

## **CHAPTER 5: THE PARADOX RESOLVED: TAKING ECONOMICS BEYOND SCARCITY**

In the previous chapter, I delved into the fundamental assumption of scarcity that has shaped the field of economics and, through it, much of our daily experience. Fundamental assumptions are the deep foundation for all agreements. Like the foundation of a building, these assumptions are often not visible. Yet the viability of the building depends on the stability and strength of this foundation. When it is a solid foundation, we do not even think about it. When the foundation is cracked, however, there are major consequences.

I contend that the foundation of the agreements we are now living with is cracked. Although it served humanity well in the last great strides we collectively made, it can no longer support the edifice we have constructed on top of it. We need to rebuild the foundation on different assumptions in order to meet the needs of people going forward. While we usually leave such questions of fundamental assumptions to philosophers, theologians, and academics, we can no longer do this. To live more abundantly, we need to change how we work together and exchange value. To work differently together, we need to change the group's agreements. To change the agreements, we need to be able to work at the foundational level.

Of course, it is easy to say and exciting to think that we can start from an assumption of abundance and pursue the grounded-potential path to achieve it, but what does that look like in practice? How is it possible, really, to resolve the economic paradox? How can you choose agreements in five primary relationships at three levels of perceived reality? How can you even begin the work of changing the agreements already in place?

I suggest working with a framework based on the four big questions of economics. As I have tried to show, these basic questions and the economic thought derived from them thoroughly pervade the agreements we currently live with, so we need to meet them head-on. By continuing to work with them, we can also hope to build on all that has been learned so far in the study of economics.

### **FOUR QUESTIONS, MANY FIELDS OF STUDY**

To use the economic questions in the way I propose, we need to bring together streams of thought that have been flowing quite separately for a long time. Economists know these streams as resources, allocation mechanism, value and organization. As I indicated in Chapter 4 (Figure 11), these are currently completely different fields of inquiry, each with its own research agenda, pursued in different departments of academic institutions by different researchers using different methods and different criteria for validating what they find in their experiments, as well as different language to describe the phenomena they observe. In economics textbooks, these findings are presented in separate chapters, chapters that are not integrated.

A brief tour will give you a sense of this separation. For example, resource economics is mainly the preserve of accountants and engineers, who focus on minimizing the costs of the resources that are inputs to the economic system. They pursue questions like whether to make or buy the resources and how to identify those resources that define a group's core competences; that is, what they are especially good at doing. Historians and political scientists tend to concern themselves with comparative economics. They study the history and politics related to different allocation mechanisms, disentangling the impacts of interwoven economic and political factors on the higher goal of the system, such as individual freedom or equality.

Financiers and mathematicians, pursuing the value question in financial and monetary economics, attempt to define the equilibrium point of supply and demand that determines the price of exchange. Economic philosophers also explore the value question in a quest to determine the criteria for human wellbeing, focusing on growth and maximizing the value generated.

In organization economics, we find specialists in industrial organization, labor and business. For these fields, the goal is to find optimal organizational forms, as well as incentives for the individuals working within these forms, to maximize organizational efficiency, effectiveness and innovation while minimizing risk.

Everyone working within these different aspects of economics knows, in theory, that the pieces are part of a system. As in many systems, however, they do not have the system map to show how the pieces are related. Most often, the textbooks provide a linear model such as the one in Figure 11 in Chapter 4, which might depict the flow of money in an economy or provide the basis for a value-chain analysis of how a firm delivers a particular product or service to market. Beyond this, the relationships that actually define the system are de-emphasized to the point that people forget they are there. When you delve deeper into the issues each discipline is pursuing, it is even more difficult to see how the pieces are part of a larger whole.

For example, as a student of economics, I learned all about contracting theory, but had no idea it could be viewed as a subset of theories of pricing, supply-and-demand and, ultimately, value. I had also studied organizational theories about performance reviews, organizational forms such as non-profits, for-profits, and governmental agencies, and group practices such as competition, cooperation, co-opetition, and collaboration. I did not see that they all fit together within the organization question of how the primary relationships interact. And, I never saw that the way the factors of production—land, labor, and capital—are defined greatly influences who receives most of the value generated.

### **How the state of economics affects the agreements in our daily life**

What I offered in the previous section was a brief, very high-level overview of the current state of economics, emphasizing the fact that separate disciplines have formed around each of the four big questions, each discipline with a sophisticated line of inquiry and highly specialized methods and language. This separation and specialization has added greatly to the understanding of the issues embedded in the four questions, and it has made it very

difficult to see any connections among the four areas of inquiry. These developments have a profound effect on our ability to see the choice in the agreements we are living with and leave us with chronic systemic inefficiencies and inconsistencies in what we are learning.

