

Climate Change, Collapse and Social Choice Theory

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Abstract The enlightenment was a philosophical project to construct a rational society without the need for a supreme being. It opened the way for the creation of market democracy and rapid economic growth. At the same time economic growth is the underlying cause of climate change, and we have become aware that this may destroy our civilization. The principal underpinning of the enlightenment project is the *general equilibrium theorem* (GET) of Arrow and Debreu (1954), asserting the existence of a Pareto optimal price equilibrium. Arrow's work in social choice can be interpreted as an attempt to construct a more general social equilibrium theorem. The current paper surveys recent results in social choice which suggests that chaos rather than equilibrium is generic. We also consider models of belief aggregation similar to Condorcet's Jury Theorem and mention Penn's theorem on existence of a belief equilibrium. However, it is suggested that a belief equilibrium with regard to the appropriate response to climate change depends on the creation of a fundamental social principle of "guardianship of our planetary home." It is suggested that this will involve conflict between entrenched economic interests and ordinary people, as the effects of climate change make themselves felt in many countries.

Keywords The enlightenment, climate change, black swan events, dynamical models

JEL classification H10

1. Introduction

In this essay I shall develop my earlier argument, in Schofield (2011), that human decision making is essentially *chaotic*. What I mean by this term is that contrary to general equilibrium theory (Arrow and Debreu 1954) there is no reason, in general, to assume that we can make wise choices. What Israel (2002) calls the *Radical Enlightenment* of the Eighteenth Century was based on the assumption that it was possible to establish a rational society, opposed to monarchy, religion and the church (see the other works by Israel 2006, 2010, 2014). Radical enlighteners included Thomas Jefferson, Thomas Paine and James Madison. They believed that society could be based on constitutional principles, leading to the "probability of a fit choice." Implicit in the Radical Enlightenment was the belief, originally postulated by Spinoza, that individuals could find moral bases for their choices without a need for a divine creator. An ancillary belief was that the economy would also be rational and that the principles of the Radical Enlightenment would lead to material growth and the eradication of poverty and misery. I shall argue here that this enlightenment project has recently had to face two profoundly troubling propositions. First are the results of Arrowian social choice theory. These very

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abstract results suggest that no process of social choice can be “rational,” in the sense of giving rise to a state of affairs that is acceptable to all. Second, recent events suggest that the market models that we have used to guide our economic actions are deeply flawed. In contrast to the Radical enlighteners, both Hume and Burke believed that people would need religion and nationalism to provide a moral compass to their lives. As Putnam and Campbell (2010) have noted, religion today is as important as it has ever been in the U.S. Recent models of U.S. Elections (Schofield and Gallego 2011) show that religion is a key dimension of politics that divides voters one from another.

A consequence of the Industrial Revolution, that followed on from the Radical Enlightenment, has been the unintended consequence of *climate change*. Since this is the most important policy dimension that the world economy currently faces, this paper will address the question whether we are likely to be able to make wise social choices to avoid future catastrophe. To guide us in this, I believe we need a moral compass founded on religious principles.

1.1 The Radical Enlightenment

A fundamental principle of the enlightenment was the utilization of mathematics to uncover nature. Hawking and Mlodinow (2010) argue for a strong version of this universal mathematical principle, called *model-dependent realism*, citing the recent developments in mathematical physics and cosmology.

They argue that it is only through a mathematical model that we can properly perceive reality. However, this mathematical principle faces two philosophical difficulties. One stems from the Gödel (1931)-Turing (1937) undecidability theorems. The first theorem asserts that mathematics cannot be both complete and consistent, so there are mathematical theories that in principle cannot be verified. Turing’s work, though it provides the basis for our computer technology also suggests that not all programs are computable. These two results suggest that our mathematical models of climate and the economy will be fundamentally uncertain. The second problem is associated with the notion of *chaos* or *catastrophe*.

Since the early work of Garrett Hardin (1968) the “tragedy of the commons” has been recognised as a global prisoners’ dilemma. In such a dilemma no agent has a motivation to provide for the collective good. In the context of the possibility of climate change, the outcome is the continued emission of greenhouses gases like carbon dioxide into the atmosphere and the acidification of the oceans. There has developed an extensive literature on the *n*-person prisoners’ dilemma in an attempt to solve the dilemma by considering mechanisms that would induce cooperation (see for example Hardin 1971, 1982; Taylor 1976, 1982; Axelrod and Hamilton 1981; Axelrod 1981, 1984; Kreps et al. 1982; Margolis 1982).

The problem of cooperation has also provided a rich source of models of evolution, building on the early work by Trivers (1971) and Hamilton (1964, 1970). Nowak (2011) provides an overview of the recent developments. Indeed, the last twenty years has seen a growing literature on a game theoretic, or mathematical, analysis of the evolution of social norms to maintain cooperation in prisoners’ dilemma like situations. Gintis (2000), for example, provides evolutionary models of the cooperation

through strong reciprocity and internalization of social norms.¹ The anthropological literature provides much evidence that, from about 500,000 years ago, the ancestors of *homo sapiens* engaged in cooperative behavior, particularly in hunting and caring for offspring and the elderly.² On this basis we can infer that we probably do have very deeply ingrained normative mechanisms that were crucial, far back in time, for the maintenance of cooperation, and the fitness and thus survival of early hominids.³ These normative systems will surely have been modified over the long span of our evolution.

Current work on climate change has focussed on how we should treat the future. For example Stern (2007, 2009), Collier (2010) and Chichilnisky (2009a,b) argue essentially for equal treatment of the present and the future. Dasgupta (2005) points out that how we treat the future depends on our current estimates of economic growth in the near future.

The fundamental problem of climate change is that the underlying dynamic system is extremely complex, and displays many positive feedback mechanisms (see the discussion in Schofield 2011). The difficulty can perhaps be illustrated by Figure 1. It is usual in economic analysis to focus on Pareto optimality. Typically in economic theory, it is assumed that preferences and production possibilities are generated by convex sets. However, climate change could create non-convexities. In such a case the Pareto set will exhibit stable and unstable components. Figure 1 distinguishes between a domain A , bounded by stable and unstable components P_1^s and P'' , and a second stable component P_2^s . If our actions lead us to an outcome within A , whether or not it is Paretian, then it is possible that the dynamic system generated by climate could lead to a catastrophic destruction of A itself. More to the point, our society would be trapped inside A as the stable and unstable components merged together.

Our society has recently passed through a period of economic disorder, where “black swan” events, low probability occurrences with high costs, have occurred with some regularity. Recent discussion of climate change has also emphasized so called “fat-tailed climate events” again defined by high uncertainty and cost (Weitzman 2009; Chichilnisky 2010).⁴ The catastrophic change implied by Figure 1 is just such a black swan event. The point to note about Figure 1 is everything would appear normal until the evaporation of A .

Cooperation could in principle be attained by the action of a hegemonic leader such as the United States as suggested by Kindleberger (1973) and Keohane and Nye (1977). In Section 2 we give a brief exposition of the prisoners’ dilemma and illustrate how hegemonic behavior could facilitate international cooperation. However, the analysis suggests that in the present economic climate, such hegemonic leadership is unlikely.

