

In the Middle?

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I have completed 37 years in my life. That's a fact. Or is it?

It's time to take a stock of what I have become, what I have learned, what connections I have built and what I have missed. Life is very strange. I decided to write down this very sentences couple of hours ago. I even contemplated on the structure of what would become this text. I had thought that even taking the stock of my knowledge (or should I say my information) would change that same stock, for I would be adding new stuff to the accumulated stock while I was writing. Strange isn't it?

Human beings are sort of unique in terms of creating things, even though some of these things are very abstract. Bees are very smart too. But they do not conceptualize and format their thinking, rather they simply act and thus learn and act more and learn a bit more.

Look, already the flows of simultaneous thinking and writing had diverted me from my initial structure. I was going to ask very deep questions? Is the universe digital or analog? How do we know how much we know as we, human beings, quantum computers? Would not the Godel-Turing-Chaitin impossibility conjecture apply to us? Namely of all the unlimited theories we come up with to understand reality are limited in the sense that they could not be verified whether they all can fail or not. Only God knows. Or does it?

I had learned more within that interval after I decided to write and I started to write. I learned about yet more conjectures on the meaning of life so to speak.

I am an economist, by training. They call economics a social science. It is fundamental to lives of all people. Yet we know little about it. Worse still we have no agreement on how to deal with it. I guess being social means conflictual per se.

The physics would not seem to be social, right? There you would (and most of the scientists) think that there exists a unified grand theory that would explain pretty much everything. Sort of an onion-science. The outer

layers would be much more complicated but would still obey the same fundamental rules that govern the very tiny core in the middle of it.

That is the wish. Still waiting. M-theory, superstrings, antimatter, Calabi-Yau spaces are some of the big or small issues to be handled first.

As economists we envy the physics world. There are no morality in physics, no normative influence. No pareto optimality, nothing about misery. Einstein could be a socialist, but that would mean absolutely nothing on the validity of his conjectures. They are universal laws, well almost.

Economics, or political economy, as it was called probably longer than it was happened to be economics, is a different game. I use the word game purposely, for the current cutting edge attempts to unify the social sciences all depend on 'games'.

If you naively to tell an unemployed person that it's all about games, either she would laugh at you or worse kick you at the butt. But it might be.

I started university to become an engineer, an electric-electronic engineer. Then I gave up. There was something fishy about engineering. While I was somewhat good at math, engineering seemed to be something distant, no likeable subject.

Couple of words on math: Math is a language, like Turkish or Morse, or C++. Far universal than all of it. You can create math through logic, and even do a math of logic that you have used. Math has a structure of an infinite abstract onion. It would expand both ways, towards inside and outside. But math also differs from other languages. Math can be digitalized to a very great extent.

Languages, real or made-up, are very important to human-beings. They are miraculous. Scientists agree that the size of brains of our ancestors grew as they have invented, constructed and mastered languages. Languages are games. You do not sounds or texts for languages. A laugh would do it. Just smile to a foreigner in a subway, you will understand.

Mumbling jumbling, you might be thinking on what you have been reading so far. Be that as it may, I am playing the same universal social game. I am trying to encode my thoughts and experiences so that you have a glimpse on what I have been talking about. As you are physically apart, my job is much much harder. Empathy, which is a hard-wired human attribute, is less likely in such an environment in which the game players can not physically sense each other.

The genius of great novelists, artists or composers are that they can recreate the empathy which would then help you trace and enjoy the beauty of their work. They win, you lose. But losing makes you more human and better off.

Back to economics. As I was escaping from engineering, I read some Marxian political economy. He was explaining exploitation; and arguing that internal dynamics of capitalism would bring about its own destruction. But people should act in order to reorganize the social/physical systems of reproduction; in a sort of more rational way that would suit more to the human nature (fair and free).

There were emergent properties such as classes. State would favor one class instead of both, at least in critical times. The leisure or free time would be collateral damage for increasing the average material wealth of the masses and the profits of the capitalists.

Then I have been instructed in neoclassical economics. Well, the theory seemed to be as much as engineering. Constrained optimization here, differential equations and linear algebra there. The only laws the professors could be backing up by 99 percent would be Law of Demand and Law of Supply. Honestly, I thought they were bogus.

I found economic history, development, history of economic thought and Turkish economy courses much more promising. There were no law-like statements but at least they made some sense.

Now as I think of it, it was nobody's fault. Economics tried to become a science by imitating the real sciences. There were huge hurdles though. For one, you have to measure things in science. The precision of measurement meant a lot. But how would you measure labor, capital and output (especially output of services) apart from assigning prices and evaluating in money terms? A centimeter is yes a convention, but it is objective. It can be divided in septillions if you have the right device.

