

TEMPORARY DISTORTIONS AND INDIVIDUAL IGNORANCE

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DOI: <https://doi.org/10.31410/EMAN.2019.359>

Abstract: *Individuals live their lives under the forces of time and ignorance. Since the economy is dealing with the study of a significant part of people's lives, it was normal that aspects of it to be considered sooner or later. Our intention, when we started this paper, was to develop a certain apparatus of economic analysis, which unites several branches of the sciences that study the products of cooperation between people and to show how these products evolve depending on the expectations and the time horizon of individuals. The term "ignorance" has nothing pejorative in this context because it is largely the result of a rational choice of individuals. Limiting resources, and in particular time availability, causes people not to use all the information they might gather if they have at their disposal unlimited amounts of time and money. In addition, certain information, such as the tastes and wishes of others, is inaccessible to the individual from an economic point of view. The individual must rely on certain mechanisms and social institutions to co-operate with his fellows, including trading.*

But one of the temptations that one finds hard to resist is to show how people's lives can be ameliorated if some bad influences would be eliminated; how can those forces that apparently destroy the plans of individuals can be countered; Finally, how, through some well-thought-out measures, people's lives can get a happy turn when they no longer expect anything better. From this perspective, we hope that the present paper transmits in an indirect way a clear message: we have resisted this temptation. No! People's lives cannot be made better by pencil traits, by genius ideas about the overall social organization or by combating ignorance. Instead, it can be made more difficult and miserable.

It is right that social sciences do not have, in the eyes of many, the status of physics or mathematics for example. However, economic constraints are real and cannot be avoided simply by ignoring them. Ignorance becomes truly dangerous only when some people can decide the fate of others over their will.

Keywords: *Economics, time, ignorance.*

1. INTRODUCTION

The human being, as we know it, is in itself a social product. The actions that the human being undertakes are circumscribed to the category of forms of social co-operation. For example, the market is a form of social co-operation, it is the broadest and at the same time that embraces all the other. The market is a form of ordering social actions: each individual try to achieve his goals, while at the same time it has the collaboration of other individuals. Social cooperation in the most varied forms results in a lot of social products: language, currency, music, technology, ethics, etc. All these appear and change as a result of the actions of a multitude of people. Some social products are the result of a conscious action aimed at their obtaining; others appear as a collateral result of individual actions. In particular, social products of the latter type represent the pillar of support for forms of social cooperation.

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The variety of interests determines not chaos, but the specific ordering of various social products. The fact that many people do not know grammar does not prevent them from talking. Not many are aware of the implications of the theory of narrow relativity, but this does not prevent them from inventing and modifying various instruments in accordance with their momentary interests. Many people have no idea of the implications of economic science but they are still billionaires [1]. What makes social cooperation possible? A first indication gives us the existence of language. Despite thousands of languages on Earth, people can communicate each other. The structure itself, on which language [2] is based, and language - thinking [3], must be at the basis of all forms of social cooperation. Indeed, action aimed at a purpose implies a rational calculation, a weighing of the means appropriate to the achievement of the proposed goals [4]. When we claim to understand whether this calculation has been established, we assume an appeal to logic. And so, we make the second connection. Social relationships are possible due to the exchange of people, an exchange that involves an understanding of the common contribution for different purposes. This common understanding is possible due to the structure of language, which in turn is based on logic. Logic [5] represents the point of reference or nodal, the link between human knowledge and social cooperation. Denying the existence of a unique appeal to logic means denying the possibility of understanding any form based on voluntary co-operation, as well as the impossibility of scientific knowledge, different from a mere sum of prejudices and collections of facts.

2. THE IGNORANCE OF INDIVIDUALS

Part of the contemporary world, however, relies on daily living on the growing consumption of consumer goods. This is the so-called "Western civilization", as well as its "clones". This is the economic system that has produced the sustained growth of prosperity over the last three hundred years, relying on the deepening of the specialization of individuals and the generalization of trade. As a collateral product of this lifestyle arose and what we called the production structure. This delicate mechanism regulates the distribution of resources so that the production process can be granted according to the expectations and desires of individuals. This system solves two major types of problems: individual ignorance and temporal distortions.