¹ Strong reciprocity means the punishment of those who do not cooperate.

² Indeed, White et al. (2009) present evidence of a high degree of cooperation among very early hominids dating back about 4MYBP (million years before the present). The evidence includes anatomical data which allows for inferences about the behavioral characteristics of these early hominids.

³ Gintis cites the work of Robson and Kaplan (2003) who use an economic model to estimate the correlation between brain size and life expectancy (a measure of efficiency). In this context, the increase in brain size is driven by the requirement to solve complex cooperative games against nature.

⁴ See also Chichilnisky and Eisenberger (2010) on other catastrophic events such as collision with an asteroid.

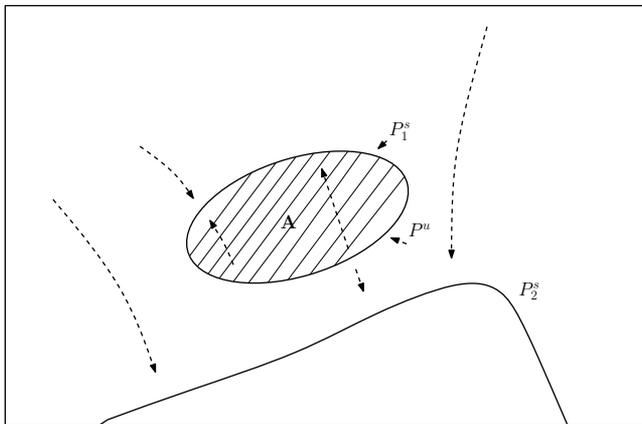


Figure 1. Stable and unstable components of the global Pareto set

Analysis of games such as the prisoner's dilemma usually focus on the existence of a Nash equilibrium, a vector of strategies with the property that no agent has an incentive to change strategy. Section 3 considers the family of equilibrium models based on the Brouwer (1912) fixed point theorem, or the more general result known as the Ky Fan theorem (Fan 1961) as well as the application by Bergstrom (1975, 1992) to prove existence of a Nash equilibrium and market equilibrium.

Section 4 considers a generalization of the Ky Fan Theorem, and argues that the general equilibrium argument can be interpreted in terms of particular properties of a preference field, H , defined on the tangent space of the joint strategy space. If this field is continuous, in a certain well-defined sense, and "half-open" then it will exhibit an equilibrium. This half-open property is the same as the non-empty intersection of a family of dual cones. We mention a theorem by Chichilnisky (1995) that a necessary and sufficient condition for market equilibrium is that a family of dual cones also has non-empty intersection.

However, preference fields that are defined in terms of coalitions need not satisfy the half-open property and thus need not exhibit equilibrium. For coalition systems, it can be shown that unless there is a collegium or oligarchy, or the dimension of the space is restricted in a particular fashion, then there need be no equilibrium. Earlier results by McKelvey (1976), Schofield (1978), McKelvey and Schofield (1987) and Saari (1997) suggested that voting can be "non-equilibrating" and indeed "chaotic" (see Schofield 1977, 1980a,b).⁵

Kauffman (1993) commented on "chaos" or the failure of "structural stability" in the following way.

"One implication of the occurrence or non-occurrence of structural stability is that, in structurally stable systems, smooth walks in parameter

⁵ In a sense these voting theorems can be regarded as derivative of Arrow's Impossibility Theorem (Arrow 1951). See also Arrow (1986).

space must [result in] smooth changes in dynamical behavior. By contrast, chaotic systems, which are not structurally stable, adapt on uncorrelated landscapes. Very small changes in the parameters pass through many interlaced bifurcation surfaces and so change the behavior of the system dramatically.”

Chaos is generally understood as sensitive dependence on initial conditions whereas *structural stability* means that the qualitative nature of the dynamical system does not change as a result of a small perturbation.⁶ I shall use the term *chaos* to mean that the trajectory taken by the dynamical process can wander anywhere.⁷

An earlier prophet of uncertainty was, of course, Keynes (1936) whose ideas on “speculative euphoria and crashes” would seem to be based on understanding the economy in terms of the qualitative aspects of its coalition dynamics (see Minsky 1975, 1986 and Keynes’s earlier work in 1921). An extensive literature has tried to draw inferences from the nature of the recent economic events. A plausible account of market disequilibrium is given by Akerlof and Shiller (2009) who argue that

“... the business cycle is tied to feedback loops involving speculative price movements and other economic activity—and to the talk that these movements incite. A downward movement in stock prices, for example, generates chatter and media response, and reminds people of longstanding pessimistic stories and theories. These stories, newly prominent in their minds, incline them toward gloomy intuitive assessments. As a result, the downward spiral can continue: declining prices cause the stories to spread, causing still more price declines and further reinforcement of the stories.”

It would seem reasonable that the rise and fall of the market is due precisely to the coalitional nature of decision-making, as large sets of agents follow each other in expecting first good things and then bad. A recent example can be seen in the fall in the market after the earthquake in Japan, and then recovery as an increasing set of investors gradually came to believe that the disaster was not quite as bad as initially feared.

Since investment decisions are based on these uncertain evaluations, and these are the driving force of an advanced economy, the flow of the market can exhibit singularities, of the kind that recently nearly brought on a great depression. These singularities associated with the bursting of market bubbles are time-dependent, and can be induced by endogenous belief-cascades, rather than by any change in economic or political fundamentals (Corcos et al. 2002).

Similar uncertainty holds over political events. The fall of the Berlin Wall in 1989 was not at all foreseen. Political scientists wrote about it in terms of “belief cascades” (Karklins and Petersen 1993; Lohmann 1994; see also Bikhchandani et al. 1992) as

⁶ The theory of chaos or complexity is rooted in Smale’s fundamental theorem (Smale 1966) that structural stability of dynamical systems is not “generic” or typical whenever the state space has more than two dimensions.

⁷ In their early analysis of chaos, Li and Yorke (1975) showed that in the domain of a chaotic transformation f it was possible for almost any pair of positions (x, y) to transition from x to $y = f^r(x)$, where f^r means the r times reiteration of f .

the coalition of protesting citizens grew apace. As the very recent democratic revolutions in the Middle East and North Africa suggest, these coalitional movements are extremely uncertain.⁸ In particular, whether the autocrat remains in power or is forced into exile is as uncertain as anything Keynes discussed. Even when democracy is brought about, it is still uncertain whether it will persist (see for example Carothers 2002 and Collier 2009).

Section 5 introduces the Condorcet (1994 [1795]) Jury Theorem. This theorem suggests that majority rule can provide a way for a society to attain the truth when the individuals have common goals. Schofield (2002, 2006) has argued that Madison was aware of this theorem while writing Federalist X (Madison 1999 [1787]) so it can be taken as perhaps the ultimate justification for democracy. However, models of belief aggregation that are derived from the Jury Theorem can lead to belief cascades that bifurcate the population. In addition, if the aggregation process takes place on a network, then centrally located agents, who have false beliefs, can dominate the process (Golub and Jackson 2010).

