen in another. In the end, this business venture did not last more than a few weeks – a rationally understandable result.

All commercial and business actions are always and at the same time what Weber called social actions. All social actions, in turn, are empirically *oriented* actions. Weber tells us there are four broad types of empirical orientation:

> (1) *instrumentally rational* (*zweckrational*), that is, determined by expectations as to the behavior of objects in the environment and of other human beings; these expectations are used as "conditions" or "means" for the attainment of the actor's own rationally pursued and calculated ends;
>
> (2) *value-rational* (*wertrational*), that is, determined by a conscious belief in the value for its own sake of some ethical, aesthetic, religious, or other form of behavior, independently of its prospect of success;
>
> (3) *affectual* (especially emotional), that is, determined by the actor's specific affects and feeling states;
>
> (4) *traditional*, that is, determined by ingrained habituation. [*ibid*., pp. 24-25]

Weber's four empirical orientations do in fact find Critical grounding in human judgmentation. Specifically, each has a causative foundation in the phenomenon of mind related to the four heads of the ***synthesis in continuity*** between reflective judgment and *psyche* [Wells (2009), chap. 7]. The organization of the synthesis in continuity is illustrated in figure 9. The synthesis in continuity is the mental act by which an individual human being "makes sense" of Nature and synthesizes a union of his empirical "me" (as an object among objects in the world) with his empirical "not-me." The pairings between Weber's orientations and the functions of the synthesis in continuity are: objectivity ⇔ *zweckrational*; aesthetic Idea ⇔ affectual; judicial Idea ⇔ traditional; and Meaning ⇔ *wertrational*.

It would take us too far afield from the purpose of the present discussion to go into detail regarding these relationships between Weber's empirical orientations and the underlying Critical principles of the phenomenon of mind. For present purposes it is sufficient to say that Weber's empirical principles of the orientation of social actions are grounded in human nature and therefore his methodology has objective scientific validity. The relationships binding his empirical orientations to human nature bring out a specific Weber also mentioned; namely, that while any one social action can have a dominating orientation, it also can have other minor orientations part and parcel to a person's overall orientation. Critically, this is because all four titles of the synthesis in continuity are each involved in cycles of judgmentation generally. Thus an action might be dominantly oriented as a *zweckrational* orientation but, at the margins of empirical differences, final determination of the overall action orientation is 'fine-tuned' by contributions from the other empirical types of orientation.

In contrast, the methodologies that have developed within the present-day social science of economics inadequately comprehend human action orientations. The result is that quite often the models of economic man it uses have no more real significance than does the Jack of Spades.

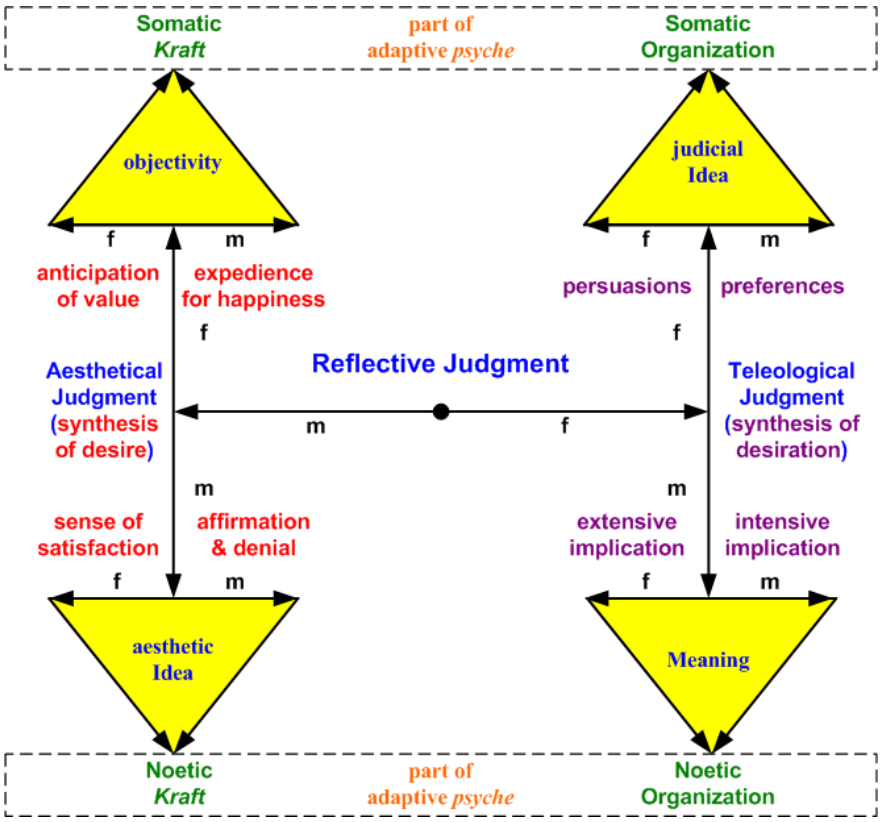

Figure 9: The four functions of the synthesis in continuity in the phenomenon of mind. See the glossary for the definitions of these functions (objectivity, aesthetic Idea, judicial Idea, and Meaning).

