

Toward a Sustainable Wellbeing Economy

*How behavioral economics has presented
some serious policy questions regarding
charting a path to a sustainable and
desirable future*

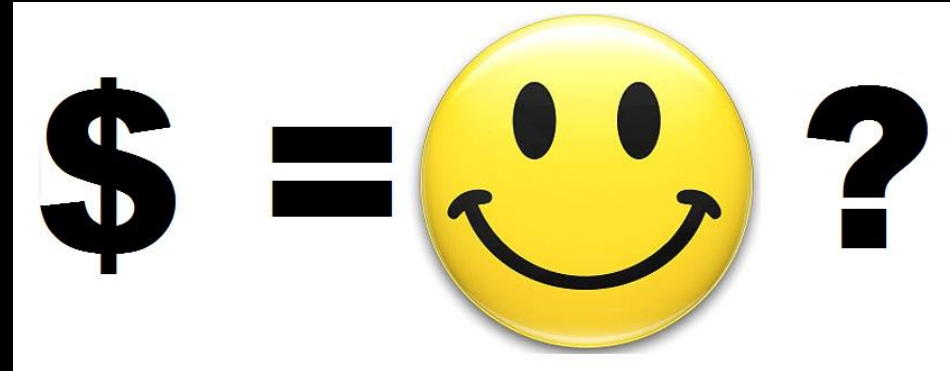
*Economists agree that all the world lacks is,
A suitable system of effluent taxes,
They forget that if people pollute with impunity,
This must be a sign of lack of community.*

Kenneth Boulding, "New Goals for Society"

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Ethics & Ecological Economics Forum
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Outline of Topics

- 1) Myths we want to believe
- 1) & the facts we don't
- 2) Homo Economicus
- 3) Consumption and Well-Being
- 4) Consumption -> Happiness?
- 5) The Sources of Happiness
- 6) Rationality
- 7) Self-Interest
- 8) Experimental Evidence
- 9) Money and Cooperative Behavior



I love the Yogi Berra quotes:

We may be lost but we're making great time.

If you don't know where you're going you'll end up someplace else.

The only thing we learn from history is that we don't

Learn a damn thing from history.

Adam Frank's Op-Ed Piece



Magical Thinking in A Reality Based World

“.... Short of a scientific miracle of the kind that has never occurred, our future history for millennia will be played out on Earth and in the “near space” environment of the other seven planets, their moons and the asteroids in between. *For all our flights of imagination, we have yet to absorb this reality.* Like it or not, we are probably trapped in our solar system for a long, long time. We had better start coming to terms with what that means for the human future.

....

In a kind of cosmic version of Manifest Destiny we assume that, unless something terrible happens, our science will be taking us to the stars sometime in the next few hundred years.”

The Myths we *want* to believe

Reader comments posted to this editorial suggested two:

A) The Myth of Human Progress

or

B) The Myth of the Coming Apocalypse



The Facts we *don't want* to believe

- 1) Human Population cannot grow forever.
- 2) Fossil Fuels are Finite.
- 3) Carrying Capacity is real.
- 4) Environmental Degradation is real.
- 5) Climate Change is real.

6) Failure is an option.



The Most Dangerous Myth?

**How many
Ecologists / Economists / Psychologists
does it
take to screw
in a lightbulb?**



Conventional ECONOMIC Theory

Core Beliefs about human behavior:

Homo economicus

- 1) Insatiability
- 2) Perfect Rationality
- 3) Perfect Information



It has been said that man is a rational animal.
All my life I have been searching for evidence
which could support this.

(Bertrand Russell)

izquotes.com

Broader Economic Behavior is simply the aggregation of decisions by rational self-interested individuals. And, an invisible hand guides these individual decisions so that we unwittingly serve the broader societal good without intending to do so and simply serving our own individual interests. Greed is good.

Psychologists like Daniel Kahneman are winning Nobel Prizes for pointing out how these flawed assumptions of economics undermine the entire theoretical framework of the discipline of economics.

Conventional ECOLOGIC Theory

*Adam Smith, Thomas Robert Malthus, and Charles Darwin –
An evolution of thought*

Ecological economics has inherited from both of its parents (Ecology and Economics) the idea that individual selfishness and competitive struggle lead to the greater collective good. A teleological version of evolution?

