

## Q and A – Theory and Reality – With Ways to Re-Connect Them

Here are Annie’s answers to four questions that critical thinkers might raise, regarding her essay on Theory and Reality, followed by a few thoughts on changing the rules, given new insight.

### 1. First Question – Are there too many farmers?

**Scientist:** Are there too many farmers, meaning that prices are forced downwards? If there were fewer farmers, perhaps prices would go up and rural workers would have a better wage?



Farmland in the north of England

**Annie:** Thanks! Excellent question (if there were fewer farmers, maybe rural workers would have a better wage). Yes, that’s how it is supposed to work, and that is the usual explanation given for rural-urban migration. Farm workers out-migrate because there get to be too many of them, given the changing world. The problems are a) that this is the closed-economy solution, which few economists think can be important in an economy open to trade; and b) that it carries on even after you would think the appropriate wage adjustment would have been made.



Lavender Farm, UK

Readers who trust Annie’s analysis may skip the description of the research below.

**[Annie’s research:** The data were excellent, perhaps better data than anyone else had at that time, (unless they used my data, and that was not so easy; the census was written in French; the front of it had some Arabic writing on it – perhaps off-putting to non-Arabic readers – and I had to send away for books of general statistical data – letter in French; payment requested in dinars; my bank wouldn’t sell me any, so I sent dollars; that was the end of my conversation with them, but they had already sent me the books); so here is what happened in the research.

There were three types of migrations – migration from one place to another (930 migration streams, some of them zero); outmigration from one place (31 migration streams), and in-migration to one place (31 migration streams). These data also identified socioeconomic characteristics of the migrants. Then, there were regional characteristics to investigate, regarding what might be correlated with these different migrants and migrations.

Annie believed that an explanation for ongoing rural-urban migration over many years, worldwide, was that something continued to change such that there was no end to the urbanization process. So, she was interested in the role of technological change from day one of her investigations.



Cattle, outside Khartoum, 1974

Although there were not data on wages by region, there were data on wages by “zone.” There were three zones, with different degrees of modernization, and, for similar workers, wages did not vary by zone, except for at a very low “apprentice” level. Other analysts with detailed data have found similar results for inter-regional wage-differentials.

The “most interesting” finding (according to one professor) was that outmigration from a region was associated, and statistically significant, for “increase in number of tractors in the self-managed sector.” This was an encouraging hint that technological change did indeed play a role. The other thing about outmigration – equally interesting? – is that NONE of the other variables usually believed to motivate outmigration was statistically significant. Not population density; not unemployment; not distance from major urban region; not a proxy for a low wage (percent employed in agriculture); etc. (Did the uninterested professor think that, in my foolishness, I hadn’t found what should have been, and really was, there? I suppose it’s possible.)]

*Annie’s conclusion was that the closed-economy case, where there is labor outmigration from agricultural regions in the presence of technological progress, applies globally as explained in Theory and Reality Part Two. This conclusion does not appear directly in the research report, because professors did not care for it. It was not published as a research paper, after the research was completed, for similar lack of interest and support.*



Amish Farm, Pennsylvania

*And, regarding the scientist questioner’s idea that prices should go up if there are fewer farmers, this is why some economists believe that farm subsidies should cease. They think the free market would manage prices and quantities better. BUT increases in farm productivity (tending to bring prices down) outpace the rate at which farmers or farm workers leave the industry, so that the free-market solution, under current rules, would likely involve permanent exit of resources from farming because prices and profits there are low. This exit, if allowed to reach its logical free-market conclusion, would be followed by overall higher prices and lower quantities for produce, so that food would be rationed.*

***That is, with free markets, only those who could pay high prices would get something to eat! Adjustment back to higher quantities with “normal” profit would take months, perhaps a year or more, if ever, because growing things cannot be rushed (much), and increasing productivity keeps prices down. That (food rationing in favor of the wealthy or the criminal) would not be a happy situation, politically or socially.***

