



## Surveys

## Pursuing self-interest or self-actualization? From capitalism to a steady-state, wisdom economy

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## ABSTRACT

The co-evolution of capitalism, democracy and science since 1800 has led to enormous progress but also major existential problems. This article asserts that these problems are rooted in neo-classical economics' narrow focus within human nature on self-interest, which causes intense conflicts for scarce resources among people, societies, species and generations. It describes how an emphasis on the totality of human nature in life, with a focus on self-actualization instead of self-interest as the main driving force and wisdom rather than wealth as the ultimate aim, can lead to a steady-state, wisdom economy that can simultaneously ensure high personal welfare and collective sustainability.

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## 1. Introduction

The co-evolution of capitalism, democracy and science since around 1800 has unleashed unprecedented progress but also major existential problems, such as environmental destruction. This article asserts that while all three have instigated the gains, the negatives originate primarily from neo-classical capitalism's (unless specified, future references refer to its neo-classical variety) narrow focus on self-interest within human values and its domination of society. Sapience, the root word for Homo sapiens, means wisdom, which involves transcending narrow personal concerns. However, given capitalism's dominance, self-interest becomes the primary consideration. Neoclassical writers argue that the focus on self-interest by individuals automatically leads to the societal good (Lowenberg, 1990). This article undermines this argument by identifying the links between the major current problems and excessive self-interest.

The steady-state economy (SSE), whose idea goes back to J.S. Mill, was presented as an alternative to a growth-driven economy to reduce environmental degradation (Daly, 1991). Its environmental and economic viability has been elaborated subsequently (Lawn, 2005, 2007; Victor, 2008). However, human values provide the ethical foundations for economic structures, and are, in turn, affected by them (Norgaard, 1995). Thus, to make an SSE appealing, we must identify those values which will lead to an SSE and show how these values will resolve broader problems while simultaneously ensuring higher individual welfare than self-interest. This will make it easier to

mobilize people around an SSE, just as self-interest has energized billions around capitalism. This article provides the broad counters of an alternative economic system, built on the totality of human values, which achieves these two seemingly contradictory objectives.

## 2. Human Values and Sustainability: A Theoretical Framework

The linkage between values and economic structures is well-recognized, though differences exist over its directionality. Marglin (2008) argues that neo-classical structures exacerbate the tendency towards selfishness. Gramsci (1959) asserts that the cultural hegemony and values of dominant classes shape societal economic relationships. Norgaard (1995) asserts that values and organization (including economic structures) co-evolve with societal knowledge, environment and technology. This article adopts Norgaard's two-way perspective. In its initial phases, an economic system is driven by the values of its champions. As it expands, it influences the values of larger sections of the population. However, changed societal values, due to other factors, can influence structures even later.

The linkages between values and SSEs have received little attention. Daly (1991), Jackson (2009) and Lawn (2000) discuss them briefly but do not develop them further. Other authors analyze the link between values and sustainable and equitable economies and life-styles. Etzioni (1998) and humanistic economics (Lutz and Lux, 1988) link Maslow's (1970) hierarchy of needs with the simple living movement and humanistic economic policies respectively but not with economic structures. Additionally, Maslow's hierarchy does not cover several important motivations, as shown later. Altruistic economics (Upton, 2010) and green economics (Cato, 2009) link altruism (only) and green values respectively to specific policies and

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tools but, again, not to structures. Max-Neef (1991) links values with community development. Buddhist economics (Schumacher, 1973) links Buddhist values to intermediate economic size and technology but also does not discuss structures.

Humans excel in shaping their environment due to their high intelligence, whose use is influenced by human motivations. Motivations are defined here as the underlying goals one or more of which drive all human action and reflection. Adapting from Gleitman et al (2004), Kohn (1990) and Maslow (1970), Table 1 identifies nine basic human motivations found across different societies. Success on these motivations results in immediate emotions (flow) and longer-term capabilities (status). Different societies prioritize these motivations to varying degrees, depending on societal values. Values (defined here as the priority attached to different motivations) and practices (defined as the community specific ways of satisfying different motivations) are shaped by the hegemony of dominant classes, who present their values as universally beneficial while they mainly benefit them (Gramsci, 1959).

Values co-evolve with knowledge, technology, environment, and organization (Norgaard, 1995) to produce results. These results are reflected in individual welfare, defined here as the balance-sheet of successes and failures in achieving motivations, and societal sustainability, which depends on the welfare levels of current and future generations. This depends on the access of members to adequate resources but also on avoiding infringements on the resources rights of other members, societies, generations and species to avoid counter-attacks. Thus, sustainability is defined here as the ability of a society to ensure that every member obtains sufficient scarce resources to attain a satisfactory level of welfare without infringing upon the resource rights of other members, societies, species, and generations (Adapted from Murtaza, 1998). Thus, a more useful definition of (sustainable) economics is proposed as the study of how a society can allocate scarce resources such that every member attains a satisfactory level of welfare without infringing upon the rights of other members, societies, species, and generations.

