

Maximization of Uniqueness

2000

A brief overview of Economics

Miro Brada

Presented as Phd thesis in economics at CERGE-EI 2000
Art exhibitions: "From Animation" 2013, London, Holland Park
"Fading Memory" 2015, Weißenhohe
Conferences: Santorini, Daejeon, Adelaide 2016



Santorini, 2016



Daejeon, 2016



Adelaide, 2016

Maximization of Uniqueness

The richer you are, the less equally rich or richer people. The richest is only one (=unique). Maximization of richness or leisure (=classic utility), maximizes the uniqueness (=improbability) that can be maximized also by: extreme sport, suicide, tattoo, count of views... The richest seem unique as the poorest, but the rich can easily become poor, while the poor can hardly get rich. So the aim of maximization reflects IQ and options. Few options increase irrationality, regardless of IQ.

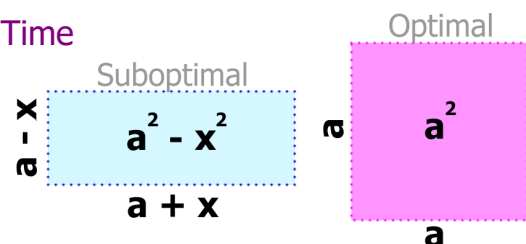
The law of values' equality

J.S. Mill wrote (Principles of Political Economy, 1848): a commodity is useful and scarce: the scarcer (less likely / unique), the dearer. Perception of the scarcity depends on options and IQ to determine the time spent on values: a, b, c..

Utility is: $U_{\max} = a * b * c ..$, where: $a + b + c + .. = \text{Time}$

Maximization of 2 values, halves the time:

$$U_{\max} = a * b, a + b = T, a = T / 2$$



The values' equality extends the marginal utility (A. Marshall, 1890): diminishing return of the same value. It remains true for sufficient IQ and chances. If not, the excess (+x) maximizes uniqueness despite the marginal utility. Compulsive hoarding (+x) maximizes uniqueness at any costs, because IQ locked in bi-polar psychosis, ignores other values.

The excess usually decreases uniqueness

Is it better to have: 2 average children, or genius and handicapped?

If average is "a", 2 average kids have the utility: $U = a * a = a^2$

If genius is "a + x", and handicapped "a - x": $U = (a+x) * (a-x) = a^2 - x^2$

2 brilliant kids are better than both average, but if one value harms the other: the average is usually better. E.g. people prefer to smooth consumption over time.

The excess x , and decrease y can differ: $U = (a+x)*(a-y)$. If I rob the bank my utility gains, if I escape. The robber is often caught, so my expected utility is lower plus it costs effort. The terror act increases uniqueness ($+x$): the fame, but the attacker is often killed ($y>x$).

Utility of suicide and sacrifice

Suicide is rarer than staying alive, but costs too much (=life), so it's less unique overall.

Utility= $(a+x)*(a-y)$, defines: If suicide attempt harms little ($y\approx 0$), utility can raise to motivate a demonstrative suicide drawing attention ($=x$). In USA, 17% of suicide attempters are forever disabled.

life ← x excess → harm / loss y

1. completed suicide: $y=a$; $U=0$ Clever persons more likely complete suicide to avoid permanent harm:

suicide attempt:

2. little harm: $y\approx a$; $U>0$

3. big harm: $y>a$; $U<0$

$$U = (a+x)*(a-y)^{IQ} \quad \text{IQ rises awareness of harm}$$

IQ lowers suicide rate (on average), as clever people minimize dangers, but in special cases a high IQ increases suicide risk: as it is more aware of inevitable harm (e.g. lost love, status):

$(a-y)^{IQ}$. It explains high-profile suicides in Korea or Japan to prevent repeated future harm (work stress, fear of failure): high IQ multiplies realization of harm to increase suicide chance.

The IQ and suicide is U-shaped, but low IQ is more risky than high IQ (risky in fewer cases).