In Section 6 we introduce the idea of a belief equilibrium, and then go on to consider the notion of “punctuated equilibrium” in general evolutionary models. Again however, the existence of an equilibrium depends on a fixed point argument, and thus on a half-open property of the “cones” by which the developmental path is modeled. This half-open property is equivalent to the existence of a social direction gradient defined everywhere. In Section 7 we introduce the notion of a “moral compass” that may provide a teleology to guide us in making wise choices for the future, by providing us with a social direction gradient. Section 8 concludes.

2. The Prisoners’ Dilemma, Cooperation and Morality

“For before constitution of Sovereign Power . . . all men had right to all things; which necessarily causeth Warre.” (Hobbes 2009 [1651])

Kindleberger (1973) gave the first interpretation of the international economic system of states as a “Hobbesian” prisoners’ dilemma, which could be solved by a leader, or “hegemon.”

“A symmetric system with rules for counterbalancing, such as the gold standard is supposed to provide, may give way to a system with each participant seeking to maximize its short-term gain . . . But a world of a few actors (countries) is not like [the competitive system envisaged by Adam Smith] . . . In advancing its own economic good by a tariff, currency depreciation, or foreign exchange control, a country may worsen the welfare of its partners by more than its gain. Beggar-thy-neighbor tactics may lead to retaliation so that each country ends up in a worse position from having pursued its own gain . . . This is a typical non-zero sum game, in which any

⁸ The response by the citizens of these countries to the demise of Osama bin Laden on May 2, 2011, is in large degree also unpredictable.

player undertaking to adopt a long range solution by itself will find other countries taking advantage of it . . .”

In the 1970s, Robert Keohane and Joseph Nye (1977) rejected “realist” theory in international politics, and made use of the idea of a hegemonic power in a context of “complex interdependence” of the kind envisaged by Kindleberger. Although they did not refer to the formalism of the prisoners’ dilemma, it would appear that this notion does capture elements of complex interdependence. To some extent, their concept of a hegemon is taken from realist theory rather than deriving from the game-theoretic formalism.

The essence of the theory of hegemony in international relations is that if there is a degree of inequality in the strengths of nation states then a hegemonic power may maintain cooperation in the context of an n -country prisoners’ dilemma. Clearly, the British Empire in the 1800’s is the role model for such a hegemon (Ferguson 2002).

Hegemon theory suggests that international cooperation was maintained after World War II because of a dominant cooperative coalition. At the core of this cooperative coalition was the United States; through its size it was able to generate collective goods for this community, first of all through the Marshall Plan and then in the context first of the post-world war II system of trade and economic cooperation, based on the Bretton Woods agreement and the Atlantic Alliance, or NATO. Over time, the United States has found it costly to be the dominant core of the coalition, in particular, as the relative size of the U.S. economy has declined. Indeed, the global recession of 2008–2010 suggests that problems of debt could induce “begger thy neighbor strategies,” just like the 1930’s.

The future utility benefits of adopting policies to ameliorate these possible changes depend on the discount rates that we assign to the future. Dasgupta (2005) gives a clear exposition of how we might assign these discount rates. Obviously enough, different countries will in all likelihood adopt very different evaluations of the future. Developing countries like the BRICs (Brazil, Russia, India and China) will choose growth and development now rather than choosing consumption in the future.

An extensive literature over the last few years has developed Adam Smith’s ideas as expressed in the *Theory of Moral Sentiments* (1984 [1759]) to argue that human beings have an innate propensity to cooperate. This propensity may well have been the result of co-evolution of language and culture (Boyd and Richerson 2005; Gintis 2000).

Since language evolves very quickly (McWhorter 2001; Deutcher 2006), we might also expect moral values to change fairly rapidly, at least in the period during which language itself was evolving. In fact there is empirical evidence that cooperative behavior as well as notions of fairness vary significantly across different societies.⁹ While there may be fundamental aspects of morality and “altruism,” in particular, held in common across many societies, there is variation in how these are articulated. Gazzaniga (2008) suggests that moral values can be described in terms of various *modules*: reciprocity, suffering (or empathy), hierarchy, in-group and outgroup coalition, and

⁹ See Henrich et al. (2004, 2005), which reports on experiments in fifteen “small-scale societies,” using the game theoretic tools of the “prisoners’ dilemma,” the “ultimatum game,” etc.

purity/disgust. These modules can be combined in different ways with different emphases. An important aspect of cooperation is emphasized by Burkart et al. (2009) and Hrdy (2011), namely cooperation between man and woman to share the burden of child rearing.

It is generally considered that hunter-gatherer societies adopted egalitarian or “fair share” norms. The development of agriculture and then cities led to new norms of hierarchy and obedience, coupled with the predominance of military and religious elites (Schofield 2010).

North (1990), North et al. (2009) and Acemoglu and Robinson (2006) focus on the transition from such oligarchic societies to open access societies whose institutions or “rules of the game,” protect private property, and maintain the rule of law and political accountability, thus facilitating both cooperation and economic development. Acemoglu et al. (2009) argue, in their historical analyses about why “good” institutions form, that the evidence is in favor of “critical junctures” (see also Acemoglu and Robinson 2008). For example, the “Glorious Revolution” in Britain in 1688 (North and Weingast 1989), which prepared the way in a sense for the agricultural and industrial revolutions to follow (Mokyr 2005, 2010; Mokyr and Nye 2007) was the result of a sequence of historical contingencies that reduced the power of the elite to resist change. Recent work by Morris (2010), Fukuyama (2011), Ferguson (2011) and Acemoglu and Robinson (2011) has suggested that these fortuitous circumstances never occurred in China and the Middle East, and as a result these domains fell behind the West. Although many states have become democratic in the last few decades, oligarchic power is still entrenched in many parts of the world.¹⁰

At the international level, the institutions that do exist and that are designed to maintain cooperation, are relatively young. Whether they succeed in facilitating cooperation in such a difficult area as climate change is a matter of speculation. As we have suggested, international cooperation after World War II was only possible because of the overwhelming power of the United States. In a world with oligarchies in power in Russia, China, and in many countries in Africa, together with political disorder in almost all the oil producing counties in the Middle East, cooperation would appear unlikely.

To extend the discussion, we now consider more general theories of social choice.

3. Existence of a Choice

The above discussion has considered a very simple version of the prisoner’s dilemma. The more general models of cooperation typically use variants of evolutionary game theory, and in essence depend on proof of existence of Nash equilibrium, using some version of the Brouwer’s fixed point theorem (Brouwer 1912).

Brouwer’s theorem asserts that any continuous function $f : B \rightarrow B$ from the finite dimensional ball, B (or indeed any compact convex set in \mathbb{R}^n) into itself, has the *fixed point property*. That is, there exists some $x \in B$ such that $f(x) = x$.

¹⁰ The popular protests in North Africa and the Middle East in 2011 were in opposition to oligarchic and autocratic power.