The reason all four of Weber's empirical orientations affect the person's overall orientation is because all four headings of the synthesis in continuity (figure 9) are involved in the acts of the motivational dynamic of judgmentation and reasoning. The motivational dynamic is the kinematical law of transformations effecting a *nexus* of acts of judgmentation and reasoning that constitutes the form of a human being's ability to be the agent of his own actions [Wells (2009), chap. 10]. This kinematical law connects a human being's acts of ratio-expression in speculative Reason, appetitive power in practical Reason, and motoregulatory expressions in *psyche* by which a person realizes his ability to act as a free agent capable of being the cause of his own actions. Figure 10 illustrates the 2LAR structure of the kinematical law of the motivational dynamic.

A person's orientations are established by equilibrating motivations which arise from multiple contexts pertaining to the person's personal society and within those of his mini-Communities where his interests are affected by his anticipations of possible action-outcomes. Although it is commonplace to talk of "a person's motivation" in the singular, Critical motivations are multi-faceted transformations, according to Self-regulating laws of compliance for judgmentation, in how a person uses particular concepts re-introduced into the synthesis of apprehension (figure 7) during judgmentation and reasoning [Wells (2009), chap. 10, Wells (2016)].

I think you can appreciate that the scope of these methodological ideas and the orientations of human entrepreneurial actions is quite vast. For this reason, I do not try to present some grand and necessarily abstract summation of the implications of these ideas here. Rather, this treatise will take up discussions of them on a case by case basis as specific applications of them arise in the body of this treatise. The point I wish to make here is that these considerations have primary pertinence for the methodological question raised earlier. Weber's orientations will continue to come up time and again later.

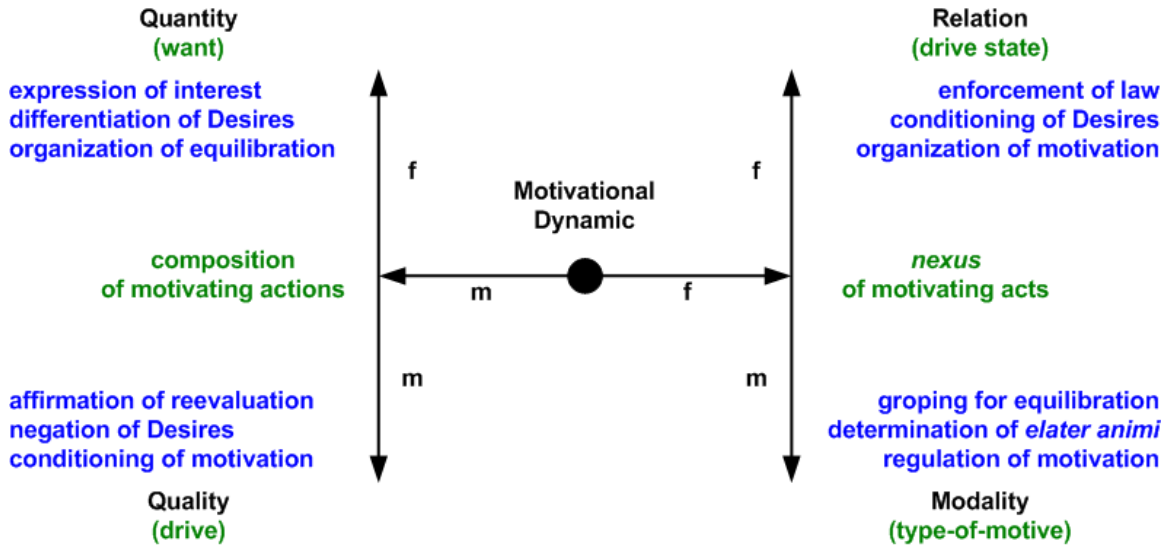

Figure 10: 2LAR structure of the motivational dynamic of judgmentation and reasoning.