The ignorance of individuals depends fundamentally on the evolution of the production structure. The more specialties and more products and more entrepreneurs appear, the harder for an individual to have a sufficient amount of knowledge enough to achieve his goals. Individuals are forced to specialize more in a certain type of knowledge and use the rest of knowledge in an indirect way by buying the services of other individuals. One of the effects of this type of evolution of social relations is that "hopes" can emerge within the evolution of the production structure. If sellers and buyers are not at the same level of information on certain markets, there are three possibilities: either trust develops between the parties and the market for the product thrives; or trust is steadily betrayed, and that market diminishes and disappears; or trust is sometimes betrayed and the market is stretching and shrinking, generating sudden changes in prices, too fast and unpredictable to allow for the right adjustment of individual plans.

For example, in the personal computer market there is often a discrepancy between the knowledge of computer manufacturers and vendors, on the one hand, and the knowledge of buyers, on the other hand, as regards the technical characteristics of a computer and its components. Here's the way vendors get used to selling their products. They create certain configurations (types of computers depending on the components included) for some buyer's anticipated wishes (as

they will rather use the computer for office applications, games, graphics processing, etc.). But to make them as salable as possible, vendors tend to introduce as much as cheap and non-essential elements as configurable, as inexpensive, but as expensive as possible. The package thus obtained is relatively inexpensive, but less functional than would be possible at the same price, and without great “upgrade” options.

However, the computer components industry relies primarily on introducing faster performance pieces. Given that normal users (who are the overwhelming majority) will not change their computers from one day to the next, if the ‘upgrade’ possibilities are reduced to a sufficient number of computers, then the newer parts will not have enough demand big or rather it will be extremely difficult to anticipate so that the price of these components will have to be fallen faster than anticipated, and the price of some older components will drop more slowly than expected or even increase. This phenomenon can be described as a ‘hop’ in the production structure, because the song makers are in the face of a double dilemma: whether to continue innovation at the same pace and whether to continue production at the same pace. Producers are now suffocated by the competition of their own previous production.

This phenomenon, as well as all the disturbances in the production structure, arises as a result of estimation errors by entrepreneurs. Remarkable, however, of the other usual forms of modifications in the production structure due to passive errors or changes to the current plans of individuals is that such a phenomenon can generate clutter of errors.

The production structure is a way to recreate the process of resource allocation in society. Once captured within the production structure, the resources are transformed successively (in the downward direction of the production stages) to the consumer goods stage. The place that a certain good has to occupy at any given moment in the production structure is given by its relative price.

The place that a good actually holds is given by its monetary price relative to the other monetary prices relevant to the entrepreneur who supports the allocation process. The differences that may arise between the ratios between the monetary prices and the relative prices contribute to the accumulation of errors in the production process. The higher the errors, the more likely the magnitude of the subsequent variation in the prices of the goods affected will be greater and more difficult to anticipate, reflecting the re-evaluation of business opportunities. Agglomerations of errors are a remarkable case because they generate such unanticipated variations (and unpredictable in that context) of the prices of goods in the production structure. Price variations mean in the day-to-day language increases or decreases in the incomes of the owners of those goods. These include: oil refineries, installations in the steel industry, services purchased by employees in these industries, various buildings, agricultural land, irrigation pipes. The unanticipated decrease in the incomes of the owners of these types of goods is characteristic, for example, of Romania’s economy. The generalized poverty of those owners exists because these types of goods are not (and have not) been consistently redirected to other uses. Therefore, the poverty of these people is self-sustaining.

The Dunning-Kruger effect: the paradox of ignorance - the illusion of superiority

It is a phenomenon known in psychology as the Dunning-Kruger Effect and actually consists of a cognitive distortion that generates in the minds of unprepared persons in a certain area an over-evaluation of one’s own abilities.

The name derives from the association of the names of the two American psychologists who discovered and researched the phenomenon, in 1999 to publish a paper on this subject: David Alan Dunning, professor of psychology at the University of Michigan, and Justin Kruger, professor of psychology at New York University School of Business.

The phenomenon was tested for the first time in a series of experiments, the results of which were published in 1999. The two psychologists also relied on older studies showing that misjudgment of competence is due to ignoring proficiency standards. This pattern has been observed in very different studies, such as the ability to understand reading, driving a car or playing sports such as chess or tennis.

Dunning and Kruger say that, in a certain area:

1. They tend to overestimate their own level of competence,
2. Fail to recognize the high competence of the truly competent,
3. Do not realize the dimensions reached by own ignorance,
4. They manage to accept their own incompetence only after they have achieved a high level in that field.

The two psychologists tested the four hypotheses mentioned above on a group of students at Cornell University's psychology courses.