In economics we sacrifice our time, money, comfort for higher expected return. The value NOW is higher than later, so expected gain is discounted ($*B$, $0 < B < 1$). The utility sums all discounted expected returns.

The discount factor "B" depends on IQ to realize the future gain: the higher IQ, the lower discount, so the sacrifice is more likely, as IQ rises. The infinite IQ ($B=1$) sacrifices all for future (for any gain), while the zero IQ ($B=0$) lives only for NOW.

In La Gaya scienza (1887), Nietzsche wrote everything will eternally repeat itself exactly as it is (eternal return of the same). It is a special case, multiplying NOW infinitely: $U = \text{NOW}^{IQ}$, a paradise if we really live the life we want, and the hell if not.

$B =$ discount for expected gain: $0 < B < 1$, related to IQ to realize expected gains:

$$B = 1 - \frac{1}{1-a^{IQ}}$$

$x =$ sacrifice "NOW"
 $y =$ expected gain

$$U = \sum_{t=0}^{\infty} B^t * a = \frac{a}{1-B} = a * a^{IQ} = (a-x)*(a+y)^{IQ}$$

t = time periods from 0 to ∞

Support better than me?

Genius's innovation (Tesla, Watt) eases life to all (rises uniqueness), but devalues average person (=reduces uniqueness) and increase risk to lose job. So people tend to deny the genius with utility:

status change output change (IQ rises awareness of genius's efficiency)

$$U_{\max} = (S-D)*(1+D)^{IQ} \quad \begin{matrix} D = IQ(\text{other person}) - IQ(\text{me}) \\ S = \text{social status} \end{matrix}$$

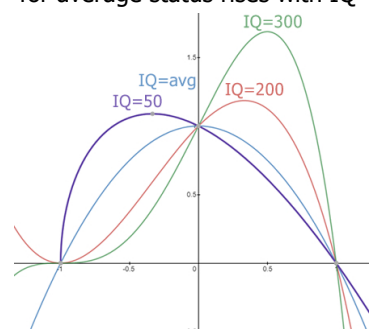
The higher IQ and status (wealth), the more support for better than us - till certain level. We never support too clever. The support rises more with my status than my IQ. The lower IQ and status, the more support for worse that are less able to compete with us (even though they decrease efficiency / wealth in long term). I can tolerate the better if I have a payoff from it that may appear in future. It requires certain IQ to realize it and certain status to profit from it. To maximize chances to support the better is to increase the living standards (status) and set criteria promoting IQ.

China overcame West that lost its unique position and jobs. Confrontation or denial can't return the West back. The different system is needed.

Optimal differences to support better than me for Status and IQ

S / IQ	0	.5x	avg	2x
0	$-\infty$	-.67	-.5	-.33
.5x	$-\infty$	-.5	-.25	0
avg	$-\infty$	-.33	0	.33
2x	$-\infty$	0	.5	1

Optimal differences to support for average status rises with IQ



Biased indicators

High GDP means high prices often unrelated to the average salary, so the economies with regulated prices are underrated. In PPP, socialistic Vietnam is 14% poorer than Philippines, while for average tourist cost is 20% cheaper. The murders are 5.6 more often in Philippines. I travelled in Vietnam: Saigon, Hanoi, Da Nang, Hue, Sa Pa.. were far cleaner and safer than Philippines's capital Manilla: one of the least liveable places (except Dhaka) I've ever been. Human Development Indicators (HDI) rank Philippines above Vietnam, which is unreal - already only due to the huge drug problems in Philippines.

GDP per capita (PPP)	
purchasing power parity	
Vietnam	Philippines
\$8,677	\$10,094
IMF 2020	

Daily cost	
Vietnam	Philippines
\$41	\$54
budgetyourtrip.com	

Homicides (per 100,000)	
Vietnam	Philippines
1.5	8.4
indexmundi.com	

Real indicators

UK is 1.6x richer than Turkey in PPP. The fast train Ankara to Konya (309 km / 100 min) is £3. London to Manchester (261 / 123) is £49 to £211. Turkish trains (built by China) are 19 or 81x cheaper and 1.5x faster.