We will now consider the use of variants of the theorem, to prove existence of an equilibrium of a general choice mechanism. We shall argue that the condition for existence of an equilibrium will be violated if there are cycles in the underlying mechanism.

Let W be the set of alternatives and let X be the set of all subsets of W . A *preference correspondence*, P , on W assigns to each point $x \in W$, its *preferred set* $P(x)$. Write $P: W \rightarrow X$ or $P: W \rightrightarrows W$ to denote that the image of x under P is a set (possibly empty) in W . For any subset V of W , the restriction of P to V gives a correspondence $P_V: V \rightrightarrows V$. Define $P_V^{-1}: V \rightarrow V$ such that for each $x \in V$,

$$P_V^{-1}(x) = \{y : x \in P(y)\} \cap V.$$

The sets $P_V(x), P_V^{-1}(x)$ are sometimes called the *upper* and *lower* preference sets of P on V . When there is no ambiguity we delete the suffix V . The *choice* of P from W is the set

$$C(W, P) = \{x \in W : P(x) = \emptyset\}.$$

Here \emptyset is the empty set. The choice of P from a subset, V , of W is the set

$$C(V, P) = \{x \in V : P_V(x) = \emptyset\}.$$

Call C_P a *choice function* on W if $C_P(V) = C(V, P) \neq \emptyset$ for every subset V of W . We now seek general conditions on W and P which are sufficient for C_P to be a choice function on W . Continuity properties of the preference correspondence are important and so we require the set of alternatives to be a topological space.

Definition 1. Let W, Y be two topological spaces. A correspondence $P: W \rightrightarrows Y$ is

- (i) *Lower demi-continuous (ldc)* iff, for all $x \in Y$, the set

$$P^{-1}(x) = \{y \in W : x \in P(y)\}$$

is open (or empty) in W .

- (ii) *Acyclic* if it is impossible to find a cycle $x_t \in P(x_{t-1}), x_{t-1} \in P(x_{t-2}), \dots, x_1 \in P(x_t)$.
- (iii) *Lower hemi-continuous (lhc)* iff, for all $x \in W$, and any open set $U \subset Y$ such that $P(x) \cap U \neq \emptyset$ there exists an open neighborhood V of x in W , such that $P(x') \cap U \neq \emptyset$ for all $x' \in V$.

Note that if P is *ldc* then it is *lhc*.

We shall use lower demi-continuity of a preference correspondence to prove existence of a choice.

We shall now show that if W is compact, and P is an acyclic and *ldc* preference correspondence $P: W \rightrightarrows W$, then $C(W, P) \neq \emptyset$. First of all, say a preference correspondence $P: W \rightrightarrows W$ satisfies the *finite maximality property* (FMP) on W iff for every finite set V in W , there exists $x \in V$ such that $P(x) \cap V = \emptyset$.

Lemma 1. (Walker 1977) *If W is a compact, topological space and P is an ldc preference correspondence that satisfies FMP on W , then $C(W, P) \neq \emptyset$.*

This follows readily, using compactness to find a finite subcover, and then using FMP.

Corollary 1. *If W is a compact topological space and P is an acyclic, ldc preference correspondence on W , then $C(W, P) \neq \emptyset$.*

As Walker (1977) noted, when W is compact and P is ldc, then P is acyclic iff P satisfies FMP on W , and so either property can be used to show existence of a choice. A second method of proof is to show that C_P is a choice function to substitute a convexity property for P rather than acyclicity.

Definition 2.

- (i) If W is a subset of a vector space, then the *convex hull* of W is the set, $Con[W]$, defined by taking all convex combinations of points in W .
- (ii) W is *convex* iff $W = Con[W]$. (The empty set is also convex.)
- (iii) W is *admissible* iff W is a compact, convex subset of a topological vector space.
- (iv) A preference correspondence $P: W \rightarrow W$ is *semi-convex* iff, for all $x \in W$, it is the case that $x \notin Con(P(x))$.

Fan (1961) has shown that if W is admissible and P is ldc and semi-convex, then $C(W, P)$ is non-empty.

Theorem 1 (Choice Theorem). (Fan 1961, Bergstrom 1975) *If W is an admissible subset of a Hausdorff topological vector space, and $P: W \rightarrow W$ a preference correspondence on W which is ldc and semi-convex then $C(W, P) \neq \emptyset$.*

The proof uses the KKM lemma due to Knaster, Kuratowski and Mazurkiewicz (1929).

The original form of the Fan Theorem made the assumption that $P: W \rightarrow W$ was *irreflexive* (in the sense that $x \notin P(x)$ for all $x \in W$) and *convex*. Together these two assumptions imply that P is semi-convex. Bergstrom (1975) extended Fan's original result to give the version presented above (see also Shafer and Sonnenschein 1975).

Note that the Fan Theorem is valid without restriction on the dimension of W . Indeed, Aliprantis and Brown (1983) have used this theorem in an economic context with an infinite number of commodities to show existence of a price equilibrium. Bergstrom (1992) also showed that when W is finite dimensional then the Fan Theorem is valid when the continuity property on P is weakened to *lhc* and used this theorem to show existence of a Nash equilibrium of a game $G = \{(P_1, W_1), \dots, (P_i, W_i), \dots, (P_n, W_n) : i \in N\}$. Here the i^{th} strategy space is finite dimensional W_i and each individual has a preference P_i on the joint strategy space $P_i: W^N = W_1 \times W_2 \dots \times W_n \rightarrow W_i$. The Fan Theorem can be used, in principle to show existence of an equilibrium in complex economies with externalities. Define the Nash improvement correspondence by $P_i^*: W^N \rightarrow W^N$ by $y \in P_i^*(x)$ whenever $y = (x_1, \dots, x_{i-1}, x_i^*, \dots, x_n)$, $x = (x_1, \dots, x_{i-1}, x_i, \dots, x_n)$, and $x_i^* \in P_i(x)$. The joint Nash improvement correspondence is $P_N^* = \cup P_i^*: W^N \rightarrow W^N$. The Nash equilibrium of a game G is a vector $\mathbf{z} \in W^N$ such that $P_N^*(\mathbf{z}) = \emptyset$. Then the Nash equilibrium will exist when P_N^* is ldc and semi-convex and W^N is admissible.

4. Dynamical Choice Functions

We now consider a *generalized preference field* $H : W \rightarrow TW$, on a manifold W . TW is the tangent bundle above W , given by $TW = \cup\{T_xW : x \in W\}$, where T_xW is the tangent space above x . If V is a neighborhood of x , then $T_VW = \cup\{T_xW : x \in V\}$ which is locally like the product space $\mathbb{R}^w \times V$. Here W is locally like \mathbb{R}^w .

