
psychology Reflection week 2

Posted by Ryan LaPlante - 2010/02/19 20:18

Hi! First of all, a classmate of mine who is doing International Relations might try to join the course. I don't know if it's too late at this point or not but she's going to talk to arts advising about it. I invited her in week 1 and she wasn't sure she could take on the extra work but seems to be interested now, does anyone have any concerns about this? Moving along, at this point I'm not even sure what our reading list was last week but I'm going to discuss ideas from Robert Nadeau's article, Brother, Can You Spare Me a Planet, since we did find the topic of pricing externalities to be a little controversial. So the article questions several tenets of conventional economics. It questions, first of all, whether science can even be scientific, and criticizes the practice early economists maintained of importing algorithms from other disciplines like physics. The article makes a valid point here, if we consider that the scientific method requires that theories make predictions that are testable. Economics certainly tries to make predictions, but we have to concede that these predictions are unscientific, for a couple of reasons. This mostly revolves around Smith's idea that individuals are rational actors and make predictable choices according to fixed decision-making rules (Nadeau, 3), namely in a manner that recalls a utilitarian understanding of human interaction (maximizing gain/ pleasure and minimizing pain/loss). There are even equations for calculating how people will make choices based on cost/benefit scenarios. The problem we discussed here is that individuals place different values on the same goods or outcomes. SO, I recalled from a statistic class that we can adjust for this by changing the v(alue) variable in the equation to p(erceived) value. It seems to me that this throws a wrench into the whole predictive mechanism by introducing an X variable that is present in every equation. For example, it obviously makes it impossible to know how markets will receive a new product when the opportunity choice consumers face is not just 'the price tag versus a certain amount of labour', but the aggregate of the perceptions of all consumers regarding benefits of said product, versus a certain amount of labour. Sure, the market will decide the price on its own, that's the beauty of it - but if economics is truly scientific, it should be able to make these sorts of predictions. Predicting individuals' behavior is further complicated by the fact that they must have perfect information in order for the model to work. Economics acknowledges that this is a necessary prerequisite; yet when do we ever have perfect information? Certainly not when we invest. The profits of every firm, the yield on every bond, depend on so many variables - the crop yield next year, whether a breakthrough new technology is discovered, whether Steve Jobs is dying or not - that no computer, let alone human mind, could conceive of them all at once. Yet the outcomes are all interdependent because we have this investment market that fluctuates only in part due to all of these variables, and in large part fluctuates due to peoples' predictions about what these variables will be (based on imperfect information), and based on peoples' predictions of what other peoples' predictions will be, and so on. When we examine the problem this way it seems ludicrous that anyone would ever be able to make an accurate prediction, except by chance - yet this is a prerequisite for scientific validity in any other discipline. On the other hand the article presented a pretty slanted argument on this point. There was a bit of rhetoric near the beginning in particular that seems designed to discredit Smith's ideology by characterizing it as inspired by superstition or religious hocus pocus. In particular the claim that Smith was a deist and his belief in the existence of the invisible hand was an article of faith, stands in direct contrast to what the majority of academics believe. Smith simply believed that markets were subject to a natural sort of efficiency arising from the equilibrium achieved when rational, self-maximizing sellers and rational, self-maximizing buyers interact. He employed the term invisible hand exactly once throughout the course of the 1200 page Wealth of Nations (as a sort of metaphor), whereas he devotes an entire chapter to critiquing the negative impacts of religion and superstition on society. So much for that.

=====

psychology Reflection week 2

Posted by Michael Xu - 2010/02/19 20:18

Relations might try to join the course. I don't know if it's too late at this point or not but she's going to talk to arts advising about it. I invited her in week 1 and she wasn't sure she could take on the extra work but seems to be interested now, does anyone have any concerns about this? Moving along, at this point I'm not even sure what our reading list was last week but I'm going to discuss ideas from Robert Nadeau's article, Brother, Can You Spare Me a Planet, since we did find the topic of pricing externalities to be a little controversial. So the article questions several tenets of conventional economics. It questions, first of all, whether science can even be scientific, and criticizes the practice early economists maintained of importing algorithms from other disciplines like physics. The article makes a valid point here, if we consider that the scientific method requires that theories make predictions that are testable. Economics certainly tries to make predictions, but we have to concede that these predictions are unscientific, for a couple of reasons. This mostly revolves around Smith's idea that individuals are rational actors and make predictable choices according to fixed decision-making rules (Nadeau, 3), namely in a manner that recalls a utilitarian understanding of human interaction (maximizing gain/ pleasure and minimizing pain/loss). There are even equations for calculating how people will make choices based on cost/benefit scenarios. The problem we discussed here is that individuals place different values on the same goods or outcomes. SO, I recalled from a statistic class that we can adjust for this by changing the v(alue) variable in the equation to p(erceived) value. It seems to me that this throws a wrench into the whole predictive mechanism by introducing an X variable that is present in every equation. For example, it obviously makes it impossible to know how markets will receive a new product when the opportunity choice