I will start with the choice. We do not usually see choice in the areas of resources, resource allocation, value and organization, because we do not see that we are dealing with questions. We think we are dealing with disciplines, or perhaps with discrete steps in a linear process of production. So, we do not see that within the initial questions of each of the four areas there is a choice—both in the content of what we see and how we apply it. For example, the basic resource question is how much is there of land, labor and capital? Yet we can also ask, how much is there right now? We can ask, what if we bring in more and consume less—how much could there be? In other words, does our question about resources include only the things level, or also the development and possibility levels?

We exercise choice in the content of what we see by choosing to look at different levels. Having done this, we can then choose what to do with that content. If I only see the things-level, seeing only how much I currently have, I only think about how much I have and whether it is enough. When I see the things and development levels, I can think about the net effect of the inflows and outflows of the resources I need. If I need more next week, then I need to get more than I use this week to increase how much I have, by next week.

In regard to the allocation mechanism, we can ask who says that one relationship is better than another? What are the assumptions implicit in choosing one over another? Would one work better than another in a different situation? What mechanisms do people actually use? We find that people often use a different allocation mechanism than they think they do.

Likewise, dealing with the value question, we can ask, what is important in the first place? Is it the same for everyone? Are we assigning value to what we actually care about? Who determines who gets what part of the value generated? Is it always the same? If so, does it need to be always the same?

Finally, around organization there can be questions such as why we decided to come together in the first place? What is the common purpose we share? How do we interact with each other? Competitively, cooperatively, collaboratively? What kind of structure and process best supports how we want to interact?

Each of these questions suggests there is a choice which we normally ignore or assume as a given structure: one set of resources someone owns; one best political-economic system that should apply everywhere; one set of values; one way to organize. As we have seen, this view reflects a scarcity-based assumption. Reality can be much richer, more interesting and full of possibility. In later chapters, I will describe some of the ways that people who see this possibility are figuring out how to make different choices and create different agreements.

Our ability to see choices in our agreements is also diminished by the barriers to learning created by the separation of economic fields. What I mean by “systemic inefficiencies and inconsistencies” is that we are not applying what we learn in one area to another, because we see them as separate areas or, at best, linked in a linear process. For example, innovations within the field of system dynamics led to seeing interrelated sets of resources, with related

inflows and outflows, which cause the resources available to change over time at varying rates. These innovations brought a development-motion level of awareness to resources. With both development and things levels of awareness, people are now able to see how to influence the amount of a resource available today and into the future. One could imagine that this insight of resource dynamics applied to value systems might lead to innovations in determining value—not just the value that is there right now, as reflected in price, but also the value of what may be developing, for example, through learning. Yet, people working on pricing mechanisms, value systems and organizational forms have not taken up the innovations around questions of resources.

Similarly, in the field of organization design, there have been significant advances in understanding and mapping multi-stakeholder value systems, the networks of people who share a common interest, or stake, in a particular area or issue. This kind of mapping, such as the systems mapping process I highlight in the Vermont learning lab in Chapter 12, enables people to see how to interact with others who have similar and competing interests in a way that allows all stakeholders to gain. Imagine a monetary system informed by this kind of mapping exercise, in which all participants perceived more value (got wealthier) because they participated. The design of national monetary systems has not gained from this innovation, although there are a number of examples of local and regional complementary currencies that build on the concept of multi-stakeholder value systems. I will describe this phenomenon in Chapter 7.

In short, the total system that these four areas of economic study work with is not functioning as well as it could be, if there was learning going on across the disciplines. It is difficult for economists, much more so for ordinary people like us, to see the choices in these seemingly disparate, often complicated sub-systems. We find it even more difficult to learn from one area and apply it to another. This situation creates incongruence among the four areas and thus a sub-optimization of the whole system, which must over time; also weaken each area, as well.

## **ECONOMIC QUESTIONS AS LENSES ON OUR EXPERIENCE**

Ecosynomics addresses this problem of the separateness of the core streams of economic thought in two steps. The first step is to recognize the fundamental question at the heart of each one: how much (resources); who decides (allocation); by what criteria (value); how shall we interact (organization)? The second step is to re-envision these four questions as four lenses on a single, overarching question: *how much abundance and harmonic vibrancy are we experiencing?*

Figure 12 below depicts this use of the four economic questions as lenses. Notice that the left-hand face of the block is the Ecosynomics Levels of Reality Map you encountered in Chapter 2, Figure 9. It is a two-dimensional representation of the experience we are all living: the five fundamental relationships with the three levels of perceived reality we have access to at any time. On the right-hand face of the block are the four main lines of economic inquiry—resources, allocation, value and organization. Now part of a single

inquiry, they are integrated into the five relationships and three levels of perceived reality to create an expanded set of questions, presented in a more readable format in Figure 13.