At any $x \in W$, $H(x)$ is a *cone* in the tangent space T_xW above x . That is, if a vector $v \in H(x)$, then $\lambda v \in H(x)$ for any $\lambda > 0$. If there is a smooth curve, $c : [-1, 1] \rightarrow W$, such that the differential $\frac{dc(t)}{dt} \in H(x)$, whenever $c(t) = x$, then c is called an *integral curve* of H . An integral curve of H from $x = c(o)$ to $y = \lim_{t \rightarrow 1} c(t)$ is called an *H-preference curve* from x to y . In this case we write $y \in \mathbb{H}(x)$. We say y is reachable from x if there is a piecewise differentiable H -preference curve from x to y , so $y \in \mathbb{H}^r(x)$ for some reiteration r . The preference field H is called *S-continuous* iff the inverse relation \mathbb{H}^{-1} is *lde*. That is, if x is reachable from y , then there is a neighborhood V of y such that x is reachable from all of V . The *choice* $C(W, H)$ of H on W is defined by

$$C(W, H) = \{x \in W : H(x) = \emptyset\}.$$

Say $H(x)$ is semi-convex at $x \in W$, if either $H(x) = \emptyset$ or $0 \notin \text{Con}[H(x)]$ in the tangent space T_xW . In the later case, there will exist a vector $v' \in T_xW$ such that $(v' \cdot v) > 0$ for all $v \in H(x)$. We can say in this case that there is, at x , a *direction gradient* d in the cotangent space T_x^*W of linear maps from T_xW to \mathbb{R} such that $d(v) > 0$ for all $v \in H(x)$. If H is *S-continuous* and half-open in a neighborhood, V , then there will exist such a continuous direction gradient $d : V \rightarrow T^*V$ on the neighborhood V .¹¹

We define

$$\text{Cycle}(W, H) = \{x \in W : H(x) \neq \emptyset, 0 \in \text{Con}H(x)\}.$$

Definition 3. The *dual* of a preference field $H : W \rightarrow TW$ is defined by $H^* : W \rightarrow T^*W : x \rightarrow \{d \in T_x^*W : d(v) > 0 \text{ for all } v \in H(x) \subset T_xW\}$. For convenience if $H(x) = \emptyset$ we let $H^*(x) = T_x^*W$. Note that if $0 \notin \text{Con}H(x)$ iff $H^*(x) \neq \emptyset$. We can say in this case that the field is *half-open* at x .

In applications, the field $H(x)$ at x will often consist of some family $\{H_j(x)\}$. As an example, let $u : W \rightarrow \mathbb{R}^n$ be a smooth utility profile and for any coalition $M \subset N$ let

$$H_M(u)(x) = \{v \in T_xW : du_i(x)(v) > 0, \forall i \in M\}.$$

If \mathbb{D} is a family of *decisive* coalitions, $\mathbb{D} = \{M \subset N\}$, then we define

$$H_{\mathbb{D}}(u) = \cup H_M(u) : W \rightarrow TW.$$

Then the field $H_{\mathbb{D}}(u) : W \rightarrow TW$ has a dual $[H_{\mathbb{D}}(u)]^* : W \rightarrow T^*W$ given by $[H_{\mathbb{D}}(u)]^*(x) = \cap [H_M(u)(x)]^*$ where the intersection at x is taken over all $M \in \mathbb{D}$ such that $H_M(u)(x) \neq \emptyset$. We call $[H_M(u)(x)]^*$ the *co-cone* of $[H_M(u)(x)]^*$. It then follows that at $x \in$

¹¹ i.e. $d(x)(v) > 0$ for all $x \in V$, for all $v \in H(x)$, whenever $H(x) \neq \emptyset$.

$Cycle(W, H_{\mathbb{D}}(u))$ then $0 \in Con[H_{\mathbb{D}}(u)(x)]$ and so $[H_{\mathbb{D}}(u)(x)]^* = \emptyset$. Thus

$$Cycle(W, H_{\mathbb{D}}(u)) = \{x \in W : [H_{\mathbb{D}}(u)]^*(x) = \emptyset\}.$$

The condition that $[H_{\mathbb{D}}(u)]^*(x) = \emptyset$ is equivalent to the condition $\cap [H_M(u)(x)]^* = \emptyset$ and was called the *null dual condition* (at x). Schofield (1978) has shown that $Cycle(W, H_{\mathbb{D}}(u))$ will be an open set and contains cycles so that a point x is reachable from itself through a sequence of preference curves associated with different coalitions. This result was an application of a more general result.

Theorem 2 (Dynamical Choice Theorem). (Schofield 1978) *For any S -continuous field H on compact, convex W , then*

$$Cycle(W, H) \cup C(W, H) \neq \emptyset.$$

Proof. If $x \in Cycle(W, H) \neq \emptyset$ then there is a *piecewise differentiable H -preference cycle* from x to itself. If there is an open path connected neighborhood $V \subset Cycle(W, H)$ such that $H(x')$ is open for all $x' \in V$ then there is a *piecewise differentiable H -preference curve* from x to x' . \square

(Here piecewise differentiable means the curve is continuous, and also differentiable except at a finite number of points.) The proof follows from the previous choice theorem. The trajectory is built up from a set of vectors $\{v_1, \dots, v_t\}$ each belonging to $H(x)$ with $0 \in Con[\{v_1, \dots, v_t\}]$. If $H(x)$ is of full dimension, as in the case of a voting rule, then just as in the model of chaos by Li and York (1975), trajectories defined in terms of H can wander anywhere within any open path connected component of $Cycle(W, H)$. Chichilnisky (1997a) has obtained an analogous result.

Theorem 3 (Chichilnisky Theorem). (Chichilnisky 1997a) *The limited arbitrage condition $\cap [H_i(u)]^* \neq \emptyset$ is necessary and sufficient for existence of a competitive equilibrium.*

Chichilnisky (1993, 1997b) also defined a topological obstruction to the non-emptiness of this intersection and showed the connection with the existence of a social choice equilibrium.

For a voting rule, \mathbb{D} it is possible to guarantee that $Cycle(W, H_{\mathbb{D}}) = \emptyset$ and thus that $C(W, H_{\mathbb{D}}) \neq \emptyset$. We can do this by restricting the dimension of W .

Extending the equilibrium result of the Nakamura Theorem (Nakamura 1979) to higher dimension for a voting rule faces a difficulty caused by Bank's Theorem. We first define a *fine* topology on smooth utility functions (Hirsch 1976; Schofield 1999, 2003).

Definition 4. Let $(U(W)^N, T_1)$ be the topological space of smooth utility profiles endowed with the the C^1 -topology.

In economic theory, the existence of isolated price equilibria can be shown to be "generic" in this topological space (Debreu 1970, 1976; Smale 1974a,b). In social choice no such equilibrium theorem holds. The difference is essentially because of the coalitional nature of social choice.