*A similar situation already applies to the nutritional quality of food. Organic food is more expensive than food produced with the methods described in Theory and Reality Part Two, and not everyone can afford to buy organic. Perhaps if the truth became more obvious, if in fact we stopped agricultural subsidies and the consequences became clear, free-market believers might re-consider their rules. Not everyone would accept quietly the consequences of removing farm subsidies, for farm viability, food quality, and food availability.*

*So, thank you for your question! Absolutely the question to ask. I hope I answered it satisfactorily.*

## **2. Second Question – Is produce cheaper in developing countries?**

**Scientist:** Do farmers in developing countries compete with farmers in the West? If they do, I would expect



that the produce from developing countries would be cheaper, owing to lower wages for workers, so that might explain why farmers in the West are finding things so difficult. Do Western nations protect their farmers with subsidies to avoid this issue? Or do things balance out because although labor is cheaper for developing countries, Western nations have technology to help keep costs down?

**Annie:** Yes, another excellent question. Farmers in the developing world (now called “emerging markets”) want to compete with farmers in the West. Some complain that Western nations subsidize their own producers so that poorer



countries cannot compete. The particulars differ in detail across countries; however, after my research I noted that technological methods of farming were "better" than labor-intensive methods. This would support your thought that Western countries have a technological advantage over poorer countries.

At the time of my research, the development advice was to use the resources that you had, so that countries with many poor farm laborers should use labor-intensive methods of farming. My finding was that this would not work well for those countries. It was a long time ago and back then we Westerners still believed in technological progress, economic growth, and that we offered good advice. In the 1970s, technological progress in developing country farms was about replacing farm laborers and ox-drawn ploughs with tractors and combine harvesters. We did not foresee how the same types of choices, between the technological and the human, might not seem unambiguously good for us today.



Crabbing equipment, Tangier Island

I am not sure about "emerging market" (developing-country) produce being cheaper because of lower costs for labor. When making international comparisons of prices and wages, it is challenging to account for all the things that differ across countries, including cultural habits and values, costs of living, and relative prevalence of non-market activities. I think it likely, with globalization, that wages would equalize worldwide, for similar workers in similar jobs, similarly to the way that they equalize within-country.



However, if the global system favors rich-country produce, or the produce of plantation-style industries in poor countries, as it has done historically, then it is no wonder that some developing-country economists advise getting their countries into the kinds of industries (cutting edge) that are more profitable, ASAP. (So, who might be left to grow food, if they succeed?)

Thank you for this question also. Excellent thinking. I hope I answered it.

### 3. Third Question – Are you a believer?

**Annie:** One of the actors (Rainn Wilson) in *The Office* – U.S. version - has written a book about spirituality, called "Soul Boom." There is a video on YouTube in which he is interviewed about it.

**Scientist:** I checked out the video, at timestamp 1:54:30 and it wasn't totally religious (which I see as a belief in God) – but I wasn't convinced [by what he said] that a belief in God was worthwhile. Are you a believer these days?

**Annie:** Thank you for yet another excellent question. In our modern world, some people doubt what cannot be measured, or what is not objective. Yet many people and cultures draw a distinction between the world of the mind, or soul (within, not observable, but experienced) and the external world, or that which can be touched and measured with our senses, and about which we can reach objective conclusions.

I think the fatherly God of our childhood was for children - a way to introduce young people to something above and beyond their comprehension. I prefer to say "the Universe" rather than "God." Sensing the pulse of the Universe is an experience, not something to be pinned down objectively. As such, I believe in it. I liked the description in the video clip: "We are not human beings who have spiritual experiences; we are spiritual beings having a human experience [in our lives on earth]."



Mosque, Tunisia



Orthodox Church, Virginia

*According to the wisdom of the ages (a.k.a. spirituality, to me), there is a reason for everything and it is not our place to tell others how to be. Yet, we are free to share what we think. A recent movie discussed the James Webb Space Telescope and its findings, as they relate to Stephen Hawking's theories about the origin of the Universe. Here is what I think we can learn from Hawking: if you have a sense of purpose, you can do the impossible - like live a long, full life when expected to die in your twenties... I find that spiritually intriguing!*

#### 4. Fourth Question – How might we manage current challenges?

**Scientist:** Climate predictions suggest the world is approaching a tipping point. Global climate systems, including biological ecosystems (nature as we know it), will never be the same if we cannot turn this around. We will need to adapt to it. Nations cannot agree on how to manage the situation, nor about who should pay for it if there were any sort of solution. We scientists believe a technological solution is the only way forward, because what is natural has already been too-much disturbed. Do you think there is a viable response to these unprecedented global changes, when finding a good solution has evaded us so far?