From Darwin's idea of natural selection we get the idea that the best adapted individuals in the face of competition for limited resources in the face of Malthusian pressure comes the idea of 'survival of the fittest'.

Competition is a fact. The idea that competition necessarily produces optimal outcomes is not a fact. Accepting this as a fact is very Calvinistic. Other traditions in both economics and ecology contradict the assumptions regarding the benefits of selfishness.

Despite the fact that Adam Smith predated Charles Darwin – capitalism is often justified with statements along the lines of 'It's just Social Darwinism'

Does it have to be this way?

Consumption and Well-Being

*The Science of 'Happiness' is growing fast.
Is 'happiness' a reasonable economic goal?
Hunter gatherers did not accumulate stuff.*

Easterlin Paradox

*Within country – Richer are happier
Between countries – Richer not happier*

Dan Gilbert (TED talk – 'The surprising science of happiness.' (20 minutes))

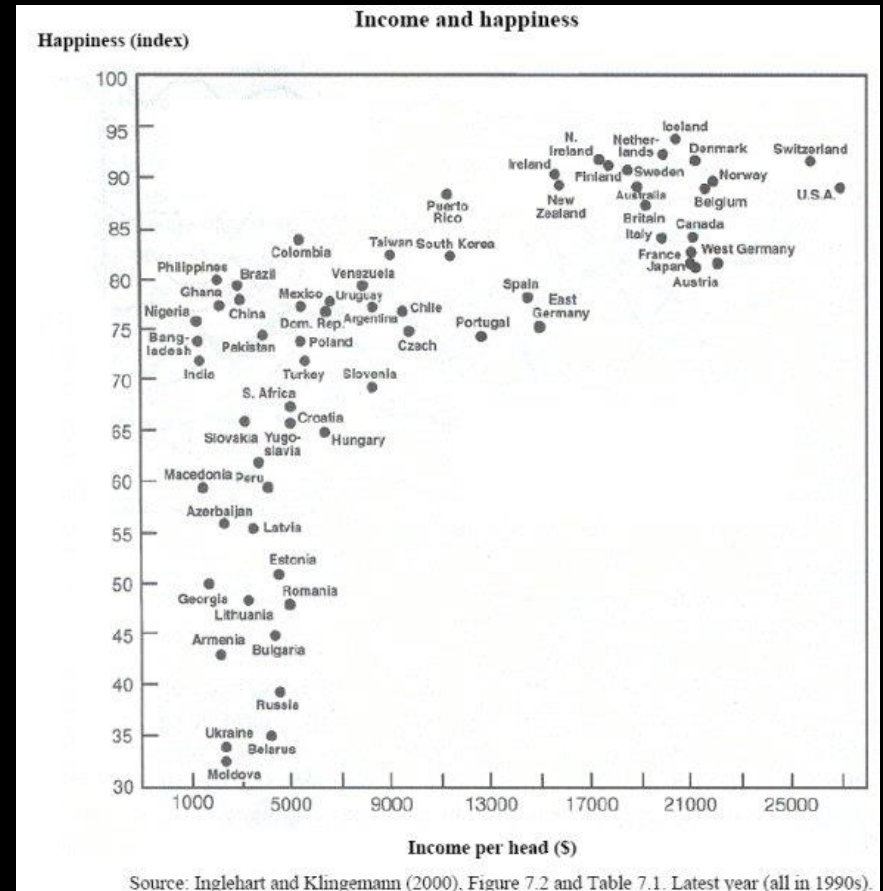
http://www.ted.com/talks/dan_gilbert_asks_why_are_we_happy

Paradox of Choice (20 min)

https://www.ted.com/talks/barry_schwartz_on_the_paradox_of_choice

Nic Sparcs (Happy Planet Index) (17 min)

http://www.ted.com/talks/nic_marks_the_happy_planet_index



Over time: As countries experience higher and higher levels of GDP per capita they do NOT experience higher levels of happiness or 'life satisfaction'.

If income and choice are NOT what makes us happy, then what does?

Mental and Physical Health

Satisfying and Secure Work

A secure and loving private life

Strong Social Networks

Freedom

Moral Values

Procedural Utility
(Experiences vs. Things)

Identity Selection



Self Interest

Both Non-Rational and Selfish Behavior can undermine human well-being, particularly with respect to common pool resources and provision of Public Goods

The ultimatum game is an economics game thing! Two anonymous strangers have to decide how to divide a sum of money between themselves.



