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| RESEARCH ARTICLE

Stoic Economics: A Theoretical Examination of a Shift in Consumer Philosophy towards Stoicism

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| ABSTRACT
Since the advent of modern economic thought, particularly within Behavioral Economics, consumer behavior has primarily been driven by psychological and utilitarian beliefs that prioritize self-interest and material accumulation. Now, as consumer mindfulness becomes a prevalent issue, we look to philosophy — rather than psychology — as a framework for consumer behavior. Stoicism, originating in Ancient Greece and Rome, has always been applied to individual well-being but has never been considered in the context of collective economic behavior, despite its basis aligning well with the basic economic problem of scarcity. We examine whether and to what extent virtue-based principles of Stoicism can shift economic activity, both for consumers and the economy at large. Through understanding of key tenets of stoicism, and translating these philosophical ideals to economic assumptions, we find that the stoic focus on long-term stability, rational decision-making, and the use of wealth for public good leads to deviations from the status quo of market activity.

| KEYWORDS

Stoicism, Consumer Behavior, Philosophy, Economics, Behavioral Economics

| ARTICLE INFORMATION

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1. Introduction
Our paper aims to investigate how a shift in consumer mindset may lead to a change in purchasing habits, social goods, and economic growth. Although these are key goals of the field of Behavioral Economics, the approach that we take differs significantly in how we view human behavior. Instead of creating assumptions based on the behaviors or psychological components of the human psyche, we look to philosophy. Presently, most consumers cannot identify their own philosophical ideals, let alone which philosophical school governs their economic action. Therefore, we must abstract the consumer away to a model; our consumer must behave according to a clear philosophical mode of thought. In order to do this, we look to classical philosophy as a framework for behavior, basing purchasing decisions on key tenets of Stoicism. Although there were many philosophical schools we could choose from, Stoicism stood out as one that offered key views on wealth and consumer reactions to events, which seemed promising for the first paper on this topic. By adopting Stoic principles, we propose that consumers can gain better control over their spending, leading to more mindful consumption patterns and a healthier economic environment.

Before we begin, a remark should be made as to why this philosophy is not prevalent in the status quo. It is interesting that Stoicism, a philosophy predicated on making the most out of one's limited resources and limited control — the goal of economics — has not truly found its way into the market at large. Whether that is because of the inherent selfishness of humans, as described by Adam Smith, or another, more complex reason, the truth remains that resource allocation does not follow a Stoic distribution. Consumers often consume beyond their means, let alone their needs, leading to production that induces waste. This mindset of rampant consumerism, riddled with panic during market changes, thrusts the general population into a vicious cycle of fear and greed.

Figure 1

CNN. (n.d.). [Fear and Greed Index vs SPX RSI]. Retrieved August 28 2024, from https://www.isabelnet.com/wp-content/uploads/2019/11/Fear-and-Greed-Index-vs.-SP-500-RSI.jpg

Furthermore, individuals frequently fail to comprehend the underlying reasons behind their purchasing decisions. "Probably 95% of all cognition, all the thinking that drives our decisions and behaviors, occurs unconsciously—and that includes consumer decisions" (Zaltman, 2002). This lack of awareness perpetuates the impulsive buying behaviors referred to earlier.. The subsequent disconnect between consumer behavior and financial mindfulness perpetuates a cycle of inefficiency and financial mismanagement, further complicating efforts to achieve economic stability. However, once individuals become mindful of their purchasing motivations, they can begin to implement effective budgeting practices. If society were to adopt Stoic thinking, with its emphasis on mindful decision-making, individuals could significantly alter their spending behaviors, leading to more prudent financial practices and healthier financial markets.

2. Literature Review / Methodology

2.1 Philosophical Assumptions

Although this paper deals with economic ideals, as economists, we must first understand the Stoic philosophy behind those ideals, in order for us to accurately judge the implications of adopting these principles in modern economic systems. Although we cannot take every Stoic tendency into account, we propose a set of assumptions that will lay the foundation for our *stoic economics*, and, through this limited form of the philosophy, attempt to predict major changes in market dynamics within the United States' market.

