

New Models of Governance

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Sustainability Kaleidoscope
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Outline

- 1 Financial Crisis
- 2 Metaphors
- 3 Supply and Demand
- 4 Coordination by Conventions
- 5 Multi-Agent Models
- 6 Learning to Learn



Dani Rodrik on the Present Crisis

What will the post-mortem on Wall Street show? That it was a case of suicide? Murder? Accidental death? Or was it a rare instance of generalized organ failure? We will likely never know.

The regulations and precautions that lawmakers will enact to prevent its recurrence will therefore necessarily remain blunt and of uncertain effectiveness.

That is why you can be sure that we will have another major financial crisis sometime in the future, once this one has disappeared into the recesses of our memory. You can bet your life savings on it. In fact, you probably will

George Soros on the Present Crisis

This fact—that the defect was inherent in the system—contradicts the prevailing theory, which holds that financial markets tend toward equilibrium and that deviations from the equilibrium either occur in a random manner or are caused by some sudden external event to which markets have difficulty adjusting.

The severity and amplitude of the crisis provides convincing evidence that there is something fundamentally wrong with this prevailing theory and with the approach to market regulation that has gone with it.

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Take a Map of Bilbao

- Crumple it
- Throw it on the ground here in Bilbao
- Think a moment

The Map is not the Territory

- Try to look at the map as a metaphor

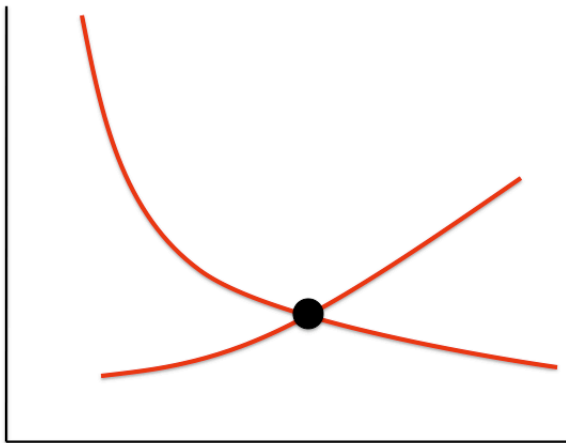
Jean-Pierre Aubin on Mathematical Metaphors

As in ordinary language, metaphors may be used in mathematics to explain a given phenomenon by associating it with another which is (or is considered to be) more familiar. It is this sense of familiarity, whether individual or collective, innate or acquired by education, which enables one to convince oneself that one has understood the phenomenon in question.

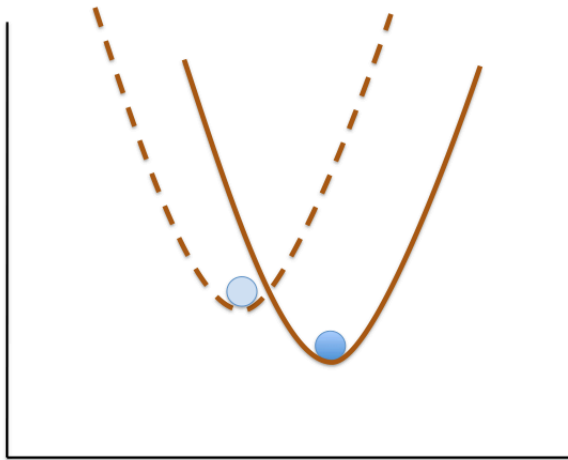
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The Icon of Supply and Demand