Player one proposes a non-zero split, and Player Two can either accept or reject it!



If Two accepts, they both take their money and go their separate ways. But if Two rejects, NOBODY gets any money. And the game is played only once, so there's no worry about reprisals.



So what's the problem? Player Two should accept all the time - some money is better than none, right?

That's what's so interesting! When there's really unfair offers (90/10, 99/1), some players reject them anyway.



Maybe they'd rather have their pride than a few dollars!

Exactly!



I suppose it shows that people aren't motivated ENTIRELY by greed, even in situations involving money and a stranger you'll never see again.



Exactly, and that's something! We're not ALL motivated by greed.

Some of us are ALSO motivated by pride.



"VICTORIES WHERE WE CAN TAKE THEM"



The Role of Money & Incentives in Cooperative Behavior

Why do we return wallets?

Why do we recycle aluminum cans?

Why do we volunteer for Planned Parenthood?



Intrinsic vs. Extrinsic Motivations -

The Israeli Day Care Story

Pay for Performance?

Does not work with IQ tests.

Is the term “Paid Volunteer” an oxymoron?

Paid Volunteers often do sloppy work.



“These findings raise serious questions about the role of market mechanisms in addressing so-called market failures. For example, if we want to reduce pollution, effluent taxes might not only prove less effective than promoting community ties but could also lead to increased pollution where community ties are already strong.”

The Spectrum of Human Behavior



Vervet monkeys are highly cooperative but they will attack an individual who acts selfishly.

Humans are highly heterogeneous.

20-30% homo economicus
(selfish)

50% homo reciprocans
(conditional cooperators)

20-30% homo communicus
(very prosocial)

Prosocial behavior

"voluntary behavior intended to benefit another", is a social behavior that "benefits other people or society as a whole, such as helping, sharing, donating, co-operating, and volunteering."

These actions may be motivated by empathy and by concern about the welfare and rights of others, as well as for egoistic or practical concerns.

Evidence suggests that prosociality is central to the well-being of social groups across a range of scales. Empathy is a strong motive in eliciting prosocial behavior, and has deep evolutionary roots.

http://en.wikipedia.org/wiki/Prosocial_behavior

Twin Studies suggest that only 10-20% of Prosocial behavior is genetic in origin.

Oxytocin

**A neurotransmitter and hormone that
Is found in many species including
Fish and humans with many functions.**

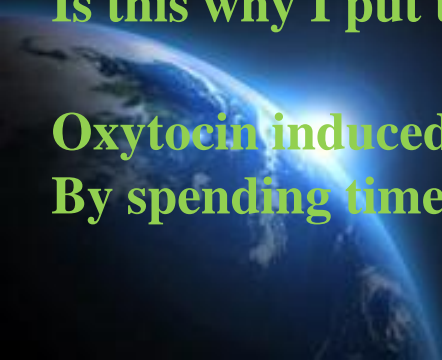
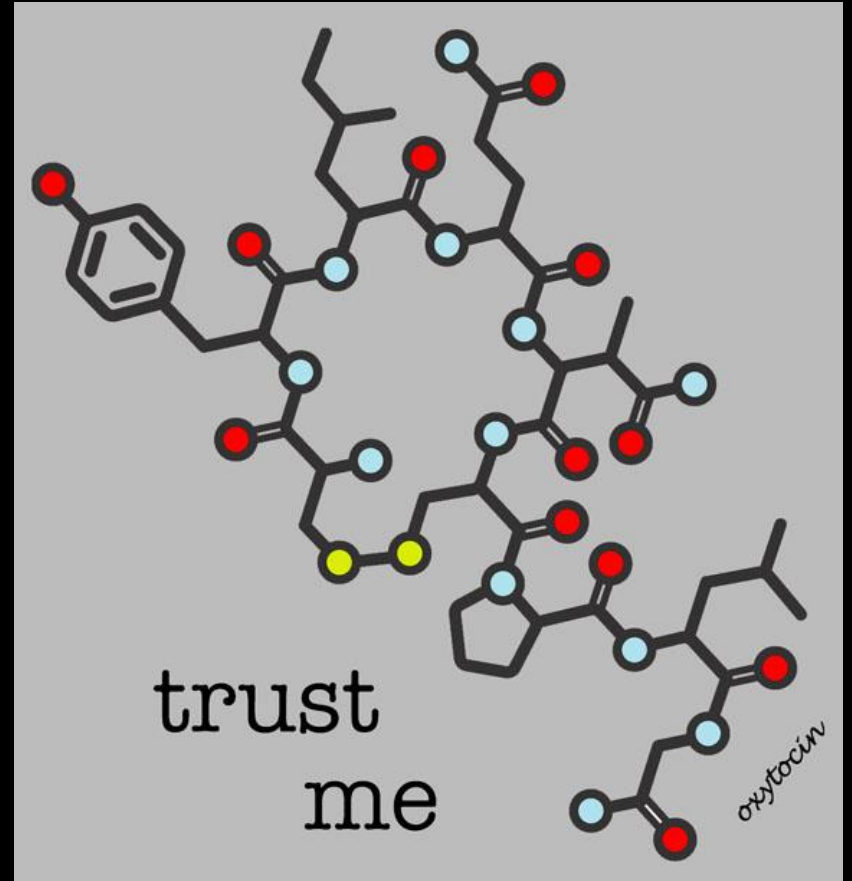
Induces labor in pregnant mammals.

