

Re: US Presidents; an outside view WAS: Any comments? (Evolution – was Answers to Pete)

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- *From:* "Oliver Wong" <owong@xxxxxxxxxxxxxxxx>
 - *Date:* Thu, 27 Apr 2006 14:29:52 GMT
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<docdwarf@xxxxxxxx> wrote in message [news:e2pu48\\$9so\\$1@xxxxxxxxxxxxxxxxxxxxxxxx](mailto:news:e2pu48$9so$1@xxxxxxxxxxxxxxxxxxxxxxxx)

Are you saying that the value of stick-as-crutch exists in the stick before anyone knows it can be used as such?

[...]

you seem to be equating price and value here; it might be that we are using different definitions. I've cited the one that I feel is applicable to the situation and its source; might you be so kind as to cite the one you are using and where you found it?

When I first brought up all this zero-sum stuff, it was in the context of economics. Specifically, I had said something along the lines of "Every time I earn \$1, someone out there must have lost \$1." and the statement was made to argue that the concept of inheritance will hurt your descendants in the long run. While it's interesting to think about, I didn't mean for my statement to imply anything about conservation of matter in the universe, or the laws of thermodynamics and entropy.

I had initially equated the value of something with its price for simplicity. More specifically, I was under the belief that the agreed upon definition of "value" in the context of economics is "whatever the market is willing to pay." [*] So the value of a book is whatever price (primarily in dollars) at which people are willing to pay to buy it. I guess for an object in a code library, before it exists, there's some platonic ideal of it in your mind, and you decide you want it, even though it doesn't exist yet. So its value (although it doesn't exist) is however much effort you were willing to put to write it. Once it exists, and you distribute it for "free" on the Internet, its value is whatever amount of effort others are willing to put into reading your documentation and learning how to use it.

So under this definition, the price (and thus the value) of things can fluctuate over time. But usually, as economists, we're not interested in the "absolute value" of things, but rather the relative value. Let's say I have 2 chickens, and you have 2 ducks, and "the market" has determined that the value of a duck is \$20, and the value of a chicken is \$20. We want to trade with each other, but we don't actually have any currency, so I give you one of my chickens, and in exchange, you give me one of your ducks.

Suddenly, hyperinflation occurs, and ducks are now worth \$200, and chickens are now worth \$200. Are we

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now \$360 richer? Perhaps, but I can still only get 1 duck for my each of my chickens and vice versa.

I'm suppose that, by definition, if we're only interested in relative value, then the total value MUST be zero–sum (or at the very least constant). That is, no matter what everyone owns, we would always calculate relative value by taking the aggregation of all things owned, and define their summed value to be 1 (or some other constant value), and then define each individual item to have some value relative to that.

It's sufficient, I think, for "the game" to be constant–value, as opposed to zero–sum, for the "inheritance hurts descendants" argument to work. But just for fun, I think I can still work in the possibility for our world to be economically zero–sum. All that means is that the constant mentioned above would have to be 0 (i.e. the sum of the value of all things is zero). The only way this would be possible is if nothing existed (empirical evidence shows this not to be the case), or if it were possible for things to have negative value.

Is it possible for someone to have something that they would be willing to pay to get rid of? A few things come to mind: trash, debt, crime, disease. Imagine for example, that a company builds a factory that makes lots of money, but as a side effect causes pollution and sickness in the people living around it. In a sense, the factory is taking the people's cleanliness and health, and turning it into cash.

The people later have to pay money to have doctors and environmentalist to buy back their cleanliness and health.

[*]: It turns out economists do not agree on a definition of "value". See http://en.wikipedia.org/wiki/Value_%28economics%29

– Oliver

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