Assumption 1: Acceptance and Optimism Regarding External Events and Market Cycles

One key principle of Stoic philosophy is the acceptance of external events and the natural cycles of life, rooted in the belief that the world is rationally structured as well as positive on balance. This principle can be applied to market cycles, suggesting that if people adopted Stoic thinking, they would not panic or act irrationally during market downturns. The Stoics believed in maintaining a sense of equanimity regardless of external circumstances, which could translate to more stable financial behaviors and, consequently, reduced market volatility.

Extending upon this view, not only did the ancient Stoics posit that the universe operates according to a rational and providential order, they also taught that everything ultimately contributes to a greater good. This optimistic view of the cosmos suggests that even negative events have a positive role in its grand scheme. As Cicero explains in "Stoic Paradoxes," the wise person accepts external events with tranquility, recognizing their place in the rational order of the universe (Douglas, 1990). This acceptance found in Stoic philosophy will significantly reduce the emotional and irrational responses that are often responsible for driving market instability.

The adoption of Stoic principles would encourage consumers and investors to focus on the long-term value and stability of investments rather than the short-term gains. This shift in thinking can mitigate the impact of speculative bubbles, where excitement leads to overvaluation, and subsequent crashes, where fear leads to panic selling. By advocating for a balanced perspective that recognizes the inevitability of market cycles, stoic thinking can help flatten the extreme peaks and troughs of economic activity, therefore leading to more predictable and stable growth patterns. In Cicero's "Stoic Paradoxes,", he argues that a person's wealth is not measured by their possessions but by their contentment and moderation, which aligns with the Stoic emphasis on stability and rational investment.

Additionally, the Stoic emphasis on acceptance of external events as part of a larger, rational whole tends to reduce the tendency to react impulsively to significant news or market fluctuations. Rather than responding with panic and/or hasty decision-making, individuals mindful of stoic philosophy would take a more measured approach, taking into account the broader context and potential long-term outcomes. Cicero emphasizes that true wealth is the possession of virtue and a mind free from the enslavement of passions, such as greed and fear, which often drive irrational economic behaviors (Stoic Paradoxes). Behavior like this would not only protect individual investors from the pitfalls of emotional financial decision-making but also lay the foundation for stable markets by reducing the frequency and severity of panic-driven sell-offs.

Stoic "acceptance of external events" urges individuals to concentrate on what is within their control, while being conscious of external outcomes sometimes being beyond one's influence. This thinking is consistent with strategies that support disciplined investing and emphasize the value of maintaining a diversified portfolio to mitigate risk. Even in the face of ephemeral market volatility, investors who adopt stoic thinking would be more consistent and logical in their investing decisions by remembering their long-term financial objectives. As Cicero states, the wise person remains unaffected by the uncertainties of fortune, suggesting that a stoic approach to investing would prioritize longevity over short-term reactions (Stoic Paradoxes).

Assumption 2: Wealth as a"Preferred Indifferent"

The Stoics explicitly held the view that wealth is a "preferred indifferent", meaning that while wealth, along with other indifferents such as health and social connections, is valuable, it is not ultimately valuable. According to Stoic philosophy, only virtue is of ultimate value. The value of indifferents, including wealth, is of a different kind; they are useful but not essential to living a virtuous life. The Stoics acknowledged the reasonableness of pursuing wealth provided that it does not interfere with the paramount goal in life: the attainment of virtue.

This perspective is highlighted in the works of Cicero and Seneca, who argued that wealth should be used to promote virtue and the well-being of society. As Cicero explains in *On Duties*, "Wealth is sought sometimes for the necessary uses of life, sometimes for indulgence in luxury.[...] Nor, indeed, is the increase of property, without harm to anyone, to be blamed; but wrong-doing for the sake of gain is never to be tolerated" (*On Duties I*, 8). This reflects Stoic thought that the pursuit of wealth should be utilized to benefit others, reinforcing the idea that personal gain should come at the expense of societal well-being.