Motivations differ from each other in key ways. The first difference relates to the capabilities that develop from achieving different motivations. The first three motivations are self-centered and constitute self interest (defined here as competing for status or scarce resources): physiological motivations relate to bodily requirements; security to physical, mental and economic safety; and 'bad' self-esteem to our self-image, based on status, competitive accomplish-

ments, possessions, and absolute power. They mainly provide physical and financial capabilities that ensure the growth of individuals up to a threshold level but beyond it do not help much in dealing with new and complex situations. The other six motivations provide social, intellectual and spiritual capabilities that facilitate growth and help in dealing with novel and complex situations. The first three of these motivations are relational. 'Good' self-esteem is about our self-worth based on interacting with others for mutual accomplishments, competence, influence, respect, fairness, democratic power and freedom; belongingness is about reproduction, intimacy, socialization, conformity and group identity, and is conditional on group membership; altruism is about helping vulnerable beings unconditionally, even strangers and other species. Belongingness helps in transcending self-centeredness, while 'good' self-esteem and altruism help in transcending group-centeredness. The next two are cognitive motivations. Aesthetics is about enjoying and/or expressing creative arts and nature, and enhances creativity; while exploration is about understanding nature's mysteries, and helps develop logical skills.

Finally, self-actualization, the meta-motivation, is about realizing our full inner potential in the form of wisdom, which is attainable by everyone. Since the growth of the mind depends on its degree of use and exposure to diverse perspectives, wisdom requires a high degree of reflection (through cognitive motivations) and transcendence (through relational motivations). Wisdom cannot be attained if societal constraints preclude a minimum satisfaction of self-centered motivations or if a person remains wedded to them excessively. It provides enormous concentration powers, logical and creative skills and energy; the ability to deal with the vicissitudes of life serenely; a mature personality and judgment; and extraordinary knowledge for the good of self and others (Ardelt, 2004; Baltes, 1993). These capabilities allow a wise person to discover 'hidden' (hidden only because the mind is focused on self-centered concerns and inadequately applied) and complex relationships and solutions, and make extraordinary contributions. As such, wisdom represents the highest form of capabilities. Sen (1999)'s capability theory equates capabilities with freedom, development and wealth. Viewed so, wisdom represents their highest form.

A second difference relates to the consequences of success and failure. Physiological requirements and physical security constitute basic needs since their prolonged non-satisfaction results in death. Success and failure on other motivations results in immediate emotions. A failure on security and 'bad' self-esteem causes fear, anxiety,

**Table 1**  
Motivations and associated emotions.

| Motivations                          | Sub-dimensions   | Emotions associated with success                          | Emotions associated with failure                             |
|--------------------------------------|--|---|--|
| <i>Self-centered</i>                 |  |   |  |
| 1) Physiological* (cause sensations) | All bodily requirements  | Satiation, warmth, orgasm, comfort                        | Suffocation, hunger, thirst, pain, cold, fatigue, itch, lust |
| 2) Security*                         | Physical, psychological (order and stability), & economic security                       | Relief, hope  | Surprise, disorientation, anxiety, fear                      |
| 3) 'Bad' self-esteem*                | Desire for competitive achievements, status, possessions and absolute power              | Pride, contempt, arrogance,                               | Remorse, shame, guilt, anger, jealousy, greed, envy          |
| <i>Relational</i>                    |  |   |  |
| 4) Belongingness*                    | Intimacy; conformity, socialization, group identity and reproduction                     | Happiness, love, affection, patriotism                    | Sadness, sorrow, loneliness, prejudice, hate                 |
| 5) 'Good' self-esteem*               | Desire for competence, cooperation, fairness, freedom, influence, and democratic power   | Triumph, exhilaration, confidence                         | Dejection, regret, disappointment                            |
| 6) Altruism***                       | Unconditionally helping others, groups, species and generations                          | Magnanimity, fulfillment                                  | Compassion, sympathy, pity, empathy                          |
| <i>Cognitive**</i>                   |  |   |  |
| 7) Aesthetics                        | Enjoying or expressing beauty/art  | Joy, thrill, admiration                                   | Boredom  |
| 8) Exploration                       | Investigating places/phenomena   | Awe, wonder   | Curiosity  |
| <i>Meta</i>                          |  |   |  |
| 9) Self-actualization*               | Discovering one's full mental potential (wisdom) through introspection and transcendence | Contentment, bliss, tranquility, exaltation, clairvoyance | Listlessness   |

\*Adapted from Maslow (1970); \*\*Gleitman et al (2004); \*\*\*Kohn (1990).

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