§ 5. The Entrepreneur's Welfare Interests

Repeating what I said earlier, an interest is an anticipation of a satisfaction or dissatisfaction combined with a representation of the *Existenz* of some object of desire. Commercial interests, like other empirical special interests, are developed by the individual and are the products of his personal experiences. In the case of an entrepreneur's commercial interests, these interests derive from more fundamental interests. While some of them may be the products of a deliberate if informal education the individual is provided with while young, the most important ones grow out of a person's interest in his own welfare.

The Critical *Realerklärung* of this term is that ***welfare*** is *the state of being or doing well in life*. Welfare thus has a connection to the person's judgments of happiness and unhappiness. The condition of being or doing well, however, can only be negatively judged in terms of the diminution and negation of the feeling of *Unlust* because there is no real notion of a highest state of wellness (that notion being an infinite notion). This negative character of the judgment of welfare ties welfare interest foundations to the moral dimension of practical judgment discussed earlier. Avoidance of hunger, danger, etc. are welfare interests observable in young children and long precede the development of more refined interests such as the interest in taking up a specific occupation. However, as the child grows into adulthood and discovers other gratifications and satisfactions, welfare interests which reflect the aesthetic dimension of reflective judgment are also developed. Hence, a person's welfare interests develop over time as mixed interests involving both of these dimensions. Commercial interests generally exhibit in this mixed form. Indeed, except in cases of extreme poverty most of a person's commercial interests arise from combinations of maxims reflecting both the aesthetical and moral dimensions. Here Santayana's remarks, i.e. that the moment the entrepreneur and his personal society "emerges from the early pressure of the environment and is tolerably secure against primary evils, morality grows lax" and that "the forms that life will farther assume are not . . . imposed by moral authority, but are determined by . . . the opportunities of the moment, and the tastes and resources of individual minds," are quite pertinent.

Each person makes his own judgments of his personal welfare and that of his personal society. Although there are issues and even self contradictions within Mill's theory of interests, he was correct to say,

> When we talk of the interest of a body of men, or even of an individual man, as a principle determining their actions, the question what would be considered their interest by an unprejudiced observer is one of the least important parts of the whole matter. As Coleridge observes, the man makes the motive, not the motive the man. What it is the man's interest to do or refrain from depends less on any outward circumstances than upon what sort of man he is. If you wish to know what is practically a man's interest, you must know the cast of his habitual feelings and thoughts. . . . Everybody has selfish and unselfish interests, and a selfish man has cultivated the habit of caring for the former and not caring for the latter. Everyone has present and distant interests, and the improvident man is he who cares for the present interests and does not care for the distant. [Mill (1861), pg. 71]

Interests of entrepreneurial enterprise have the peculiarity that an object of desire is valued (or disvalued) on grounds of the entrepreneur's self-made commitments to Obligations to himself, to others in his *personal* society, and to his self-made principles of obligation to abstract ideals (e.g., patriotism, religious duties, honor, and other such ideals). In an Aristotelian context, commercial entrepreneurial activities in and of themselves are means to these sorts of ends and are not ends-in-themselves:

> Every art and every inquiry, and similarly every action and choice, is thought to aim at some good; and for this reason the Good has rightly been declared to be That at which all things aim. But a certain difference is found among ends; some are activities, others are products apart from the activities that produce them. Where there are ends apart from the actions, it is the nature of the products to be superior in value to the activities. Now, as there are many actions, arts, and sciences, their ends are also many . . . But where such arts fall under a single capacity . . . in all of these the ends of the master arts are to be preferred to all the subordinate ends; for it is for the sake of the former that the latter are pursued. [Aristotle (date unknown), 1094^{a}1-15]

This is not to say an entrepreneur cannot enjoy his work and find satisfaction in the doing of it. Hobbies are activities of this sort. But *commercial* interests are introduced into the activity for reasons other than or in addition to hobbyist or craftsmanship enjoyment.

