

# Economic and politics (Was: Comparing Lisp conditions to Java Exceptions)

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*Source:* <http://coding.derkeiler.com/Archive/Lisp/comp.lang.lisp/2005-05/msg00653.html>

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- *From:* Don Geddis <[don@xxxxxxxxxx](mailto:don@xxxxxxxxxx)>
  - *Date:* Fri, 06 May 2005 23:35:56 -0700
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Robert Marlow <[bobstopper@xxxxxxxxxx](mailto:bobstopper@xxxxxxxxxx)> wrote on Fri, 06 May 2005:  
> The cost of labour I mentioned is intended to be an average used to figure  
> what cost a product has.

You're confusing the price of a manufactured product (which we were talking about), with the hourly wage given to a laborer (which is another interesting issue where your theory breaks).

In your previous message you wrote (at least twice!):

```
>>> (+ production-costs  
>>> (* price-of-labour average-hours-of-labour-in-production))
```

This is the price of a manufactured item, in your world.

We all assumed that "price-of-labour" was a constant for your society.  
You want it to vary? By industry? By individual?

Do tell: exactly how is that factor to be determined? By an oracle?  
By a government bureaucrat? By "consensus"?

You imagine a lot more consensus than you'll ever get with a large group of real humans.

(By the way: another huge problem with your formula is that you have no way to account for development costs. Say it takes Intel \$1B to design and manufacturer a new CPU. They'll sell one of them for \$500. But it only costs \$100 to make, given marginal production costs and labor hours. What is the right price, in your economy, for the new CPU? \$101? But then how do they ever make the \$1B back? Do you see that surely you need to spread the upfront cost a little bit to each individual. But the problem is, that to do that calculation, you need to know how many you're going to sell over the life of the product. And nobody can predict that with reliability. It's a business problem with risk and unknowns. So how does your exciting new economy solve this problem?)

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> Of course it may vary from individual to individual and I'd have no problem  
> at all with someone getting greater rewards for being more productive than  
> average or getting fewer rewards for being less productive.
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But you admit that a manufactured item should cost less if it takes less hours to make? Even if the difference is that a skilled master can make it faster than a new trainee?

>> Second problem: you haven't accounted for the allocation of scarce  
>> resources on the demand side. If you fix prices in this way, you'll find  
>> that some items are vastly more popular than other items, despite costing  
>> the same to create.

>

> There's two popular solutions that I know of (though there's probably  
> others I don't know of). First is to allow price fluctuations  
> according to demand and supply while costs of labour in those sectors stay  
> close to average.

But wait: allowing prices to vary according to supply and demand is EXACTLY WHAT FREE MARKETS ARE! That's the clever trick that free markets use, that presumably you hate. Didn't you, just above, give me the required price of a manufactured item? You're completely inconsistent here. Either the price of the thing is determined by your formula (in which case you have shortage problems), or else the price is determined by supply and demand (in which case you have a free market). You can't do both. You're trying to cheat.

> The idea is that without huge gaps between rich and poor, demand is less  
> likely to be fickle as it is when a few people are excessively rich and,  
> say, order more iPods than they use.

No, you understand almost nothing about supply and demand and real economics.

Demand for an item has very little to do with the number of labor hours that went into its creation. It has a lot to do with how useful the item is to the purchaser, which is an orthogonal concept.

> The other is a scarcity index. Each production site simply maintains an  
> index of their supply relative to demand. When a consumer notices  
> one of it's suppliers scarcity index drop indicating less supply (eg  
> unexpected drop in natural resources) or increased demand, it simply takes  
> that into account in its orders. It can check with the supplier to get  
> an idea of whether the change is likely to be temporary or long term and  
> determine if it can get by on reserved stock or it needs to investigate  
> the feasibility of alternative supplies.

The problem you're not fixing, is the one when a supplier simply chooses not to make any more items. People want a lot more, but nobody has an incentive to make one.

Take services. How, in your economy, do you decide how much to charge for an hour of a doctor's time, vs. an hour of burger flipper's time?

If you're going to try to account for the cost of the doctor getting the M.D. training, you'll soon be back stuck in the Intel CPU problem with dealing

with upfront costs. You obviously have no solution.

- > Of course there's still going to be situations where supply simply can't
- > meet demand in which case some sort of rationing is needed.

Yippie! Stalinist Russia lines-around-the-block for the grocery store!  
I can't wait.

- > That happens even now. So how is that problem currently solved? Purchasing
- > power forms a sort of rationing – that needn't change though with the
- > abolishing of non-labour forms of income and fairly standard wages no
- > longer would there be the problem of ridiculously rich people hoarding all
- > they can get.

You're imagining a problem that doesn't really exist. Capitalist economies may have short-term shortages, but they don't have long term systemic shortages that never disappear, the way Russia *\_always\_* had lines for toilet paper, groceries, gas, etc.

But communist countries, and your society, will *\_consistently\_* misproduce the "wrong" amount of items (vs. supply & demand pricing), and that imbalance will never go away (because you won't let prices vary in order to attract additional producers).

- > Also producers simply impose rationing by saying things like "X items per
- > person" or "first come first serve". Nothing much need change there
- > either.