Generated in body by sexual stimulation.

**Involved in pair bonding between
Mother and child, sexual partners, and
Even friends and community.**

Is this why I put up with my 18 yr. old?

Oxytocin induced by breast feeding and By spending time with your dog.



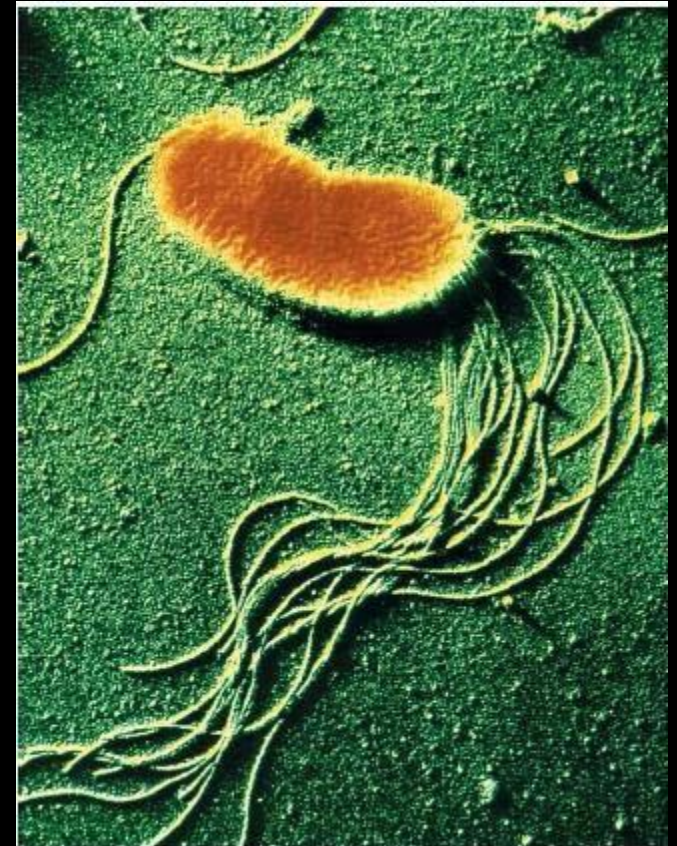
The Evolution of Cooperation

Pseudomonas fluorescens bacteria and the “Wrinkly Spreader” mutation. Cooperation allows the group to thrive but defectors do not produce the Sustaining film and free-ride on those that do.

Two distinct types of evolutionary pressure, at the individual and group level. The basic rule is that :

Selfishness beats altruism within single groups but altruistic groups beat selfish groups.

D. Wilson and E. Wilson, *Rethinking the Theoretical Foundations of Sociobiology*
Quarterly review of Biology 82:327-348
(2007)



Some Take Away Points?

Historically, cultures with economic systems that require cooperation have developed low-cost mechanisms for punishing defectors, which can increase the returns to cooperation and induce even self-interested individuals to cooperate. In small hunter-gatherer societies, institutions for inducing cooperation may be as simple as the widespread practice of ostracizing those who refuse to share food or who simply eat alone, while in more complex societies, inducements might range from imprisonment to restrictions on marriage and childbearing.