Theorem 4 (Banks Theorem). *For any non-collegial \mathbb{D} , there exists an integer $w(\mathbb{D})$ such that $\dim(W) > w(\mathbb{D})$ implies that $C(W, H_{\mathbb{D}}(u)) = \emptyset$ for all u in a dense subspace of $(U(W)^N, T_1)$ so $\text{Cycle}(W, H_{\mathbb{D}}(u)) \neq \emptyset$ generically.*

Proof. This result was essentially proved by Banks (1995), building on earlier results by Plott (1967), Kramer (1973), McKelvey (1979), Schofield (1983a,b), McKelvey and Schofield (1987). See for related analyses. Indeed, it can be shown that if $\dim(W) > w(\mathbb{D}) + 1$ then $\text{Cycle}(W, H_{\mathbb{D}}(u))$ is generically dense (Schofield 1984). The integer $w(\mathbb{D})$ can usually be computed explicitly from \mathbb{D} . For majority rule with n odd it is known that $w(\mathbb{D}) = 2$ while for n even, $w(\mathbb{D}) = 3$. \square

Although the Banks Theorem formally applies only to voting rules, Schofield (2010) argues that it is applicable to any non-collegial social mechanism, say $H(u)$ and can be interpreted to imply that

$$\text{Cycle}(W, H(u)) \neq \emptyset \text{ and } C(W, H(u)) = \emptyset$$

is a generic phenomenon in coalitional systems. Because preference curves can wander anywhere in any open component of $\text{Cycle}(W, H(u))$, Schofield (1979) called this *chaos*. It is not so much the sensitive dependence on initial conditions, but the aspect of indeterminacy that is emphasized. On the other hand, existence of a hegemon, as discussed in Section 2, suggests that $\text{Cycle}(W, H(u))$ would be constrained in this case.

Richards (1990) has examined data on the distribution of power in the international system over the long run and presents evidence that it can be interpreted in terms of a chaotic trajectory. This suggests that the metaphor of the nPD in international affairs does characterise the ebb and flow of the system and the rise and decline of hegemony.

It is worth noting that the early versions of the Banks Theorem were obtained in the decade of the 1970's, a decade that saw the first oil crisis, the collapse of the Bretton Woods system of international political economy, the apparent collapse of the British economy, the beginning of social unrest in Eastern Europe, the revolution in Iran, and the second oil-crisis (Caryl 2011). Many of the transformations that have occurred since then can be seen as changes in beliefs, rather than preferences. Models of belief aggregation are less well developed than those dealing with preferences.¹² In general models of belief aggregation are related to what is now termed Condorcet's Jury Theorem, which we now introduce.

5. Beliefs and Condorcet's Jury Theorem

The Jury Theorem formally only refers to a situation where there are just two alternatives $\{1, 0\}$, and alternative 1 is the "true" option. Further, for every individual, i , it is the case that the probability that i picks the truth is ρ_{i1} , which exceeds the probability, ρ_{i0} , that i does not pick the truth. We can assume that $\rho_{i1} + \rho_{i0} = 1$, so obviously $\rho_{i1} > \frac{1}{2}$. To simplify the proof, we can assume that ρ_{i1} is the same for every individual, thus $\rho_{i1} = \alpha > \frac{1}{2}$ for all i . We use $\chi_i (= 0 \text{ or } 1)$ to refer to the choice of individual i ,

¹² Results on belief aggregation include Penn (2009) and McKelvey and Page (1986).

and let $\chi = \sum_{i=1}^n \chi_i$ be the number of individuals who select the true option 1. We use \Pr for the probability operator, and E for the expectation operator. In the case that the electoral size, n , is odd, then a majority, m , is defined to be $m = \frac{n+1}{2}$. In the case n is even, the majority is $m = \frac{n}{2} + 1$. The probability that a majority chooses the true option is then

$$\alpha_{maj}^n = \Pr[\chi \geq m].$$

The theorem assumes that voter choice is *pairwise independent*, so that $\Pr(\chi = j)$ is simply given by the binomial expression $\binom{n}{j} \alpha^j (1 - \alpha)^{n-j}$.

A version of the theorem can be proved in the case that the probabilities $\{\rho_{i1} = \alpha_i\}$ differ but satisfy the requirement that $\frac{1}{n} \sum_{i=1}^n \alpha_i > \frac{1}{2}$. Versions of the theorem are valid when voter choices are not pairwise independent (Ladha and Miller 1996).

Theorem 5 (The Jury Theorem). *If $1 > \alpha > \frac{1}{2}$, then $\alpha_{maj}^n \geq \alpha$, and $\alpha_{maj}^n \rightarrow 1$ as $n \rightarrow \infty$.*

Proof. For both n being even or odd, as $n \rightarrow \infty$, the fraction of voters choosing option 1 approaches $\frac{1}{n} E(\chi) = \alpha > \frac{1}{2}$. Thus, in the limit, more than half the voters choose the true option. Hence the probability $\alpha_{maj}^n \rightarrow 1$ as $n \rightarrow \infty$. \square

Laplace also wrote on the topic of the probability of an error in the judgement of a tribunal. He was concerned with the degree to which jurors would make just decisions in a situation of asymmetric costs, where finding an innocent party guilty was to be more feared than letting the guilty party go free. As he commented on the appropriate rule for a jury of twelve, “I think that in order to give a sufficient guarantee to innocence, one ought to demand at least a plurality of nine votes in twelve” (Laplace 1951[1814], p. 139). Schofield (1972a,b) considered a model derived from the Jury Theorem where uncertain citizens were concerned to choose an ethical rule which would minimize their disappointment over the the likely outcomes. He showed that majority rule was indeed optimal in this sense.

Models of belief aggregation extend the Jury Theorem by considering a situation where individuals receive signals, update their beliefs and make an aggregate choice on the basis of their posterior beliefs (Austen-Smith and Banks 1996). Models of this kind can be used as the basis for analysing correlated beliefs,¹³ and the creation of belief cascades (Easley and Kleinberg 2010).

Schofield (2002, 2006) has argued that Condorcet’s Jury Theorem provided the basis for Madison’s argument in Federalist X (Madison 1999 [1787]) that the judgments of citizens in the extended Republic would enhance the “probability of a fit choice.” However, Schofield’s discussion suggests that belief cascades can also fracture the society in two opposed factions, as in the lead up to the Civil War in 1860.¹⁴

There has been a very extensive literature recently on cascades (Gleick 1987; Buchanan 2001, 2003; Gladwell 2002; Johnson 2002; Barabasi 2003, 2010; Strogatz 2004; Watts 2002, 2003; Surowiecki 2005; Ball 2004; Christakis and Fowler 2011),

¹³ Schofield 1972 a,b; Ladha 1992, 1993; Ladha and Miller 1996.

¹⁴ Sunstein (2006, 2011) also notes that belief aggregation can lead to a situation where subgroups in the society come to hold very disparate opinions.

but it is unclear from this literature whether cascades will be equilibrating or very volatile. In their formal analysis of cascades on a network of social connections, Golub and Jackson (2010) use the term *wise* if the process can attain the truth. In particular they note that if one agent in the network is highly connected, then untrue beliefs of this agent can steer the crowd away from the truth. The recent economic disaster has led to research on market behavior to see if the notion of cascades can be used to explain why markets can become volatile or even irrational in some sense (Acemoglu et al. 2010; Schweitzer et al. 2009). Indeed the literature that has developed in the last few years has dealt with the nature of herd instinct, the way markets respond to speculative behavior and the power law that characterizes market price movements (see, for example, Mandelbrot and Hudson 2004; Shiller 2003, 2005; Taleb 2007; Barbera 2009; Cassidy 2009; Fox 2009). The general idea is that the market can no longer be regarded as efficient. Indeed, as suggested by Ormerod (2001) the market may be fundamentally chaotic.