In a series of studies, they noted the subjects' appreciation of themselves as regards their logical reasoning skills, grammar knowledge and humor. After the results of their own tests were shown, the subjects were asked to estimate their position in the batch: the competent ones estimated their position correctly and the incompetent overestimated their position. During four studies, Dunning and Kruger have noticed that subjects ranked in the last quarter in humor, grammar, and logic tests have greatly overestimated their possibilities. Although the tests were at the level of 12% (in the fourth quarter), they were estimated at 62% (in the second quarter). At the same time, the skilled ones tended to underestimate their own competence. Generally, subjects who considered light tests have mistakenly estimated that these tests are easy for others. A later study suggests that very incompetent subjects managed to better estimate their level after little training in a field where they did not understand, while estimates in areas where they were not trained remained the same as before. At the opposite end there would be those who, having a rich bag of knowledge on a particular argument, feel more uncertain than the first. And if we think of Socrates' quotation with which the article begins, we can understand that those who have extensive knowledge and solid training on a particular argument, the more they enter the meander of human knowledge, they will realize the immense vastness of things existing and not yet known. As a result, those who make accurate analyzes and in-depth studies on a particular phenomenon, for example, or on a particular subject, will gradually become aware of all the possible details missing from the overall picture they have been able to reach. The question, of course, is: what can we do? Of course, there are no immediate solutions, but, as it seems, the first step would be made by teachers, generally those in the pedagogical field, who like Socrates to educate their pupils and students more in the spirit of uncertainty and doubt rather than self-gratification. We are aware that it is a complex path that requires time, patience, and a lot of determination, because doubts mean putting into play the often-illusory certitudes that our existence often relies on, but which can in fact constitute a firm barrier to the way personal elevation. Ultimately, it is an effort that each of us owes to do, if we do not want ignorant overestimating infinitely to take over the rest of society.

3. TIME DISTORTIONS

Time distortions are the inconsistencies between the expectations of individuals about the final or intermediate results of production processes and the actual results. These distortions, which are to some extent inevitable, arise as a result of incorrect expectations of individual action plans. In order to produce a certain volume of consumer goods, there is a need for a certain amount of production goods, certain technologies, certain specializations and a certain arrangement of them. As this process is mediated by millions of people, errors are inevitable. Instead, they can be minimized if the markets on which the necessary resources traded are liquid and the monetary prices closely match the relative prices.

Such serious time distortions can occur especially if some key resources are not allocated by the market mechanism or it plays a small role so that the prices of these resources are adjusted very slowly. If the time horizon is high, error correction is extremely slow, as is the case for example in the education system. Since prices for education and training services are formed on a very rigid market (due to the many regulations and the traditional way in which this activity is perceived), they cannot be adjusted up to the level of the present value of the future marginal income of the future income earned by the recipient of the education services due to the use of these services). As a result, resource allocation is mistaken and, over time, the entire education system in its current form may disintegrate.

4. CONCLUSIONS

- Looking for their own interest, individuals are forced to develop and use various social institutions to coordinate their actions,
- Market prices denominated in currencies allow individuals to make concrete calculations in terms of resource allocation,
- The possibility that various wishes of individuals can be fulfilled generates a complex system of resource allocation due to the temporal component of production,
- People rely on the production and trade of goods that will only bring some expected satisfaction in the future,
- The temporal dimension of individual action becomes important from the time that production for future consumption is socially feasible.

REFERENCES

- [1] L. Wittgenstein (2001, paragraph 6.52): We feel that even when all possible scientific propositions receive an answer, our life problems are still not at all achievable. Of course, there is no question in this case; and this is precisely the answer. Life problems are life problems, and scientific issues are scientific issues.
- [2] N. Chomsky (1988, p. 317): “I do not think thinking is just a silent speech, but that a considerable part of what we call thinking only consists of a linguistic manipulation.”
- [3] F. Hayek (1948, pg.76): „Just as the existence of a common structure of thought is the condition of the possibility of our communicating with one another, of your understanding what I say, so it is also the basis on which we all interpret such complicated social structures as those which we find in economic life or law, in language, and in customs.”

- [4] Cf. Mises (1963, pg. 21): “The only standard which it applies is whether or not the means chosen are fit for the attainment of the ends aimed at”.
- [5] J. Locke (1961, p. 317): “Because we can acquire knowledge only by clear and certain truths, error is not a guilt of knowledge, but a judgmental error because it gives assent to something that is not true”.