"Poor" Uzbekistan has fast trains (built by China), while "rich" USA no.

In socialistic Czechoslovakia for average wage: the new flat cost 6.5x (rent 7x) less in 1975, than the SAME 45 years old flat in 2020. Wages in socialism varied less, so difference in medians (and regions) is in reality much bigger.

PPP / trains comparison			
2020	Turkey	UK	
\$ PPP	28,000	44,000	
avg speed km/h	180	130	
£ per 100km	1	19-81	
town	1975	2020	
Zvolen	socialism	capitalism	
3 bdr flat	30,000	85,000	
avg wage	2,300	1,000	
avg rent	150	500	
currency	Kčs	€	
flat / wage	13x	85x	
rent / wage	7%	50%	

Tattoos rise uniqueness (+x) to harm skin (-y): they diminish uniqueness overall. In 2007 I saw no tattoo studio near my Kensington office in London. In a few years one opened in North End Road, another in Shepherd's Bush. It indicates the economic decline in UK: the lack of real options to maximize uniqueness. Marketresearch.com in 2018 estimated the US tattoo industry revenue (\$3 billion a year) has nearly doubled since 2007. Self-harm indicators are: tattoos, piercing, suicides, homicides, terrorism, divorces, antidepressants.. Their rise indicates the decline not growth.

Socialism and Capitalism differ quantitatively

Socialistic Czechoslovakia (1948-1989) was closer to capitalistic Sweden than capitalistic Sweden to capitalistic Brazil or socialistic Czechoslovakia to socialistic Albania. The market and private ownership are in North Korea or Cuba too, and state control is in USA or Japan too. The extent of privatization defines socialism or capitalism to secondarily imply differences. Security or health is (non-excludable, non-rivalrous) public good inefficient to privatize. That's why the capitalism is more violent with almost all of 50 most dangerous cities, when the rich flock to suburbs excluding the poor elsewhere. It is the case of Brazilian favelas, American L.A, Miami or even Europe: London, Paris or Marseille with the same trend.

50 most dangerous cities in 2018

Mexico	15
Brazil	14
Venezuela	6
USA	5
South Africa	3
Honduras	2
Columbia	2
El Salvador	1
Guatemala	1
Jamaica	1
China	0
India	0
Russia	0
Japan	0
Iran	0
Korea	0
Cuba	0

...
businessinsider.com

Free Market ends in outsourcing

In 1997, I spent 2 months in a Colorado Scout camp, then 2 months travelling to California via Utah, Arizona, Nevada, then Chicago, NY. Formed by 1989 change in Czechoslovakia, I thought the West or USA was the best. I liked the nature to be later shocked by LA homeless, a dirt near Hollywood Walk of Fame, or low quality of products in the Rose Bowl market.

P. Krugman (1981) used Lenin theory of imperialism to explain uneven development. Lenin predicted the last stage of capitalism would outsource labour to cheaper states. It's accelerated since 1990s in USA / West. It is an extension of local public good of Ch. Tiebout (1956): the rich raise the profit at the expense of the majority. Free market ideologists (A. Smith) naively assumed the nationalism would stop it.

West (due to outsourcing) imports more advanced products from China, to pay by inflated prices of the houses - it's visible e.g. in London, when costly properties are bought up by oil money from Qatar, UAE, SA or any rich (Indian, Russian, Chinese, etc). Rising housing prices raise profit of rich buyers, which is what West 'exports' (harming the majority). Plus tax evasion industry...