“Empirical” chaos was probably first discovered by Lorenz (1962, 1963) in his efforts to numerically solve a system of equations representative of the behavior of weather. A very simple version is the non-linear vector equation

$$\frac{dx}{dt} = \begin{bmatrix} dx_1 \\ dx_2 \\ dx_3 \end{bmatrix} = \begin{bmatrix} -a_1(x_1 - x_2) \\ -x_1x_3 + a_2x_1 - x_2 \\ x_1x_2 - a_3x_3 \end{bmatrix},$$

which is chaotic for certain ranges of the three constants, a_1, a_2, a_3 .

The resulting “butterfly” portrait winds a number of times about the left hole (as in Figure 2), then about the right hole, then the left, etc. Thus the “phase portrait” of this dynamical system can be described by a sequence of winding numbers ($w_l^1, w_k^1, w_l^2, w_k^2$, etc.). Changing the constants a_1, a_2, a_3 slightly changes the winding numbers. Note that Figure 2 is in three dimensions. The butterfly wings on left and right consist of infinitely many closed loops. An illustration of the butterfly is the chaotic trajectory of the Artemis Earth Moon orbiter (which can be found at nasa.gov-artemis orbiter). The butterfly is also called the Lorenz “strange attractor.” A slight perturbation of this dynamic system changes the winding numbers and thus the qualitative nature of the process. Clearly this dynamic system is not structurally stable, in the sense used by Kauffmann (1993). The metaphor of the butterfly gives us pause, since all dynamic systems whether models of climate, markets, voting processes or cascades may be indeterminate or chaotic.

6. The Edge of Chaos

A *dynamic belief equilibrium* at τ for a society N_τ is a fixed point of a transformation in the beliefs of the society. Although the space will be infinite dimensional, if the domain and range of this transformation are restricted to *equicontinuous* functions (Pugh 2002), then the domain and range will be compact. Penn (2009) shows that if the domain and range are convex then a generalized version of Brouwer’s fixed point theorem can be applied to show existence of such a dynamic belief equilibrium. This notion of

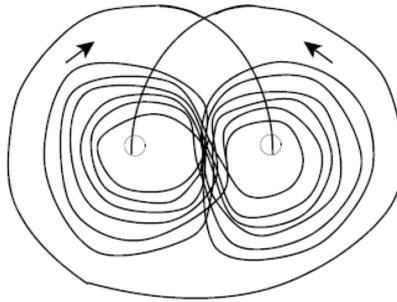


Figure 2. The butterfly

equilibrium was first suggested by Hahn (1973) who argued that equilibrium is located in the mind, not in behavior.

However, the choice theorem suggests that the validity of Penn's result will depend on how the model of social choice is constructed. For example Corcos et al. (2002) consider a formal model of the market, based on the reasoning behind Keynes's "beauty contest" (Keynes 1936). There are two coalitions of "bulls" and "bears." Individuals randomly sample opinion from the coalitions and use a *critical* cutoff-rule. For example if the individual is bullish and the sampled ratio of bears exceeds some proportion then the individual flips to bearish. The model is very like that of the Jury Theorem but instead of guaranteeing a good choice the model can generate chaotic flips between bullish and bearish markets, as well as fixed points or cyclic behavior, depending on the cut-off parameters. Taleb's argument (Taleb 2007) about black swan events can be applied to the recent transformation in societies in the Middle East and North Africa that resemble such a cascade (Taleb and Blyth 2011). As in the earlier episodes in Eastern Europe, it would seem plausible that the sudden onset of a cascade is due to a switch in a critical coalition.

The notion of "criticality" has spawned in enormous literature particularly in fields involving evolution, in biology, language and culture (see for example Cavalli-Sforza and Feldman 1981; Bowles et al. 2003). Bak and Sneppen (1993) refer to the self organized critical state as the

"... 'edge of chaos' since it separates a frozen inactive state from a 'hot' disordered state ... The mechanism of evolution in the critical state can be thought of as an exploratory search for better local fitness, which is rarely successful, but sometimes has enormous effect on the ecosystem."

Flyvbjerg et al. (1993) go on to say

"... species sit at local fitness maxima ... and occasionally a species jumps to another maximum [in doing so it] may change the fitness landscapes of other species which depend on it ... Consequently they immediately jump

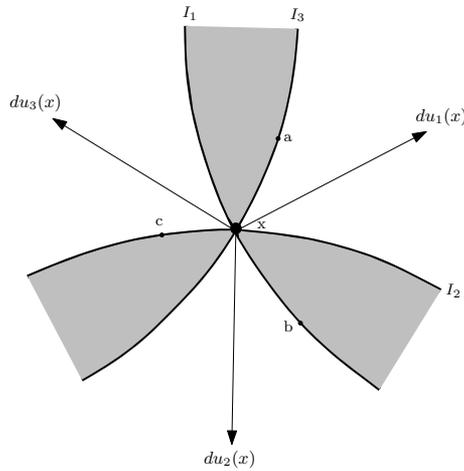


Figure 3. Cycles in a neighborhood of x

to new maxima. This may affect yet another species in a chain reaction, a *burst* of evolutionary activity.”

This work was triggered by the earlier ideas on “punctuated equilibrium” by Eldredge and Gould (1972) (see also Eldredge 1976; Gould 1976).

The point to be emphasized is that the evolution of a species involves bifurcation, a splitting of the pathway. We can refer to the bifurcation as a *catastrophe* or a *singularity*. The portal or door to the singularity may well be characterized by chaos or uncertainty, since the path can veer off in many possible directions, as suggested by the bifurcating cones in Figures 3 and 4. At every level that we consider, the bifurcations of the evolutionary trajectory seem to be locally characterized by chaotic domains. I suggest that these domains are the result of different coalitional possibilities. The fact that the trajectories can become indeterminate suggests that this may enhance the exploration of the fitness landscape.

A more general remark concerns the role of climate change. Climate has exhibited chaotic or catastrophic behavior in the past.¹⁵ There is good reason to believe that human evolution over the last million years can only be understood in terms of “bursts” of sudden transformations (Nowak 2011) and that language and culture co-evolve through group or coalition selection (Cavalli-Sforza and Feldman 1981). Calvin (2003) suggests that our braininess was cause and effect of the rapid exploration of the fitness landscape in response to climatic forcing. For example Figure 2 in the earlier paper (Schofield 2011) showed the rapid changes in temperature over the last 100,000 years. It was only in the last period of stable temperature, the “holocene,” during the last 10,000 years that agriculture was possible. One danger of the current climate change

¹⁵ Indeed as I understand the dynamical models, the chaotic episodes are due to the complex interactions of dynamical processes in the oceans, on the land, in weather, and in the heavens. These are very like interlinked *coalitions* of non-gradient vector fields.