You can not really divide labor. You can divide only labor time, but that is not same thing. Worse still, capital is a fuzzy thing to measure. There is no guiding principle. How would you measure the value of Xerox machine, in a store versus in your house versus in school versus a half-broken one in a public library? Well, the replacement price would be a good guess. But then your argument becomes circular, for the pricing of the xerox machine in the market would affect the pricing of the capital goods (xerox machines that were already made up and consitute the capital stock) and hence as the prices of the marketed xerox machined would also have to cover the opportunity cost of the capital goods (directly or indirectly needed) to produce the new xerox machines...you are in full circle.

Historical place would not be more meaningful either. The similar reasoning applies to the measurement of output. What is the value of my output as an economist as a professor? Economics in a nutshell would say my marginal revenue product, meaning my wage. But is it so? Of course not. I would absolutely teach the same stuff in US and in Turkey, and my wages would

be very different even considering the purchasing power parity adjustments.

The value of my service is whatever people would like to pay me (bounded downwards as I would just say no to some ridiculous offers). Then you can not measure it.

Without measurement, you are less of a scientist I am afraid. You may go on and behave as if you can measure. The next thing is to come up with stuff on productivities. The infamous Wealth of Nations bothers on exactly this point. The division of labor due to evolution of markets was his answer. But the answer begs the question that Mar tried to answer: Why the heck a worker becomes more productive and lets her boss to exploit her under capitalist division of labor. The technical coefficients of input and output would explain a bit. But the greater part of the story lies in the social relations of production. In modern jargon, the institutional setting.

Begin with a simple question. What is money? A hint: Till 1970s no economy had only fiat money to run on. Money is the price of trust in a sense. It is as much as political and social as it is economic. The peak of neoclassical economics, the general equilibrium theory, is mute on money. Can money increase productivity? Would a certain distributions of money in a population destroy the chances of achieving Pareto optimality?

Take monies as the quarks of the economic world. In the middle of the onion you face a devastating obstacle, for the fact that monies embody social/political relations.

Back to the games. Games make kids smarter. But no kid would like to play a game if she knows the outcome outright at the beginning. A 25 kg kid would not wrestle with a 80 kg boy. Playing hide and seek would be no one if a kid has the power of invisibility.

Exchanges are games. Trade existed from the beginning of the history. If the parties of exchange are very different in characteristics, or exchanges take place in very different institutional settings the meaning of the game changes.

The production process is also a game with nature, with the means of production (i.e. machines) and with other co-workers. It is a game with a purpose (Burawoy). Social relations of production are nothing but 'rules of the game'. They are the analog part of the practice, the reality. The technical relations of production are the digital part. Given sufficient time anybody would reach the frontier in terms of the technical relations of production. The analog part is harder. You have to do yourself.

You can import and install all the machinery and equipment of IBM, but it won't work as IBM in Turkey. You should build up something else. Blueprints of technology would be marketable commodities if the blueprints were the really source of profits. Digital is necessary but not sufficient. The

analog part comes from being a human.

Just do it. The world of economics would be just like the engineering (and in turn as the guiding principles just like physics and biology) if it were all digital. Measure it model it and transfer it to the poor countries. That would have done it!

Techne and praxis! Matter and antimatter.

1 Simple Questions that Economics can not Answer

We all know that science begins with questions rather than the answers. The theories are more interesting and more beautiful as they make people to ask better and better questions. But there are very basic questions that any sound theory should ask and answer. The quantum theory has to ask what is the fundamental unit and how does it behave? What is DNA or the basic unit of biological existence?

1. What is value? What is price?
2. Which came first? Firms or Markets?
3. Are the factor of production, capital and labor, substitutes or complements? Why and how that changes?
4. What is innovation? What is the economies of scale in human effort and expenditures spent on innovation?
5. Besides the point where everyone would make sure of social reproduction of themselves, would people prefer leisure to work/income or not?
6. How much of the actual existing markets are oligopolistic rather than competitive? What is the deadweight loss associated with them?
7. What is commodity money? What is fiat money?
8. Was it an ergodic process of commodities-to-money?
9. How do we measure output in services? How do measure productivity?
10. Why do the corporations and states strive to promote and establish the Intellectual Property Rights? Why would not Coase theorem apply to IPRs?

11. How does the labor content of each commodity or service evolve?
12. What is the dark side of the force? How is the mixed equilibrium of productive and rent-seeking behaviour occur?
13. What are the laws of evolution of organizational forms?
14. Why does capital hire labor and not other way around?
15. Are there public goods? Where and how much?
16. What are the rules of the games in overlapping social/political/economic networks?