As Cicero explains in "Stoic Paradoxes," true wealth is the possession of virtue and wisdom, which cannot be taken away and is independent of external wealth (Douglas, 1990). Seneca, in his treatise, "On the Happy Life," emphasizes that material wealth should serve the purpose of facilitating collective virtue, allowing more individuals to obtain wisdom through greater access to material services.

Stoicism accepts the principles of capitalism to an extent, as long as the accumulation of wealth leads to maximizing social benefit. There are two primary Stoic perspectives on wealth: one, represented by Antipater, suggests that mutual social benefit should be a prior constraint on economic activity. The other, exemplified by Diogenes, argues that one can seek personal profit to the maximum extent possible within the bounds of the law. Both perspectives recognize the potential for wealth to be used instrumentally to achieve virtue and social good, though they differ in their approach to economic behavior.

In our analysis, we adopt the view that aligns with Antipater's emphasis on mutual social benefit. This perspective supports the idea that economic activities and the pursuit of wealth should be conducted in a manner that promotes the public good and enhances societal well-being. This approach ensures that the accumulation of wealth does not lead to selfishness or moral corruption but rather contributes to a virtuous and equitable society. "A Stoic must conclude that material production and consumption must serve the purpose of facilitating collective virtue, in the sense that materials should be used in a way that enables more people to obtain wisdom through greater access to material services" (Baloglou, 2002). Adopting Diogenes' view of maximizing wealth within the confines of the law may, in practice, lead to scenarios where wealth accumulation occurs at the expense of societal welfare. That being said, if the laws themselves were structured in a way that inherently protects the public good and prevents harm to others, the views of Diogenes and Antipater would coincide, as the pursuit of personal profit would fall in line with the optimization of social benefit.

Assumption 3: Money Should Be Used for Public Good

The paper, "Economics and Chrematistics in the Economic Thought of the Stoic Philosophy," written by Christos P. Baloglou, discusses how the Stoics viewed 'oikonomia' (household management) as a fundamental aspect of their philosophy. They emphasized that a wise man must manage his household efficiently and ethically, separating 'oikonomia' and chrematistics, the art of acquiring wealth. Stoics viewed the first as necessary and virtuous and the second as potentially corrupting if not conducted within ethical bounds. "A Stoic must conclude that material production and consumption must serve the purpose of facilitating collective virtue, in the sense that materials should be used in a way that enables more people to obtain wisdom through greater access to material services" (Baloglou, 2002).

From the Stoics' view on 'oikonomia,' we can deduce that they believed that money should be used for public good and to help others. "Considering the importance and universality of material services, the focus of the economic system, given the finite nature of Earth's resources, should therefore ensure the proper, efficient, and effective distribution of material services, not materials per se. This is because it is the ability to access and be supported by such services that, and to use Stoic terminology, enables an individual to live in a virtuous society" (Baloglou, 2002).

The Stoic belief in using wealth for the public good implies that money should be directed towards helping others and promoting social welfare. This principle discourages both the accumulation of excessive wealth and overspending on luxury goods. Instead, it promotes the use of financial resources to support education, healthcare, and other services that benefit the community as a whole. This idea is supported by the Stoic principle that material wealth should facilitate collective virtue and access to material services that enable individuals to live in a virtuous society. As Cicero stated, "the wise person will consider the qualities of a just, good, and enlightened character as true wealth, valuing inner virtues over external wealth" (Wilmoth, 2017).

3. Results and Discussion

3.1 Economic Applications

Part 1

Using our assumptions, we can attempt to establish a pseudo-stoic society, where consumers are still subject to most modern market conditions but differ from traditional consumers in their habits and behavior towards market events. Through this, we can establish that being Stoic does not impede economic growth but rather redirects it towards more sustainable and widespread benefits, both for the societal good and the domestic economy.

