

Re: Economics

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Don Geddis wrote:

"Duncan Rose" <duncan.rose@xxxxxxxxxxxxxxxxxxxx> wrote on 28 Jul 2006 15:4:

government interference like this in free capitalist markets, whilst often disguised as well-intentioned almost always results in high short-term returns for companies associated with members of the government.

Yes, I agree with you. The majority of government subsidies to industries are basically an indirect form of corruption.

Of course, my argument would be that government intervention is actually a necessity (the overall increase in (monetary) wealth of society seems unlikely to have happened were the market unfettered). I harbour doubts however that (m)any governments have the long-term interests of society in mind in anything that they do.

I think perhaps many small producers is a better situation to be in than few (or in the worst case, a single) large producers. It's not clear to me whether if left alone the market would tend towards the latter or not.

Unfettered capitalist markets are neutral about this. The long-run stable form of different industries can vary depending on the characteristics of that particular industry. (Plus a bit of random chance, I suppose; there may be multiple stable outcomes.)

I wish I were able to put my points as eloquently as Tayssir; however since studying economics never seemed (until now) to be a route to maximising my profit I never got around to it.

I agree that the characteristics of different industries will affect their evolution. I think it is likely that there are multiple stable

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outcomes. My interest I suppose is in trying to influence evolution of the market so it ends up in a stable position that is in the best interests of humanity (rather than in the best interests of a small partition of humanity, and that possibly only in the short-term).

Scarcity is a measure of (/ availability-of-thing size-of-population)

That's a bit too simple. Different people desire a thing at different rates, even if the price is zero. And then there's the sliding demand curve, where generally fewer people choose to buy a thing the more expensive it gets. You've also left out how the size of the population could add to the supply, for example of computer programmers.

But perhaps these are just nits.

I also think that many things that are scarce currently are things we either think we need or want, such as diamonds (perhaps artificially scarce) or gold (actually scarce))

You're right that diamonds have an artificially heightened scarcity, but you're wrong to conclude that without the manipulation they wouldn't be scarce at all. Diamonds have been items of value for millennia. Market manipulation is only in modern times.

rather than things we actually need (food and shelter (I see no natural reason for these to be scarce, except possibly due to overpopulation)).

There is no population at which food and shelter would become free. They cost resources (material and human labor) to produce. There will always be people who could dream of a bigger house than the one they happen to be in. Or steak every night.

Hopefully these people are in a minority.

Oil might be an interesting resource to think about, but I'm pretty sure there are very very few uses of oil that could not be served by synthetic alternatives (preferably synthesised from renewables) equally well.

Not at all true. Oil probably has been the main driver of the industrial

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revolution in the last century or so. It's basically free energy, originally costing almost nothing to take out of the ground, but provide huge surpluses in the work (electricity, transportation) that could be accomplished.

Perhaps, when all the costs have finally been calculated, we will look back and say that the price of oil-based energy actually turned out to be very high indeed. Perhaps this will be an example of the choices of the unthinking market jumping on what is cheap over what is best (because we, as a society, appear to value money (since it is such a useful tool, practically essential to us all to obtain what we really want) over all else (including the viability of our children).

There's an argument to be made that the huge rise in world wealth (GDP) in the last 200 years is basically a one-time bonus from the discovery of oil, which unfortunately has now just about peaked. Without fusion (or possibly fission), the next century may not show the same kind of long-term economic growth as the previous one.

Can our economies survive at all without oil? Obviously they will survive in some form; I haven't seen any futurists predicting the affect on society of this useful resource being removed from the equation and I'd be interested in seeing some opinions of how it's all going to pan out.

Perhaps we, as a society, should have been investing more in fusion research. Funding for this has been slashed in the UK at least (no immediate commercial application — so no money).

About 20 years ago a paper on alternative (to fossil fuel) energy sources was processed by the government; it included discussions of nuclear power, wind power and tidal power. My understanding of the situation back then was that tidal power provided better returns for fewer resources than wind power with none of the potential long-term problems of nuclear (fission). Nuclear was shown to be cheapest I believe (in terms of immediate cost).

Now the government is interested again in renewable energy, but they seem to be ignoring tidal generation (wind farms use massive amounts of concrete and steel and cannot provide continuous power (they don't work when there's no wind, and they don't work when there's too much wind either).

The cynic in me wonders who benefits so much from the move to wind power that other alternatives would again be totally overlooked (there may be very good reasons for this; I don't know of any however).

The problem here is that policy seems to be defined often by powerful lobbying rather than objective consideration. I see no reason that

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governments must function this way.

You're only thinking of oil as a material, like in the way petrochemicals are used as a raw material to make plastic, or as a lubricant in motors. Yes, most of those uses could be replaced by different raw materials. (And, at enormous cost, transportation could probably switch from oil to a hydrogen economy.)

We're going to have to pay this cost sooner or later. I'd have thought it would be in all our interests to take some of the 'free money' that oil provides and use it to seriously investigate alternatives; else we will have to pay for this work to be done at the same time that we lose all the advantages of free energy from oil. Of course, there's little commercial incentive for the main (direct) beneficiaries of oil to fund (open) research into alternatives, and the policy setters seem unwilling to upset such powerful conglomerates.

