

Enough: Toward a Sustainable Economics by Fred Phillips

We are no longer surprised that so many people bow down to the Invisible Hand of economics, worshipping its messenger coins and notes, and attending its oracles, the Wall Street analysts. Adam Smith, the 18th-century originator of the invisible hand metaphor, took pains to affirm its workings should be tempered by moral considerations and should not be interpreted as the will of God. Those emphases have been lost.

People who interpret the metaphor in supernatural terms, despite hearing that “You can’t take it with you,” thus appear to believe they *can* take it with them – amassing more wealth than they could spend in 30 lifetimes, yet failing to do any good with it in the here and now.

Smith’s work created classical economics. It held that efficient distribution of goods to those who want and can afford them leads to maximum profit for the intermediaries. The principle persisted in neoclassical economics. It was named, by none other than Karl Marx, “capitalism.”

Until recently, it worked well, despite its role as a secular religion. Certainly better than economies that were run by live, visible human central planners. But now that the climate crisis is upon us, it’s evident that laissez-faire economics, with its emphasis on “maximizing,” has led to use and waste of resources far exceeding the necessary.

It is time to take a fresh look at lesser-known ideas of capitalist economics.

In the 1940s, (later, Nobel Laureate) Herbert Simon introduced the notion of “satisficing” as an alternative to maximizing. In essence, it emphasized “enough” rather than “the most.” My own mentors, Abraham Charnes and W.W. “Bill” Cooper, both colleagues of Simon at Carnegie Tech (now CMU), put Simon’s idea into mathematics with their “goal programming.” The math of operations research and economics, previously oriented only to maximizing profit or minimizing cost, could now handle considerations of “enough.”

Simon’s was a seminal work of what’s now known as behavioral economics, though “satisficing” does not seem to play a prominent role in the new discipline. Unlike Adam Smith, Herb Simon did not back his idea with moral arguments, instead advocating satisficing for occasions when available information or computing capacity made maximizing impractical.

I go on record here emphasizing the ethical argument for embracing satisficing.

In the journal *Green and Low-Carbon Economy*, I wrote that we need an economics

- focused not on efficiency (equilibrium) but on flexibility and perpetual disequilibria;
- an economics that penalizes – rather than rewards – the creation of negative environmental and social externalities;
- an economics in which incumbent industries will not attempt to quash newer and greener technologies;
- and an economics that encourages enterprises to think long-term, rather than obsess about quarterly earnings.

The Earth can provide *enough*, especially with advancing technology, to feed, clothe, house, and warm every human on the planet. Of course we need machines that yield, for example, maximum thermal efficiency. And we cannot use satisficing as a mask for slacking off,

as in “good enough for government work.” We must carefully consider when to maximize and when to satisfice, if we are to stave off climate Armageddon.

Bill Cooper was fond of this bit of doggerel attributed to Kenneth Boulding:

“The upshot is, we cannot tailor
Policy by a single scalar,
Unless we know the priceless price
Of Honor, Justice, Pride and Vice.
This means a crisis is arising
For simple-minded maximizing.”

<https://www.linkedin.com/pulse/enough-toward-sustainable-economics-fred-phillips>

<https://en.wikipedia.org/wiki/Satisficing>

Simon, Herbert A. (1947). Administrative Behavior: a Study of Decision-Making Processes in Administrative Organization (1st ed.). New York: Macmillan. OCLC 356505.