Tragedy of Commons vs China

W. F. Llyod's Tragedy of Commons (1883) shows drawback (e.g. overuse) of common ownership. Phenomenal rise of China is a counterexample. Unlike Eastern European "big bang" privatization, China (under Deng Xiaoping) used the dual-track: company had to fulfill a plan, and then could produce more to sell for market prices. I was with a lawyer (friend) in China in 2010. We wondered it was forbidden to rent extra flat in Shanghai, to stop rent-seeking. We read various stats in hotels. My friend said Prague had more lawyers than 15x bigger Beijing. Lawyers represent unproductive activities wasting time in costly litigations. USA has 13x more lawyers per head than China, while US middle class has declined since 90s, Chinese one has risen 4.6x between 1990 and 2005 (175 to 800M). World Bank's \$2-13 per day middle class definition

	Residents per lawyer
Japan	5,500
Belarus	4,730
China	3,300
Russia	2000
India	1,300
Switzerland	852
Germany	610
Spain	302
USA	250

Researchgate.net
ccbe.eu statista.com

Chinese open-source vs GDP

We asked a receptionist in Beijing about Chinese modern music. She gave us USB of Jay Chou, saying to download in China is free. The band Verve in its hit "Bitter Sweet Symphony" (1997) used short sample of orchestrated Rolling Stones's song, and had to relinquish royalties to the manager owning the copyright - while Rolling Stone also used other band's song.. Financial Times wrote: since 2014 UK has included prostitution and illegal drugs in its GDP adding £10bn, Italy started accounting the sale of cocaine and prostitution, US redefined investment to add 3.6% to its GDP in 2012. Chinese open-source provides some services to all - their monetization would limit the usage (rising inequality) to falsely increase GDP.

Economics as a religion

In my interview for Czech weekly Týden (2004), Nobel Prize winner C. Granger said: the only measure of a real economist is money, and "experiment must repeat itself to prove the theory" is the obsolete 19th century criterion... If something isn't replicable, it's not a science and its utility is low. Financial crisis in 2008 surprised most mainstream economists who took no responsibility afterwards. Doesn't it remind Middle Age priests claiming the Earth was flat? The wealth as a measure of a "good economist" is weak. Most rich born rich with a huge lead. Many new rich took a risk that clever persons would avoid, because while "success" is visible, a lot more who lost are unknown. Linking "talent" and "success" is often (though not always) an illusion. Economics oversimplifies the reality, using biased indicators to justify the obedience, to function as a religion.

Economics oversimplifies innovation

W. Baumol said the economy booms if talented individuals pursue productive activities and not rent seeking (litigations, finance, political / religious leadership) or philosophical contemplation.. In my interview for Czech weekly Respekt (2003), Baumol separated the talent for art and business, to say Van Gogh was better in art, and Dalí in business. Was Galileo untalented in business not to "sell" his discoveries? Church punished Galileo for doubting its dogmas, not because he had little "business talent". In economics the invention cuts costs, but economic tools: interest rate, taxes, tariffs, money can't create innovation itself. The genius can thrive, but without support, can be ostracized by the average majority to get rid of too efficient rival.

Game Theory imitates science

Prisoner's dilemma (1950) shows how decision depends on expectations of other decisions. It overcomplicates reality. To compute a decision would take time with uncertain payoff. It recalls Heisenberg's uncertainty (1927): measurement disturbs the object measured. Endless analysis is a paranoia: "they know me", and they know "I know "they know me".." It locks IQ in iteration. Child or mentally handicapped in Rorschach projective test (1921) elaborate fragment (oligophrenic detail). Game Theory fragments interactions too, using advanced math to imitate science. We should consider long term interest as we decide, but Game Theory isn't very useful. The claims how it helps in evolutionary biology or politics, overrate its importance.

West falls after USSR

The regime change in socialistic Czechoslovakia (1989) should rise living standard, already high in real terms (flats, food, no debts..). I was 14 and expected people would work harder, but they were arguing more. I told a friend: why not to give more money to all to spend to rise output? I knew inflation risk, he claimed, but "money supply" must link the output.. It is Keynes multiplier (1933) used in Great Depression (1930s). Many know "money can rise output" without Keynes. It isn't a rocket science and economic "laws" are conditional: money didn't resolve 2008 crisis, as it boosted the Chinese not Western output. Pareto efficiency (1906): no change can be made without making someone worse off. In contrast, 1989 change - privatization of state (also by foreign states) - ended in a huge inequality including homelessness. Former secret agents or communists became rich and "devoted capitalists". But the end of USSR diminished also the Western middle class formed also as a reaction to the Soviet system.