One of the core pillars of Stoic philosophy is the acceptance of external events and maintaining equanimity in difficulty, and in assumption 1 we proved that this mindset naturally leads to a reduction in emotional reactions such as fear and panic, which are often the main drivers of market volatility. In traditional market cycles, periods of economic boom are typically followed by busts, driven by irrational enthusiasm and subsequent panic selling. Through reducing these emotional extremes, a Stoic approach would create more stable and predictable market behavior. Speculation, which is often fueled by the excitement of immediate gain, plays a significant role in creating speculative bubbles. These bubbles arise when asset prices become overinflated due to excessive demand driven by speculative behavior rather than intrinsic value. When the bubble inevitably bursts, the market crashes, which leads to widespread economic distress. The adoption of stoic principles, which encourage a focus on long-term value and stability rather than short-term gain, would reduce the impact of such speculative bubbles.

The ancient Stoics believed that the world was not only rationally structured and orderly but also positive on balance. This belief is essential since it implies that even negative events have a role in the grand scheme and should not cause disproportionate fear or panic. Investors influenced by Stoic thought would be less prone to engage in panic selling during economic downturns. Instead, they would rather focus on the long-term value and stability of their investments, leading to fewer drastic market fluctuations and a change in the shape of markets from circular to linear growth.

An important question that might arise from such a shift is whether this would slow down economic growth. After all, this assumption of an economy driven by self-interest suggests that a move away from that paradigm might slow down growth. On the contrary, our analysis shows that Stoic-driven growth would be more pervasive and sustainable in a pattern that sustains society. Stoic principles would help reorient economic progress toward outcomes both socially and analytically desired. A historic antecedent supporting this position is Zeno of Citium, a Hellenistic thinker who had founded the Stoic school of philosophy, and turned out to be an extremely profitable trader. The success of Zeno in commerce demonstrates that Stoic ideals bear no fundamental contradiction with economic productivity. On the contrary, actually, Stoic principles can coexist well with and enhance economic performance. Stoic principles are not inimical to GDP growth but aim to channel it in more equitable ways for maximum societal benefit. The innovation and advancement in a stoic-economic society would continue; they, however, would be pegged to the betterment of society rather than any individual gain. This will then create an environment where economic growth goes in tandem with social good because individuals and businesses innovate not for profit but for the greater good of society. Thus, economic success measured by the traditional GDP growth would begin to indicate improvements in social and economic welfare rather than increases in output. From this shift towards stoic thinking, the Gini coefficient would likely decrease, indicating a reduction in income inequality and a more equitable distribution of wealth — both of which would benefit consumers and hence a healthier economy.

Part 2

Now, we have ascertained that growth under a *stoic economic* society will be more predictable, following a linear growth pattern, and will also not be impeded by Stoicism itself. However, an important consideration is what direction this growth will now take. Based on the stoic principles shown in both Assumptions 1 and 2, it is clear that a portion of fruit of this collective growth will fall into the hands of those deemed less fortunate by the collective of society.

Now, to make clear the effects on the economy and the consumer mindset, we can attempt to create simple mathematical models of behavior under *stoic economics*.

In a traditional society, consumers attempt to maximize utility (U), represented simply by

$$maxU(x, y)$$

where the choices x and y represent goods or services with different utilities. In order to adapt this according to a stoic mindset, we incorporate the virtue factor V to maximize utility with respect to the virtue a choice brings.