Equilibrium Oriented Governance



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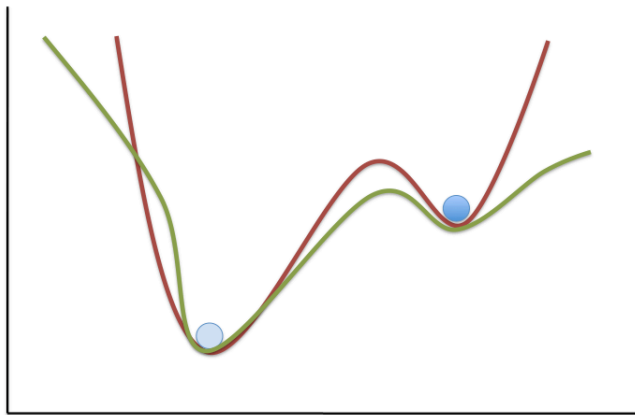
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The Metaphor of Road Traffic

	right	0 / 0	1 / 1
Bella	left	1 / 1	0 / 0
		left	right
		Edward	

A 2x2 coordination game matrix for Bella and Edward. The rows represent Bella's choices (right, left) and the columns represent Edward's choices (left, right). Each cell contains a pair of numbers representing payoffs for Bella and Edward respectively. Diagonal cells (0,0) and (1,1) represent coordination, while off-diagonal cells (0,1) and (1,0) represent miscoordination.

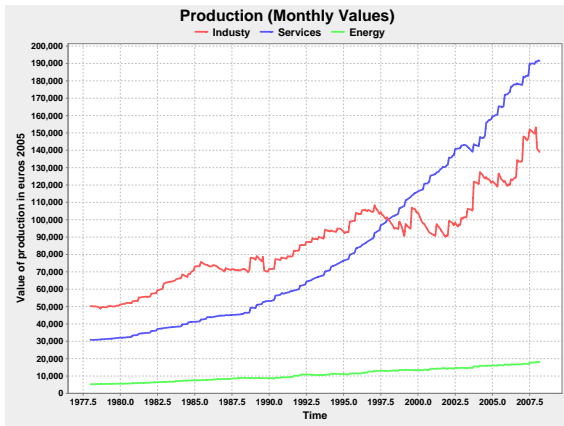
Coordination Oriented Governance



Outline

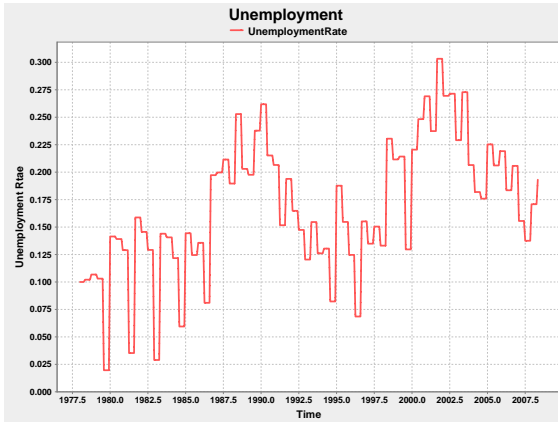
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Shifting Sectors

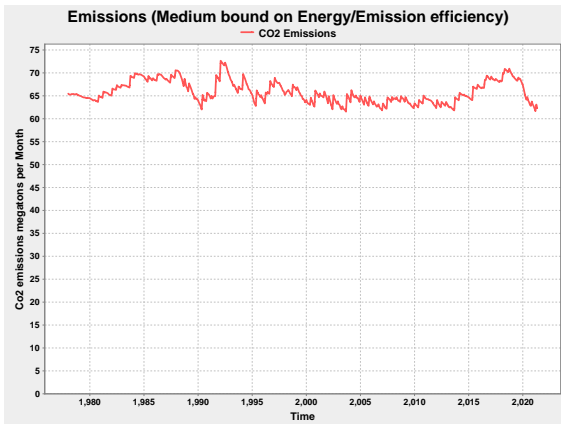


Blue: Industry
Red: Services
Green: Energy

Unemployment



Simulated emissions



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Crossing the River by Touching the Stones

- Be Aware of Economic Conventions
- Look for New Coordination Opportunities
- Look for New Metaphors for the Economy
- Quietly Emphasize Professional Skills