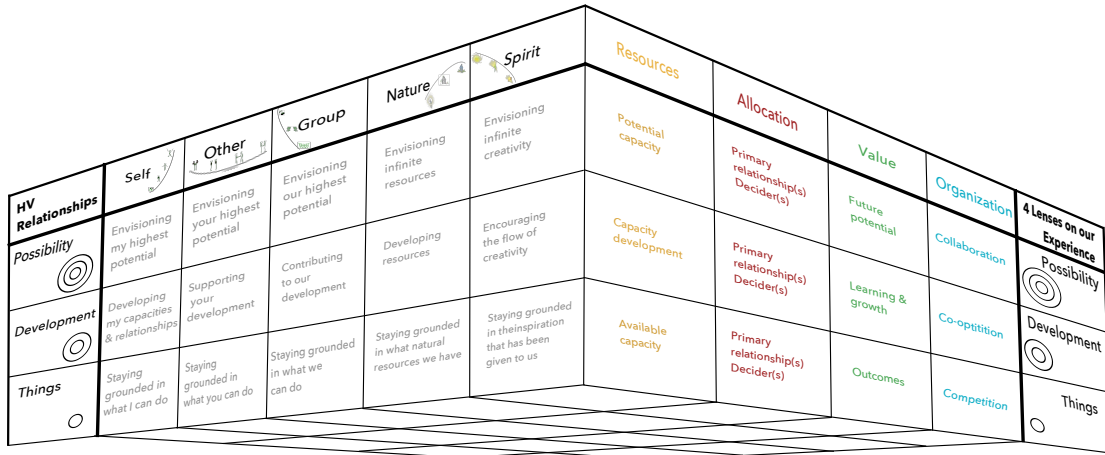


Figure 12: Expanded Ecosynomics Levels of Reality Map

The overarching question that the four ecosynomic lenses address:  
*How much harmonic vibrancy and abundance are we experiencing?*

| 4 Lenses on our experience       | Resources<br>How Much?                                     | Allocation<br>Who decides?                                  | Value<br>By what criteria?                                    | Organization<br>How shall we interact?                            |
|----------------------------------|--|---|---|---|
| Possibility<br>Potential (Light) | Potential Capacity<br>What is our potential capacity?      | Which Relationship(s) decide our potential?                 | Future Potential<br>What is our most desired future?          | Collaboration<br>How shall we interact to collaborate?            |
| Development<br>Motion (Verb)     | Capacity Development<br>What capacities are we developing? | Which Relationship(s) decide how we develop our resources?  | Learning & Growth<br>Where do we most want to learn and grow? | Co-opetition<br>How shall we interact to cooperate competitively? |
| Things<br>Matter (Noun)          | Available Capacity<br>What is our available capacity?      | Which Relationship(s) decide how we allocate our resources? | Outcomes<br>What outcomes do we value most?                   | Competition<br>How shall we interact to compete?                  |

= Each block speaks to all five relationships

Figure 13: Expanded Ecosynomics Levels of Reality Map, Right-hand Face

To reiterate the key point made in Chapter 2: the level of harmonic vibrancy and abundance available to you depends completely on how you work with the levels of perceived reality and the five primary relationships. In other words, it depends on your agreements. Historically, economic thinking has contributed to our agreements becoming stuck at the things-matter level, the level of scarcity. However, in Figure 13 we can see that it is relatively

easy to adapt the fundamental questions that economics poses to an Ecosynomics inquiry, once the assumption of scarcity is relaxed. Now we can bring economic thinking to bear on the task of seeing and reshaping the agreements that determine our lived experience. The small blocks behind the Reality Map in Figure 12 represent these agreements.

By liberating the four economic questions from the constraint of the scarcity mentality, we can mobilize the analytical power in those questions to help us see our agreements and reshape them to produce more of the experiences we want. This is how we can find our way to the grounded-potential path. And this is how we can resolve the economic paradox.

### **Harnessing the power of economic inquiry**

The great thing about refocusing economic inquiry on our agreements is that behind each of the four big questions is a whole series of related questions. It is by following these lines of questions that we can begin to see the agreements currently buried deep in the economic systems we have today and even the unconscious assumptions that inform them. When we apply them to our immediate situations, these questions can also lead us, sometimes in seemingly obvious steps, to see choices in our agreements we never imagined could be possible. This second application will be our work with the Agreements Map, which I will introduce in the next chapter. First, I will give you a brief overview of some important lines of questions that will help us in that work.

Within the core resources question of “how much?” lie three sub-questions business economists have begun to ask in the past fifty years. In asking the questions this way, they have begun to intuit the three levels of perceived reality. The first sub-question—how much resource is there right now?—is a current-capacity question focused on the things-matter level. The second sub-question directs our attention to the development-motion level—how does the amount of resource change as the result of inflows and outflows over time? The third important sub-question is—what are potential resources? This looks through the “how much” lens at the possibility-light level of the resources. We are fortunate that these lines of inquiry and all the knowledge that has flowed from them are already out there in economics.