This does not mean that the *original* commercial interest always *remains* the entrepreneur's motivating factor for his commercial activities. In time his activity might become habitual for him and be sustained to serve a different interest. A not-infrequent example is an interest of emulation which he has made a maxim of Duty-to-Self in consideration of his person. If you often find satisfaction in telling yourself, "I am a pillar of the business community," I would say you are doing what you do primarily out of such an interest. You might want to ask yourself if this is really true or merely a maxim of self-love. Another example occurs when an interest is tied to some tenet of self-respect; a not-uncommon one is self-reported as "a need to feel useful." [7]

Entrepreneurial commercial interests are derivative interests because if it were possible for a person to satisfy his welfare interests without engaging in commercial activities, he would do so. The leisure he gains from being free of commercial activities would then be his to spend pursuing satisfaction of his other interests. It is quite wrong to regard this as "laziness" or to impute some vice to it. If a Society would undertake to provide for its citizens some sort of social "safety net" – which in fact is a Duty of governance in a Republic (because of the general terms and conditions

[7] Most of us are familiar with the concept of a 'workaholic', i.e., a person who seems to work just for the sake of working. Such a person is one who has made it his habitual maxim to do what he does as if his work was an end-in-itself. However, what he has really done is establish a tenet in his manifold of rules by which the activity has been subordinated to an obligation-to-himself. Most of us tend to regard this as a case of what Santayana called 'fanaticism': "Fanaticism consists in redoubling your effort when you have forgotten your aim" [Santayana (1905), pg. 13]. Many businessmen fall into this somewhat autistic habit.

of social contracts) and is explicitly stated in the U.S. Constitution as the objective "to promote the general welfare" – then it is necessary to success for that undertaking to include this facet of human judgment in its planning. Otherwise such a program can hardly avoid perpetrating injustices on some of its citizens; justice in a Society is never attained by perpetrating injustices. Polanyi provides an illustration of this sort of well intended but shortsighted system of social welfare in the case of Great Britain's Speenhamland Law of 1795:

> In England both land and money were mobilized before labor was. The latter was prevented from forming a national market by strict legal restrictions on its physical mobility since the laborer was practically bound to his parish. The Act of Settlement of 1662, which laid down the rules of so-called parish serfdom, was loosened only in 1795. This step would have made possible the setting up of a national labor market had not in the very same year the Speenhamland Law or "allowance system" been introduced. The tendency of this law was the opposite; namely, toward a powerful reinforcement of the paternalistic system of labor organization inherited from the Tudors and Stuarts. The justices of Berkshire, meeting at the Pelican Inn in Speenhamland, near Newbury, on May 6, 1795, in a time of great distress, decided that subsidies in aid of wages should be granted in accordance with a scale based on the price of bread so that a minimum income should be assured to the poor *irrespective of their earnings*. . . .
>
> Allegedly, Speenhamland meant that the Poor Law was to be administered liberally – actually it was turned into the opposite of its original intent. Under Elizabethan Law the poor were forced to work at whatever wages they could get and only those who could obtain no work were entitled to relief; relief in *aid of wages* was neither intended nor given. Under the Speenhamland Law a man was relieved even if he was in employment as long as his wages amounted to less than the family income granted to him by the scale. Hence no laborer had any financial interest in satisfying his employer, his income being the same whatever wages he earned; this was different only in case standard wages, i.e., wages actually paid, exceeded the scale, an occurrence which was not the rule in the countryside since the employer could obtain labor at almost any wages; however little he paid, the subsidy from the rates brought the workers' income up to scale. Within a few years the productivity of labor began to sink to that of the pauper level, thus providing an added reason for employers not to raise wages above the scale. . . .
>
> No measure was ever more universally popular. Parents were free of the care of their children, and children were no more dependant upon parents; employers could reduce wages at will and laborers were safe from hunger whether they were busy or slack; humanitarians applauded the measure as an act of mercy even though not of justice, and the selfish gladly consoled themselves with the thought that though it was merciful at least it was not liberal; and even ratepayers were slow to realize what would happen to the rates under a system that proclaimed the "right to live" whether a man earned wages or not.
>
> In the long run the result was ghastly. Although it took some time till the self-respect of the common man sank to the low point where he preferred poor relief to wages, his wages which were subsidized from public funds were bound eventually to be bottomless, and to force him upon the rates. Little by little the people of the countryside were pauperized; the adage "once on the rates, always on the rates" was a true saying. But for the protracted effects of the allowance system, it would be impossible to explain the human and social degradation of early capitalism. [Polanyi (1944), pp. 81-84]

Historical organized efforts to end, or at least relieve, poverty – from the Speenhamland Law to the War on Poverty efforts of the Great Society Program in the 1960s – have floundered time and again through inadequate understanding of their predictable effects on a Society's economy and on what Weber termed 'social relationships' [Weber (1922), pp. 26-28]. What is historically overlooked by the planners of such programs is the reciprocal nature of mutual Duties under all social contracts, *viz.*, that the individual citizen's right to call for the assistance of his fellow citizens is

tied to the right of the Community to call upon each member to contribute to its overall Welfare. A program which neglects *either* of these perpetrates an injustice that inevitably causes even the most well-intentioned program of safety nets to fail – just as happened in the Speenhamland Law and in the Great Society program[8] – by creating conflicts of welfare interests among the citizens.