consumers face is not just 'the price tag versus a certain amount of labour', but the aggregate of the perceptions of all consumers regarding benefits of said product, versus a certain amount of labour. Sure, the market will decide the price on its own, that's the beauty of it - but if economics is truly scientific, it should be able to make these sorts of predictions. Predicting individuals' behavior is further complicated by the fact that they must have perfect information in order for the model to work. Economics acknowledges that this is a necessary prerequisite; yet when do we ever have perfect information? Certainly not when we invest. The profits of every firm, the yield on every bond, depend on so many variables - the crop yield next year, whether a breakthrough new technology is discovered, whether Steve Jobs is dying or not - that no computer, let alone human mind, could conceive of them all at once. Yet the outcomes are all interdependent because we have this investment market that fluctuates only in part due to all of these variables, and in large part fluctuates due to peoples' predictions about what these variables will be (based on imperfect information), and based on peoples' predictions of what other peoples' predictions will be, and so on. When we examine the problem this way it seems ludicrous that anyone would ever be able to make an accurate prediction, except by chance - yet this is a prerequisite for scientific validity in any other discipline. On the other hand the article presented a pretty slanted argument on this point. There was a bit of rhetoric near the beginning in particular that seems designed to discredit Smith's ideology by characterizing it as inspired by superstition or religious hocus pocus. In particular the claim that Smith was a deist and his belief in the existence of the invisible hand was an article of faith, stands in direct contrast to what the majority of academics believe. Smith simply believed that markets were subject to a natural sort of efficiency arising from the equilibrium achieved when rational, self-maximizing sellers and rational, self-maximizing buyers interact. He employed the term invisible hand exactly once throughout the course of the 1200 page Wealth of Nations (as a sort of metaphor), whereas he devotes an entire chapter to critiquing the negative impacts of religion and superstition on society. So much for that.

=====

psychology Reflection week 2

Posted by Charles Z. - 2010/02/19 20:18

Hi! First of all, a classmate of mine who is doing International Relations might try to join the course. I don't know if it's too late at this point or not but she's going to talk to arts advising about it. I invited her in week 1 and she wasn't sure she could take on the extra work but seems to be interested now, does anyone have any concerns about this?

Moving along, at this point I'm not even sure what our reading list was last week but I'm going to discuss ideas from Robert Nadeau's article, Brother, Can You Spare Me a Planet, since we did find the topic of pricing externalities to be a little controversial. So the article questions several tenets of conventional economics. It questions, first of all, whether science can even be scientific, and criticizes the practice early economists maintained of importing algorithms from other disciplines like physics. The article makes a valid point here, if we consider that the scientific method requires that theories make predictions that are testable. Economics certainly tries to make predictions, but we have to concede that these predictions are unscientific, for a couple of reasons. This mostly revolves around Smith's idea that individuals are rational actors and make predictable choices according to fixed decision-making rules (Nadeau, 3), namely in a manner that recalls a utilitarian understanding of human interaction (maximizing gain/pleasure and minimizing pain/loss). There are even equations for calculating how people will make choices based on cost/benefit scenarios. The problem we discussed here is that individuals place different values on the same goods or outcomes. SO, I recalled from a statistic class that we can adjust for this by changing the v(alue) variable in the equation to p(erceived) value. It seems to me that this throws a wrench into the whole predictive mechanism by introducing an X variable that is present in every equation. For example, it obviously makes it impossible to know how markets will receive a new product when the opportunity choice consumers face is not just 'the price tag versus a certain amount of labour', but the aggregate of the perceptions of all consumers regarding benefits of said product, versus a certain amount of labour. Sure, the market will decide the price on its own, that's the beauty of it - but if economics is truly scientific, it should be able to make these sorts of predictions. Predicting individuals' behavior is further complicated by the fact that they must have perfect information in order for the model to work. Economics acknowledges that this is a necessary prerequisite; yet when do we ever have perfect information? Certainly not when we invest. The profits of every firm, the yield on every bond, depend on so many variables - the crop yield next year, whether a breakthrough new technology is discovered, whether Steve Jobs is dying or not - that no computer, let alone human mind, could conceive of them all at once. Yet the outcomes are all interdependent because we have this investment market that fluctuates only in part due to all of these variables, and in large part fluctuates due to peoples' predictions about what these variables will be (based on imperfect information), and based on peoples' predictions of what other peoples' predictions will be, and so on. When we examine the problem this way it seems ludicrous that anyone would ever be able to make an accurate prediction, except by chance - yet this is a prerequisite for scientific validity in any other discipline. On the other hand the article presented a pretty slanted argument on this point. There was a bit of rhetoric near the beginning in particular that seems designed to discredit Smith's ideology by characterizing it as inspired by superstition or religious hocus pocus. In particular the claim that Smith was a deist and his belief in the existence of the invisible hand was an article of faith, stands in direct contrast to what the majority of academics believe. Smith simply believed that markets were subject to a natural sort of efficiency arising from the equilibrium achieved when rational, self-maximizing sellers and rational, self-maximizing buyers interact. He employed the term invisible hand exactly once throughout the course of the 1200 page Wealth of Nations (as a sort

of metaphor), whereas he devotes an entire chapter to critiquing the negative impacts of religion and superstition on society. So much for that.- Hide quoted text - - Show quoted text -

=====