(In the other thread somebody mentioned copying razor blades; I wonder why still nobody has released a ceramic razor for personal use (I believe they *are* used for commercial purposes). Presumably there's a good reason that eludes me, so I cynically assume that the current razor manufacturer's have a hand in keeping them off the market.)

But replacing the free energy that oil has provided is not really feasible. There is no obvious replacement at similar levels of cost/energy.

The only resources I can think of that might be both necessary and scarce are minerals and ores

You're leaving out everything that you can buy. Bananas, iPods, SUVs, PCs, chairs, scissors, clocks, beer, etc. All of those things are scarce goods, in that the demand (at a price of zero) vastly exceeds the supply at that price.

I don't believe that everything (or even necessarily anything) should be available at a zero price point. I agree that were these items cheap, demand is likely to exceed supply; but that may be because when items are cheap, it's often easier to discard and buy new than it is to recycle the old (example: buy a new iPod rather than have the battery changed). Certainly we pay more for these goods than the costs of production (arguably we don't pay enough for some of them, like SUVs which perhaps should be more expensive as a deterrent). The more interesting question in all this from my point of view is whether these things are necessary for people to 'be happy' (certainly, they are

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likely to be necessary for some; how much happiness an SUV provides would seem to be questionable. Maybe if we spent as much time convincing people that they DON'T want these things as the manufacturers spend convincing them they DO we'd all be better off).

Perhaps the solution to much of this scarcity would be for society to demand a high price for waste disposal so many of our disposable items would be worth reusing, rather than disposing.

Some people who want the thing MUST do without. Note how this is

Why? Are you saying there do not exist sufficient resources in the world to provide a PC to everybody that wants one? I see no reason why some people MUST do without any given thing *unless* there are physically insufficient raw materials to produce sufficient numbers of said thing. I'd argue however that if any product is built from non-renewable (or non-reusable) resources, perhaps it would be better in the long run for us ALL to go without.

(The exception to this is that seems to me to be acceptable is to use non-renewables in the process of developing renewables for that (or some other) non-renewable. Whether this is possible in all cases is left to the future to decide...)

different from air or sunlight or seawater, where you can use as much as you wish and it doesn't really impact whether anyone else could do the same thing.

What if my use of that resource changes it to such an extent that it becomes less useful to others? Its unlikely anybody would want polluted sea-water, or polluted air. We certainly in general do not have free access to unpolluted variants of these resources (and neither do the things that really need access, such as many species of marine animals for example). This is another cost we're eventually likely to have to bear for our current 'free ride'.

I wonder why it is we seem to be depleting our oil reserves as quickly as possible? I'm pretty sure there is a conspiracy there somewhere ;-)

Well, an opposing question might be, what good does it do in the ground? Either you'll use it for very low cost energy, or your children will. It's only a one-time bonus either way. Is there really any benefit to saving it?

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Is there any benefit to saving the rain-forests? Or to reducing pollution? Or to attempt in any way to live in some kind of balance with our surrounding ecology? I suspect the price of not doing so will be very high, when it finally becomes due.

In the case of oil though, I tend to agree that it seems to serve little purpose in the ground. I'd argue that using it purely for low cost energy may not be maximising its value. Perhaps we would see better value from using it purely as a raw material in some manufacturing process than from burning it for energy. Whilst this is unclear perhaps it's best left where it is until these things ARE clear.

After all, once it's gone, it's gone (unless we can manufacture an alternative -- but if that's the case, why not do so? There may come a point where we find some use of oil for which we cannot provide an alternative (this seems unlikely in this case); if so, we'd best hope that it's not a use we consider to be important (as in, more important than generating revenue).

(You could make an argument about how there will need to be a transition to some other energy supply, and perhaps conservation now is part of an overall plan to ease the shock of Peak Oil. But that's a slippery argument, as many of the changes required will probably be postponed by society until the price of oil rises high enough to force them.

Indeed; this is kind of my point though I think (or one of the many ;-). At the point society is forced to change, there's likely, it seems to me, to be serious damage done to society through wars and riots and pretty much any other form of social unrest you can imagine. These changes should be planned when they can be (IMO) to avoid such things.

Which means either demand continues to rise, or supply finally falls, or perhaps huge taxes are applied to the use of oil. But just "don't use so much oil" doesn't really solve anything.)

You are right. As a society we need to invest in finding viable alternatives. Whatever happens with the oil-based economy when there is no more oil (or very limited supply), we can pretty much guarantee that those that are worst off in society currently will bear the brunt of any negative changes. It seems to always be that way (but does it have to be?)

-Duncan

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-- Don

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If you ever get whipped by a bullwhip, try to breathe _in_ as the whip is going back, and _out_ as it hits your back. Or is it the other way around? Anyway, you'll figure it out. -- Deep Thoughts, by Jack Handey [1999]