In a Society economically characterized by an extensive division of labor, individuals' ability to satisfy their welfare interests is dependent upon their ability to obtain consumption revenue income. Division of labor necessitates that people engage in some commercial enterprise because unless individuals do so they cannot satisfy all of the consumption requirements necessary to achieve personal welfare and fulfill their Obligations to others in their personal societies who are dependent upon their enterprises for welfare satisfaction. The most common example of the latter is the family situation wherein one or more members of the family depend on a "bread winner" whose enterprise secures their requirements for consumption revenue. There are other examples as well and, as Weber pointed out [Weber (1922), vol. I, pg. 358], understanding commercial entrepreneurial interests cannot be made to solely depend on the concept of a 'household'. In general, the more tightly the entrepreneur is socially bound to others in his personal society, the higher his practical obligations relating to his commercial interests are placed in his manifold of rules. Maxims of obligation which stand as practical imperatives in his manifold comprise his highest *moral* obligations in regard to his commercial enterprise. This is one reason why labor disputes have historically tended towards violence the longer the dispute lasts. Smith wrote,

> We rarely hear, it has been said, of the combination of masters, though frequently of those of the workmen. But whoever imagines upon this account that masters rarely combine is as ignorant of the world as of the subject. Masters are always and everywhere in a sort of tacit but constant and uniform combination not to raise the wages of labor above their actual rate. . . . Such combinations, however, are frequently resisted by a contrary defensive combination of the workmen . . . But whether [workmen's] combinations be offensive or defensive, they are always abundantly heard of. In order to bring the point to a speedy decision, they have always recourse to the loudest clamor, and sometimes to the most shocking violence and outrage. They are desperate, and act with the folly and extravagance of desperate men, who must either starve or frighten their masters into an immediate compliance with their demands. The masters upon these occasions are just as clamorous as the other side, and never cease to call aloud for the assistance of the civil magistrate and the rigorous execution of those laws which have been enacted with so much severity against the combinations of servants, laborers, and journeymen. [Smith (1776), pg. 59]

In an industrialized Society, the entrepreneur's welfare Obligations to himself and to others in his personal society tend to crystallize into expressions of social relationships oriented by Weber's four principal social action orientations. Weber defines a *social relationship* as *the behavior of a plurality of actors insofar as, in its meaningful content, the action of each takes account of that of the others and is oriented in these terms* [Weber (1922), vol. I, pg. 26]. Commercial interests are those which are satisfied through commercial social relationships. The primary purpose of engaging in commerce is to obtain a consumption revenue income in service of the entrepreneur's divers welfare interests, and there are three general ways of to satisfy this purpose:

1. by selling one's services as a wage-laborer;
2. by investment of capital to produce an income;
3. by a combination of both; typically a part of the wage income is directed into a

[8] It is argued that the Great Society program significantly reduced the number of U.S. citizens living below the poverty line, and this is true. But does the 'poverty line' *really* measure 'poverty'? This is very doubtful.

stock of capital for subsequent investment.

For the great majority of young people just starting their independency, wage-labor is usually the only available means of obtaining capital to invest, which is a necessary prerequisite to engaging in capitalist enterprise. Developing a welfare interest in this, as well as the skill to engage in it, is part of what I have elsewhere called ***capital skill*** education. In the United States, capital skill is entirely neglected by the U.S. institution of public instructional education. Consequently, capital skill attainment is abandoned to the contingencies of whatever informal education individuals happen to receive through accidents of circumstance. It is one of the great moral faults found in the U.S. institution of public education.

Considerations of entrepreneurial welfare interests and of what Weber called the *Geltung* of socio-political order in a Society [Weber (1922), vol. I, pp. 31-36] are found at the roots of social traditions, mores, and folkways that determine if commercial social relationships will advance or hinder civic free enterprise vs. promoting and perpetuating uncivic free enterprise. By "order" Weber means rules, maxims, conventions, or laws intended to govern social actions. The *Geltung* of an order is its effectiveness in orienting and partially determining the social actions of people insofar as the actors hold the order to be binding or as exemplary for themselves. Earlier in this treatise, I raised the question of when "government" or "societal" regulations constitute "interference" with free enterprise. A practical and just answer to this question cannot ignore welfare interests of individual entrepreneurs and the orientations of social actions by which commercial entrepreneurs seek to satisfy these interests. This consideration leads us to the topic of the next chapter.

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