*Annie:* I have two types of answers to this question. The objective one is that we should all stop believing it is someone else's job to fix the world, or ourselves. Symptoms of social dysfunction are all around us, here in the U.S., and, if you think it is only the media giving sensationalist bad news, I invite you to ponder why the media behave like that.

*A recent article in The Atlantic talks about loss of intimacy and trust in the U.S., arguing that human beings have to know and trust one another, or their communities break down. But paid work, perhaps in isolation (remote work) seems to offer more rewards than community service these days, as the working world loses respect for unpaid or low-paid workers. It is time to redress this imbalance and invite the well-paid into the world of caring, service, and giving time as well as money, especially to children and the community. There is healing for the soul in that, and future generations would benefit greatly.*



Spring Arrives at the Dump, Virginia

Traditional Dance, Mallorca



*For those who believe the media's statements that a climate tipping point is almost upon us, note that a controversial book argues that global climate models are inadequate; for example, they do not include human behavioral modeling. So, perhaps we can "Be the change we want to see in the world," and find a way to turn the doomsday fate around.*

*Consider the alternative – carrying on as we are – for free and wealthy people and countries. If workers want good benefits but don't work hard for them; if they entertain themselves with mind-junk and booze (or worse) instead of contributing to the community; and if wealthy people think they can keep poor people out of the educated world, now that there is so much good teaching on the internet, then - sorry, but there is trouble ahead (or, it's already here...).*

*The spiritual answer is that we each follow a journey of internal discovery, as our lives progress. At some point, we may realize that death is not the end, or at least that it is nothing to fear. Then, we can start to trust the Universe, with regard to whether things turn around on earth.*



*And we can still believe that those who work with the pulse of the Universe, rather than against it, will go on to better things, somewhere, somehow. Try being open to perceiving life this way – you might like it!*

## **Discussion – Theory and Reality: Why they parted ways, and ideas to bring them back together.**

“An economist is someone who knows the price of everything and the value of nothing.” The economist who shared this quip followed up with a defense of his profession against it. Gradual disconnection of prices for necessities (technical term) from their values, over the long run, makes the quip relevant here.

**That is, an unanticipated impact of technological change on market economies is that the financial fortunes of necessity industries progress differently from those of luxury industries.**

*Annie says - What drives urbanization appears to be mostly-high rewards to technical education and mostly-low rewards to agricultural (and human/ natural/ spiritual) knowledge. Those monetary incentives are not good measures of the relative values of these types of knowledge to society, but rather, they are a property of our economy and our beliefs – they develop from the way we have set up our system, believing in competitive behavior, technological research, and the value of bargains.*



American Robin

*It follows that the pursuit of ever-lower costs and prices in competitive, technological environments rewards those industries that benefit from these behaviors, at the expense of those industries which lose from these behaviors.*

*An important difference between Annie’s analysis and conventional economic analysis is that Annie investigates relative revenues, thereby taking into account everything before we reach the “margin,” whereas conventional analysis investigates relative prices “at the margin.”*

*The impact of technological change systematically pushes the marginal price down in some industries more than in others, which systematically puts revenue, or budget, pressure on those industries. If it is hard to observe a declining price in necessity industries, that has much to do with both an increasing money supply and the aggregation of variables in the macroeconomy.*

*This intrinsic bias in a market system in the presence of technological change can be addressed, once it has been understood. There is no need to throw the system out altogether. Given existing beliefs and institutions, a radical change would be disruptive. (Consider what happens when the Taliban wins power; recall the aftermath of the Russian Revolution...) Members of the global elite know how to get things done. Let us hope that, with new understanding, and with reference to their own consciences, they can work together to turn the system around for all of us, and for our descendants.*