Free market economies obviously stress competition and self-interest. Rather than ostracizing those who take the most for themselves, modern society tends to idolize them. For rival and excludable resources with minimal externalities in production and consumption and mutual gains to voluntary exchange, pursuit of self-interest may lead to adequate outcomes. However, if the most important resources are common pool or public in nature, then sustainable, just, and efficient allocation may require cooperation.

Pg 254 of Daly and Farley Text

Does our Economy need some street lights? Mutually agreed upon mutually coerced.

Some Great Behavioral Economics

1) Playing a rigged game: The Monopoly Experiment

2) \$100 worth of happiness? – for me or for you?

3) The Dollar Auction - The setup involves an auctioneer who volunteers to auction off a dollar bill with the following rule: the bill goes to the winner; however, the second-highest bidder also loses the amount that they bid. The winner can get a dollar for a mere 5 cents, but only if no one else enters into the bidding war. The second-highest bidder is the biggest loser by paying the top amount they bid without getting anything back.

The dollar auction is a non-zero sum sequential game designed by economist Martin Shubik illustrate a paradox brought about by traditional rational choice theory in which players with perfect information in the game are compelled to make an ultimately irrational decision based completely on a sequence of apparently rational choices made throughout the game.

4) The Prisoner's Dilemma



Anand Giridharadas (Aspen Intitute Talk): The thriving world, The Wilting World, & YOU.

Video link:

<https://youtu.be/IP7HajXJD3s>

Kate Raworth – Doughnut Economics

Why it's time for 'Doughnut Economics' | Kate Raworth | TEDxAthens
: <https://www.youtube.com/watch?v=1BHOfIzxPjI&feature=youtu.be>

More links

- <https://www.kateraworth.com/doughnut/>
- **April 10th , 2018 youtube:**
<https://www.youtube.com/watch?v=Xb32ULh85Q&feature=youtu.be>
- **April 12th, Barcelona**
<https://www.youtube.com/watch?v=Xb32ULh85Q&feature=youtu.be>



<http://www.wellbeingeconomy.org/>

The Problem & Vision of WE-ALL

The current economic system has become addicted to GDP growth at all costs and has lost sight of the larger goal of sustainable wellbeing. It needs to be fundamentally transformed into a wellbeing economy which is aimed at achieving sustainable wellbeing, not merely growth of GDP, with dignity and fairness, for humans and the rest of nature. A wellbeing economy recognizes that the economy is embedded in society and the rest of nature and that true freedom and success depend on creating a world where we all prosper and flourish. Institutions serve humanity best when they foster our individual dignity while enhancing our interconnectedness. To thrive, all institutions (including businesses) and society must pivot toward a new purpose: shared wellbeing on a healthy planet. To achieve a wellbeing economy, a major transformation of our world view, society and economy is needed. This is what the Wellbeing Economies Alliance (WEAll) seeks to bring about.

<https://www.thesolutionsjournal.com/article/toward-sustainable-wellbeing-economy/>

What do we need to do to create a WE-All Economy?

- 1. Stay within planetary biophysical boundaries – a sustainable size of the economy within our ecological life support system.**
- 2. Meet all fundamental human needs, including food, shelter, dignity, respect, education, health, security, voice, and purpose, among others.**
- 3. Create and maintain a fair distribution of resources, income, and wealth – within and between nations, current and future generations of humans and other species.**
- 4. Have an efficient allocation of resources, including common natural and social capital assets, to allow inclusive prosperity, human development and flourishing. A wellbeing economy recognizes that happiness, meaning, and thriving depend on far more than material consumption.**
- 5. Create governance systems that are fair, responsive, just and accountable.**

Some Discussion Questions...

- 1) The ethical premise that every human being is entitled to an equivalent share of the earth's resources?
- 2) How much for non-human species?
- 3) A non-violent glide path to sustainability?
- 4) Kate Raworth's Doughnut?
- 5) A Genuine Progress Indicator for Colorado?
- 6) A Wellbeing Economy Alliance (WE-ALL)?
- 7) How do we effect change?

(collapse of Western Civilization book reference here)