In the area of resource allocation, three related sub-questions are embedded in the question of “who decides?” which is the focus of the field of comparative economics. The three sub-questions are—what is the motivating objective of the political-economic system? What relationship best meets that objective? And what process does the system use to make decisions in that relationship? The inquiry on these questions, some of it scholarly and some ideological, has produced strong characterizations (in some cases, caricatures) of the main systems (capitalism, socialism, communism, eco-economics, and traditional economics). In the past few decades, the picture has become more complex and interesting. In an Ecosynomics inquiry, these questions hold the potential for producing great understanding of the systems we are part of, large and small.

Three important sub-questions related to the value question of “what criteria?” have been pursued in many forms by economic thinkers over the centuries. The first of these is, what is valued? In the economics of exchange, this question opened up a large area of exploration around how to decide what something is worth at the point of exchange, both to the person

who has it initially and to the one who wants it. Herein lies all of pricing theory, including supply and demand curves, which apply to commodity exchanges like your purchase of an ice cream cone as well as the labor exchange of your hour for a wage. The second question focuses on the mode of exchange: how will the value be exchanged between the two parties? This little question encompasses the whole field of barter and monetary systems and the search for the most efficient way to exchange the value we have agreed on. The third value sub-question narrows in on distribution: who gets what part of the value generated in the exchange? This goes to the deeper question of who gets most of the value generated, for example, in the rents paid to landowners, the wages paid to labor, or the profits paid to capital-owners. The distribution question also addresses the issue of which goods and services we consider publicly owned, to be paid for collectively, and which ones should be privately owned, paid for individually.




Finally, the three important sub-questions supporting the inquiry into “how we want to interact?” help us see our organizational agreements more clearly. The first question asks why we come together. This opens the whole area of why people cooperate in the first place, as captured in group charters, vision and mission statements, or sometimes cost-benefit analyses. The second question looks at how people agree to interact. It takes us into the realm of competitive, cooperative, and collaborative models in the field of organizational development. The third question focuses on what organizational form best supports how the group agrees to interact. Should it be a corporation, a partnership, a network or something else? What are the incentives people will need to participate in desired ways within that structure?

### **Inquiring into our agreements**

As with any significant change we undertake to make in our lives, moving toward agreements that will produce greater harmonic vibrancy and abundance requires a clear-eyed assessment of our current situation and the agreements underlying it. For many reasons, which I have discussed at length, these agreements and the opportunities for changing them can be difficult to perceive. However, in the Expanded Ecosynomics Levels of Reality Map (Figure 12) we have the framework for a systematic inquiry into these agreements using the powerful questions economics has provided.

The Agreements Map (Figure 14) is a tool for recording the information gathered in this inquiry. It is simply the right hand face of the large block in the Expanded Ecosynomics Levels of Reality Map. You will notice, however, that the questions (Figure 13) are streamlined into category headings. This will make it easier to work with as you begin to fill in (i.e., “map”) your data across the twelve areas of the Agreements Map. Now, let us move on to see how this actually works.

## The Agreements Evidence Map (Template)

|   | <b>Resources</b><br><i>How Much?</i>                                     | <b>Allocation</b><br><i>Who decides?</i>   | <b>Value</b><br><i>By what criteria?</i>                                      | <b>Organization</b><br><i>How shall we interact?</i>                          |
|---|--|--|---|---|
| <br><b>Possibility</b><br>Potential<br>(Light) | <b>Potential Capacity</b><br><i>What is your potential Capacity?</i>     | <b>Primary Relationship(s)</b><br><i>to decide our potential</i>                 | <b>Future Potential</b><br><i>What is our most desired future?</i>            | <b>Collaboration</b><br><i>How shall we interact to collaborate?</i>          |
| <br><b>Development</b><br>Motion<br>(Verb)     | <b>Capacity Development</b><br><i>What capacities are we developing?</i> | <b>Primary Relationship(s)</b><br><i>to decide how we develop our resources</i>  | <b>Learning and Growth</b><br><i>Where do we most want to learn and grow?</i> | <b>Co-opetition</b><br><i>How shall we interact to cooperate competively?</i> |
| <br><b>Things</b><br>Matter<br>(Noun)          | <b>Available Capacity</b><br><i>What is your available capacity?</i>     | <b>Primary Relationship(s)</b><br><i>to decide how we allocate our resources</i> | <b>Outcomes</b><br><i>What outcomes do we value most?</i>                     | <b>Competition</b><br><i>How shall we interact to compete?</i>                |

*Figure 14: The Agreements Map*