**Annie:** Theory and Reality Part Two, *implying and explaining the points made above, could be a “contribution.” The educated, non-economist, general public thinks this is nothing new; we know that the commercial world influences people’s behavior in sometimes-dysfunctional ways. Academic economists are busy gathering their own data, making their own models, and talking to their colleagues, so that they have no time to engage with someone like Annie. Yet, still, many of the less-well-educated general public believe their interests are being ignored. The worse things get for them, the more they are inclined to despise conventional politicians and their advisors, and yearn for a shake-up.*



Encaenia, Oxford, England

*So, Annie is trying to bridge the gap between the theories of the academics and the perceptions of the public, since that appears to be a niche that needs filling. She was well-trained as an economist, did original research as described on page one above, and*

*taught in two regular colleges and a business school. She also worked in several businesses, and thinks that economic theory is too sophisticated for what really goes on, most of the time.*

## Ways to correct industry-revenue imbalances in a market system

### Everyone:

- Stop believing in low prices, free advice, and advertisements; learn to recognize quality and reward it, including paying for it. Ways to pay “above-market,” if you can afford it, include generous tipping, donations, and buying something for someone who cannot afford it.
- Do not buy (or consume) anything that will make you dependent on it and its supplier, no matter how much pain you feel. Your troubles will still be there tomorrow, when its effects have worn off.
- Seek accurate, reliable, balanced information so that you can make sensible choices.
- Return your interest primarily to what is local rather than what is international; most of us are more likely to think of and find helpful things to do, that we have some control over, that way.
- If you see something (inappropriate or unfortunate), do something. If you know you must do something, you will think carefully about what.

### Government:

- Gradually reduce the money supply by increasing the required reserve ratio. Then, the banking system loses its incentive to make money with debt purchases, thereby mortgaging the future. And, a better balance between necessities (resource-losing industries) and luxuries (money-magnet industries) may have an incentive to return, with the help, not the defiance, of market forces.



*Khartoum, at Peace, 1974*

*Washington, DC Metro (Subway System)*



- Allow price collusion in resource-losing industries but not in money-magnet industries. Encourage unions in money-magnet industries, and competitive labor markets in resource-losing industries. In this way, prices can better reflect the cost of providing good value, and revenues can better be shared among all workers. Plan to proceed with caution. Consider, for example, the impact on the global economy of commodity-price increases by the OPEC cartel, starting in the 1970s. Or, consider the impact of the nationalization of the Suez Canal in the 1950s.

- Acknowledge that investing can bring in a large income stream for little work, and adjust incentives accordingly. (For example, raise capital gains taxes for people and institutions whose daily work involves buying and selling financial instruments.)
- Change bankruptcy laws so that driving businesses into the ground cannot become a way of life; for example, some people buy businesses, milk them for the good in them, and then sell them, now insolvent. Or, knowing they will be protected in case of business bankruptcy, some people run businesses recklessly.
- Develop a culture that teaches students that irresponsible behavior is held accountable – for example, negative consequences of an avoidable accident must be fully recompensed (including, but not limited to, paying costs) by the careless perpetrator. That is, an education teaches more than academics, and rewards things other than good grades.

## Business:

- Recognize that it is easier for a business to pay high salaries to workers in jobs that are few (such as CEOs and upper management), but that competition for such workers has gotten out of hand. Do we really want to promise someone millions of dollars no-matter-what? And, why is this necessary? Does no-one want those jobs unless there is high compensation without (much) accountability? What might that be about?
- Hold suppliers and competitors accountable for unethical behavior, so your business would not, itself, have to take on board unethical behaviors in order to compete. If you know you must do this, you will ask yourselves how.



*New York, New York*

## For World Leaders and Their Friends:

An on-line guru, who teaches Inner Engineering – a technology for health, wellness, success, and connection to the divine – has offered to take you all on a retreat, for a week or so. Is there anyone who knows world leaders personally, who might persuade them to accept this offer?

*Oregon, Above Columbia River*