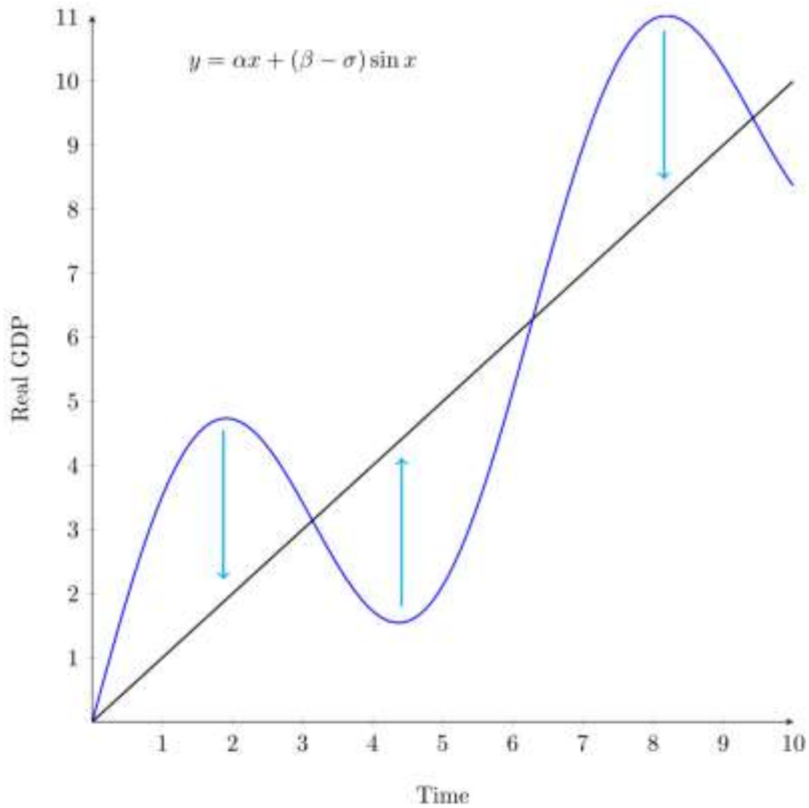
$$maxU(Vx, Vy)\ s.t. -1 \leq V \leq 1$$

This new model can be used as the basis for consumer activity in *stoic economics*, and from this new idea of how consumers value goods, economic models can be modified and approached in a way that incorporates virtue.

Next, from a macroeconomic standpoint, we must consider the ramifications of decreased sensitivity to external market events. As business cycles are driven in part by fear and greed that arise from reactions to market events, we can simplify and model the business cycles as a diagonal sine wave following the equation

$$y = \alpha x + (\beta - \sigma)\sin(x)$$

where α represents the coefficient of economic growth, β represents the level of consumer panic and greed, and σ represents the effect of a *stoic economic* mindset on consumer habits. As we can see, as this mindset begins to take prevalence, it reduces the overall coefficient of the sin(x) term, bringing it closer to 0. This is illustrated in the below figure.



It is made clear that, as a more stoic view is adopted by the general population, economic growth shifts from a cyclical pattern to one that is more linear, which has strong effects on all aspects of economic function within a society. Many of these are positive; we note that many major problems of our current economic system are grounded in the fact that markets are unpredictable. In the realm of policy, targeted fiscal policy measures will not be much easier to implement than in the past, with the time lags for implementation being less of a concern, as it is now easier to predict future economic states. In business, the reduction in volatility and more consistent growth rates will allow for more stable investments and less risk.

5. Conclusion

Our study has examined the intersection of Stoicism within the domain of economic thought, proposing a framework that diverges from conventional self-interest-driven models. Through reorienting economic behaviors towards sustainable and socially advantageous outcomes, a stoic economic paradigm not only maintains but potentially enhances economic growth. The analysis of our Stoic assumptions – particularly the acceptance of external events, the perception of wealth as a "preferred indifferent," and the importance of utilizing wealth for public good – reveals that these tenets lead to more predictable and equitable economic patterns.

While our paper makes points that seem aimed towards benefit, we remain largely positive in our analysis. Alongside this, our basic models are a simple foundation for the nuances of philosophy — there is much to test regarding the mathematical side of philosophical economics. This paper attempts to lay the groundwork for future studies in *stoic economics*, both normative and positive in nature. As the idea of consumer mindfulness is growing, with a large choice on the horizon that has been brought about by the new technology of the era, this is not an argument for or against stoic economics, but the basis of a new idea to be explored.

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