In real societies, the solution winds up being things like black markets, and under-the-table "illegal" payments, and political power favors, etc. Basically, corruption. People trying to secretly get around the rules you are trying to enforce.

- > I'd argue such decisions would be better left as a
- > collective decision by the people affected.

What if people don't agree? What if you can't come to a consensus?

1000 people want toilet paper. The guy who makes it only wants to make 500 rolls (at the "agreed on" price). Nobody else wants to start making it (for that price). Yet there's an continual imbalance.

Everybody agrees they want more. Everybody agrees that it sucks that they don't have enough. How does this agreement help anything? Unless you start forcing someone to manufacture an item that society needs, but they don't want to make, I don't see how you ever fix this.

Or: you can abandon your foolish price-setting model, and let prices float as needed by supply and demand.

- > So it seems to me that scarcity wouldn't form any bigger problem than it

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> is already.

No, it's a million times worse in your economic model.

> I don't see where the "problem" is with having a black market but feel  
> free to fill me in if I've missed it.

You're trying to fix prices, different than what they would be if the guy who made it and the guy who wants it were to negotiate their own contract. Since you want them to do something different than they want to do, you need a state to enforce the rules you want in your economy. They are not natural rules.

> It seems to me if demand becomes such a problem that people are reduced to  
> having to spend much more than cost price for an item they desperately need  
> then so be it. As determined by my above suggestions black markets need be  
> no more (and more likely less) ubiquitous than they are now in helping fix  
> problems of scarcity.

Black markets don't fix scarcity problems in capitalist societies. Prices rise so that demand drops to the level of what can be supplied in the short term. That's how capitalist allocation comes back into balance.

> You also forgot to mention problems of unemployment, labour exploitation,  
> and irrational inequalities of wealth and power to name a few.

It's a matter of great debate whether those are even problems to be fixed.

It's far from obvious that anything needs to be changed on those topics.

> Those limits are good, but you still have a government run by a group of  
> individuals which are far from representative of the total population.  
> Most if not all of them have gotten to their position by paying for hugely  
> expensive campaigns either by being excessively rich to begin with and/or  
> by being backed by rich corporate sponsors.

You don't understand how US elections actually work. Plenty of rich people have tried, and failed, to "buy" their way into office.

Yes, wealth in a campaign and getting elected are correlated. But your assumption about cause and effect actually appears to be backwards. People who look at it now believe that it is wealth which flows to electable people, not the other way around. (For example, take a look at the recent book "Freakonomics".)

> In general, a small group of people selected at random from the total  
> population will have approximately the same proportion of alternate  
> convictions as the total population as simple statistics dictates. So if a  
> government were randomly selected there wouldn't be much difference in how  
> much tyranny they get up to except that given the population of the ruling  
> class is drastically reduced they're in a much better position to bargain

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- > with each other and cooperate for their own gain at the expense of the
- > population. So a small group of people with control over the decisions
- > affecting everyone has on average the same amount of tyranny as letting
- > everyone have a say in their decisions in addition to the increased
- > probability of corruption and vested interests inherent in a small group
- > of rulers. So in the average case, small groups of people in power is
- > always inferior to full democracy.

You're getting confused about a representative democracy vs. a "full" democracy. That isn't the issue. "Tyranny of the majority" isn't a concern that a small group will somehow take power and screw the average guy.

The concern is that: any group which manages to get 51% support, if the government is really unrestricted to majority vote, will likely start voting horrors onto the losing 49% of the citizens. Without minority rights built into the constitution, the losers wind up being absolute losers. Taxed, prevented from participating, executed, etc. And every vote comes up 51% to 49%, and the minority loses every time.

Your "majority rules" idea is much more like the first Survivor reality show. Richard Hatch showed the path to success: get a voting block, and ruthlessly eliminate your opposition (all within the rules). By the time they figure out you're targeting them, the society has passed the magic threshold and your 51% approval becomes absolute dictatorial power.

This is yet another problem with your proposed societal structure. You believe in "full democracy" and "majority rules" and "consensus", but you have no solution (and apparently not even a realization) for when those structures start to break down.

— Don

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Some people build bridges. You just like to widen the gorge.

— "Sally Forth" comic

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### • *Follow-Ups:*

- ◆ ***Re: Economic and politics (Was: Comparing Lisp conditions to Java Exceptions)***  
◇ *From:* Robert Marlow
- ◆ ***Re: Economic and politics (Was: Comparing Lisp conditions to Java Exceptions)***  
◇ *From:* Kent M Pitman

### • *References:*

- ◆ ***Re: Comparing Lisp conditions to Java Exceptions***  
◇ *From:* Paul F. Dietz
- ◆ ***Re: Comparing Lisp conditions to Java Exceptions***  
◇ *From:* Kent M Pitman
- ◆ ***Re: Comparing Lisp conditions to Java Exceptions***

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- Prev by Date: ***Re: Wondering if you guys would like to comment on this***
- Next by Date: ***Re: Comparing Lisp conditions to Java Exceptions***
- Previous by thread: ***Re: Comparing Lisp conditions to Java Exceptions***
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