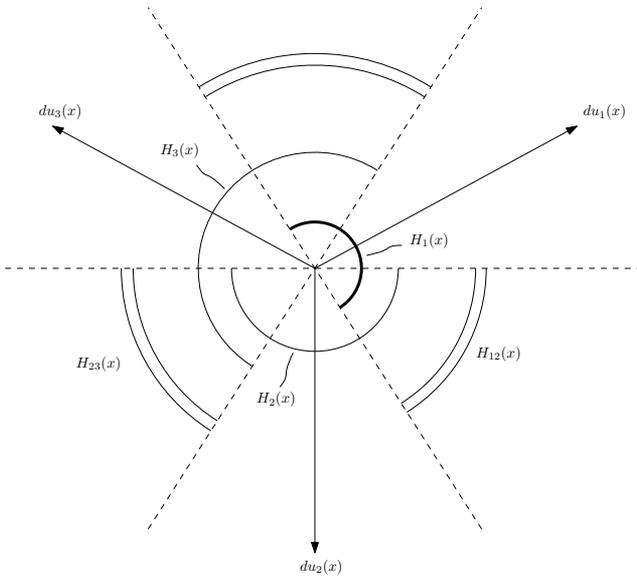


Figure 4. The failure of half-openness of a preference field

is not just the possibility of a rise in temperature but that climate itself could become chaotic, destroying the possibility of agriculture and causing the collapse of our civilization.

Stringer (2012) calls the theory of rapid evolution during a period of chaotic climate change “the Social Brain hypothesis.” The cave art of Chauvet, in France dating back about 36,000 years suggests that belief in the supernatural played an important part in human evolution. Indeed, we might speculate that the part of our mind that enhances technological/mathematical development and that part that facilitates social/religious belief are in conflict with each other (this is suggested by Kahneman 2011). We might also speculate that market behavior is largely driven by what Keynes termed *speculation*, namely the largely irrational changes of *mood* (Casti 2010). Figure 1 in the earlier paper (Schofield 2011) gave an illustration of the swings in the U.S. stock market over the last 80 years. This figure certainly suggested that the stock market does not tend to equilibrate.

7. A Moral Compass

If we accept that moral and religious beliefs are as important as rational calculations in determining the choices of society, then depending on models of preference aggregation will not suffice in helping us to make decisions over how to deal with climate change. Instead, I suggest a moral compass, derived from current inferences made about the nature of the evolution of intelligence on our planetary home. The anthropic principle reasons that the fundamental constants of nature are very precisely tuned so

that the universe contains matter and that galaxies and stars live long enough to allow for the creation of carbon, oxygen etc, all necessary for the evolution of life itself.¹⁶ Gribbin (2011) goes further and points out that not only is the sun unusual in having the characteristics of a structurally stable system of planets, but the earth is fortunate in being protected by Jupiter from chaotic bombardment but the Moon also stabilizes our planet's orbit.¹⁷ In essence Gribbin gives good reasons to believe that our planet may well be the only planet in the galaxy that sustains intelligent life. If this is true then we have a moral obligation to act as guardians of our planetary home. Parfit (2011) argues

“What matters most is that we rich people give up some of our luxuries, ceasing to overheat the Earth's atmosphere, and taking care of this planet in other ways, so that it continues to support intelligent life. If we are the only rational animals in the Universe, it matters even more whether we shall have descendants during the billions of years in which that would be possible. Some of our descendants might live lives and create worlds that, though failing to justify past suffering, would give us all, including those who suffered, reason to be glad that the Universe exists.” (Parfit 2011, p. 419)

8. Collapse

In the aftermath of the Great Recession, many authors have argued that the institutions that served the west as it industrialized are no longer effective (Ferguson 2012; Oreskes and Conway 2014). An earlier argument by Tainter and Renfrew (1988) on the basis of a review of the anthropological and archeological literature on the collapse of complex societies is that all such societies develop increasing complex institutions, and that complexity itself induces increasing marginal cost. Without any doubt the institutions of capitalism have become more complex over time. Such complexity can be seen in the Limits to Growth models of Meadows et al. (1972, 2012). If we regard “complexity” as the “rules of the game” then it is certainly plausible that the behavior of such a game will be located at the edge of chaos, as suggested above and thus subject to catastrophe. The logic of this theory is that we face the collapse of the American hegemony, with the end of the period of cheap energy and resources. It is also possible that China will become the new hegemon. China has been able to grow rapidly, benefitting from the positive marginal advantages of western economic institutions. Although China faces many problems associated with population, urbanization and environmental degradation, there are also indications that it is concerned to devise entirely new institutions that may help it to continue to prosper. Indeed it is possible that the continued development of China will usher in a completely new world order

¹⁶ As Smolin (2007) points out, the anthropic principle has been adopted because of the experimental evidence that the expansion of the universe is accelerating. Indeed it has led to the hypothesis that there is an infinity of universes all with different laws. An alternative inference is the the principle of intelligent design. My own inference is that we require a teleology as proposed in the conclusion.

¹⁷ The work by Poincare in the late 19th century focussed on the structural stability of the solar system and was the first to conceive of the notion of chaos.

that will be entirely different from the system of nation-states that developed from the post-enlightenment dominance of the West. It has also been suggested that the agricultural revolution that occurred at the beginning of the Holocene was accompanied by an ideological revolution associated with a belief in our ability to manipulate Nature for our own ends (Seddon 2014). This ideology can be seen as a precursor to enlightenment beliefs. Perhaps we need a new system of morality based on post-Holocene virtues appropriate to the age we live in rather than to enlightenment “rationality.”

9. Conclusion

Even if we believe that markets are well behaved, there is no reason to infer that markets are able to reflect the social costs of the externalities associated with production and consumption. Indeed Gore (2006) argues that the globalized market place, what he calls *Earth Inc* has the power and inclination to maintain business as usual. If this is so, then climate change will undoubtedly have dramatic adverse effects, not least on the less developed countries of the world.¹⁸

In principle we may be able to rely on a version of the Jury Theorem (Rae 1960; Schofield 1972a,b; Sunstein 2009), which asserts that majority rule provides an optimal procedure for making collective choices under uncertainty. However, for the operation of what Madison called a “fit choice” it will be necessary to overcome the entrenched power of capital. Although we now disregard Marx’s attempt at constructing a teleology of economic and political development,¹⁹ we are in need of a more complex over-arching and evolutionary theory of political economy, embodying a system of morality that will go beyond the notion of equilibrium and might help us deal with the future.²⁰

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¹⁸ Zhang et al. (2007) and Hsiang et al. (2013) have provided quantitative analyses of such adverse effects in the past. See also Parker (2013) for an historical account of the effect of climate change in early modern Europe.

¹⁹ See Sperber (2014) for a discussion of the development of Marx’s ideas, in the context of 19th century belief in the teleology of “progress” or the advance of civilization. The last hundred years has, however, made it difficult to hold such beliefs.

²⁰ The philosopher Nagel (2012) argues that without a teleology of some kind, we are left with Darwinian evolutionary theory, which by itself cannot provide a full explanation of what we are and where we are going. See also Taylor (2007) and Bellah (2011).

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