Digital economy

Digitalisation vastly cut communication costs to enable e-shops, cryptocurrencies, social media, expert systems.. Data centres, networks, devices exponentially consume electricity, while a creation of often unproductive sites (porn, betting, fun..) absorbs human capital that could be utilised elsewhere. It opens options, but outsources labour too: journalism or entertainment to blogs, social media, forums.. Youtubers or tiktokers serve as low paid easily replaceable actors. The main criterion - count of views, guarantee neither quality nor utility. Internet in free market hastens and enhances monopolization of business, politics, education, art.. with little added value, except rapid transmission and sharing. IT projects also conceal financial transactions. Communication is a public good, whose privatization diminishes the utility. The state can abuse a control, but the private monopoly abuses for narrower interests. For an incentive to create some form of a private ownership is needed, but limited to prevent monopolization.

PAYG or feudalism

M. Allais defined Overlapping Generation Model (1947) to analyze "Pay as you go" (PAYG) system: the young pay pensions for the old. It covers inflation, can't over-accumulate capital (dynamic inefficiency) and reduces "moral hazard" of private funds to over-risk or steal via "investments" or "services". Without inside (illegal) info investments can't return in long term more (on average) than interest rate on savings. Ageing or low birth rate isn't a proof to cancel PAYG, as productivity rises and the birth rate can rise too. Smaller population reduces the return from the private funds too. Weakening PAYG attacks the modern society when people with state pensions stopped depending on their children or fields to work till death. Replacing PAYG by private funds is a move to feudalism embodied by Church restitution in Czech Republic (2013) justified by "justice", while the Church cumulated wealth from the mandatory tithes, taxes or indulgences.

Fake liberalism discredits Enlightenment

The ideal society promotes the best of us to maximize options for all (Pareto efficiency). Individually, the ideal seems to take all wealth to exclude others (zero-sum game). Abler than us, are abler to take our wealth.. But a primary incentive of innovators is to create, and those unable to create are more likely to steal. So quality of promotion criteria decides if society flourishes. The obedience to religion or ideology ignores the best to lead to backwardness. Since 1990s China has improved its education regardless of social status to leapfrog ahead of the West in technology. The West set criteria ignoring intellect: gender, sexual orientation / identity, race, religion. The rich gather in private schools to have rich friends, not to perform better. Fake liberalism promotes "diversity" not options for talent, effort, merit. It discredits the left or socialism as "right to change sex" is more than to afford a flat or have a job. It empowers religions to justify the extreme inequality discrediting Enlightenment's ideas of secularism, rationality, meritocracy as the main source of a potential revolt.

Addition

Secular China was criticised for its "antiliberal" 1-child policy in 1970s to stop overpopulation, while populations grew in mostly desert (religious) Egypt 8.6x since 1920 (12M, in 2020 103M), in (religious) Bangladesh 4.3x since 1950 (38M, in 2020 165M) - causing serious health, social, migration and environmental issues to demonstrate a striking hypocrisy and irrationality of a fake liberalism.

Publications / Quotation

Application of game theory, psychology, decision under uncertainty, 2010, B. Benova, Comenius University, Faculty of Mathematics, Physics, and Information science

Utilizing the Prospect Theory for decision of economic subjects, 2007, M.Rusnak, Economic University in Bratislava
Game theory and decision making, Faculty of management, Economic University in Bratislava

Clive Granger (Nobel prize winner in 2003): China and India can dominate (Tyden, 2004)

William Baumol: The discrimination of blacks has increased the number of jazz composers (Respekt, Blisty 2003)

Gerard Roland: China chose better way than you (Respekt, 2002)