

**USE (LESS) VALUE
AND MDGS**

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The first draft of this text was completed during a visit to The National Bureau of Economic Research in Cambridge, Massachusetts. Walking on the stamping grounds of Ken Galbraith, whose 1972 presidential address to the American Economic Association was titled “Power and the Useful Economist”, and of Paul Samuelson, who famously derided Marx as a “minor post-Ricardian”, certainly brought inspiration from my departed masters and friends. Closer to home, another serendipitous event occurred on the very same week: a posthumous edition of selected papers by economist, entrepreneur and art collector Pentti Kouri (in collaboration with the Center for Globalization and Governance at NOVASBE) arrived from Finland. The introduction to “The Kouri collection” in Kiasma, Helsinki’s Museum of Contemporary Art, recalls that for this economist “possessing works of art was no longer an end in itself – the *raison d’être* of his collecting became his contact with art on a very personal level”.

The essay embeds *Useless* as a theme in economic thought along with the Millennium Development Goals abbreviated in the title as MDGs. It includes a follow-up visual installation at EXD’11 Lounging Space (Tribunal da Boa Hora, Lisbon). Yet it should be clear that Ana de Macedo (AM) is not an economist and that Kouri’s former student claims no expertise in

conceptual design. We gratefully acknowledge comments from the editor Frederico Duarte, INSEAD management guru José Santos (on the occasion of his visit to IICT- Tropical Knowledge), NOVASBE international economist Luís Campos e Cunha, who shared his insight on similarities between money and art objects, and last but not least, my (JBM) brother Renato Flôres from Fundação Getúlio Vargas in Rio, who wrote an essay on this one. It is dedicated to Marjatta Huuhtanen, who painstakingly scanned her brother Pentti’s 1975 Ph. D. dissertation at MIT. This thankless task made the serendipitous publication possible and now serves as a gentle reminder of family values.

INTERDEPENDENCE, EQUILIBRIUM AND ECONOMIC INSTITUTIONS

Compared to the laws of supply and demand, planetary issues related to sustainable development may seem like a difficult bridge to cross. In effect, an insight into the global economic equilibrium crucially reflects how specific competition forces, and the transactions costs that constrain them, suggest not one, but multiple equilibria as the natural outcome of the world economy. Adjustment can then lead to “high” (pro-development) or “low” institutional equilibrium, depending on initial conditions and dynamics. Paul Krugman’s 1991

article “History versus Expectations” provides an insight into how in some cases terminal conditions drive the results, so that expectations manage to overcome history. The configuration of adjustment processes appeals sometimes to a race to the top, where competition creates value, sometimes to a race to the bottom, where the converse is true. This is in turn grounded in the traditional belief in the wisdom or madness of crowds, both of which offer valid possibilities to the process of adjustment to economic shocks.

The theoretical literature on so-called “sender/receiver games” can be applied to all branches of economics, but also to biology. It is consistent with the differing objectives of either cooperating for the common good or further increasing the development divide, both of which provoke global changes in wealth distribution.

Multiple equilibria have very different consequences for the well-being of individuals, today and tomorrow. A crucial development challenge thus stems from the incentive structure provided by institutions to political, economic and social organizations, which are well adapted to, and evolve within, a country’s institutional framework. Thanks to network externalities, these organizations often capture the pay-off to large scale production, called increasing returns to scale. Such returns increase the success or profitability of their respective actions and result

in a “high” or “low” institutional equilibrium. The former will bring a convergence in gross domestic product (GDP) per head; the latter will produce divergence.

Increasing returns are usually linked to institutions but also, and ever more so, to knowledge and technology. With financial globalization and extended lifecycles, intra- and intergenerational issues make people’s, but also firms’ and other organizations’ collective degree of patience a crucial parameter in the measurement of the relevance of future events. Patience obviously applies to savings behavior as immediate consumption would always be preferred if there were no payoffs to deferring it to the future through savings. The same argument applies to inter-temporal institutions of cooperation: if they do not exist in the political realm, agreements between parties are not enforceable.

Increasing returns to scale depend then on past investment in the relevant technology, so that they are determined by history. In that case, there may be no choice between a more or less development-friendly institutional equilibrium. As past events set the preconditions that drive the economy to one or another steady state, the choice between multiple equilibria is essentially resolved by history. But there are conditions under which the key determinant for equilibrium is

expectation-driven. Incremental change in a country's institutional framework comes from the perceptions and expectations of political, economic and social entrepreneurs, as well as organizations. In that case all of them could do better by altering the existing institutional framework yet they may not be able to coordinate around the preferred outcome. Those perceptions and expectations are decisively dependent on how information is acquired, valued, priced and processed.

The three crucial parameters for expectations are the rate of discount, the speed of adjustment and the strength of increasing returns. The three environments in which an expectation-driven equilibrium exists can be combined into a comparison between the rate of discount of future consumption and increasing returns to the scale of production, relative to how quickly workers adjust to expected wage differentials. Faster adjustment helps prevent policy reversals for any given level of interdependence in time and in space. Higher interdependence (lower discount and/or higher return to scale) validates expectations of institutional change for a given adaptive capacity.

In Krugman's model, history alone will determine the equilibrium if three conditions are met. Following him almost verbatim, if the future is heavily discounted, individuals will not care

much about the future actions of other individuals, and this will eliminate the possibility of self-fulfilling prophecies. The more people discount the future, i.e., the greater their impatience, the more they are prisoners of history! Second, if external economies are small there will not be enough interdependence among the decisions of individual agents. Third, if the economy adjusts slowly, then history is always decisive. The logic here is that if adjustment are slow, factor rewards will be near current levels for a long time, whatever the expectations. This means factor reallocation always follows current returns. The more flexible people are, the less history will weigh; conversely, if they adjust slowly, history becomes decisive and it is difficult or impossible to break out of a less development-friendly institutional equilibrium.

VALUE, LUXURY AND GROUP THINK

Together with Thomas Malthus, classical economists were often seen as promoters of the view of economics as a "dismal science" – a term coined in 1849 by historian Thomas Carlyle. The extension of this science to the study and promotion of general equilibrium, aggregation and dynamics – as described in John Hicks' 1939 *Value and Capital* – helps to acknowledge the link to the Keynesian revolution and the origins of national accounts to measure GDP. This naturally

leads us to search for aggregate measures of collective welfare beyond those noted in the consistent measures of world GDP per head, as predicted by the late Angus Maddison.

Classical economists distinguished a commodity's use from its exchange value as a means to define its demand. Such is the case with Karl Marx, who claimed "use value as such lies outside the sphere of investigation of political economy", but also of Adam Smith's water and diamonds paradox, worth quoting in full after all these years: "The things which have the greatest value in use have frequently little or no value in exchange; on the contrary, those which have the greatest value in exchange have frequently little or no value in use. Nothing is more useful than water: but it will purchase scarce anything; scarce anything can be had in exchange for it. A diamond, on the contrary, has scarce any use-value; but a very great quantity of other goods may frequently be had in exchange for it". The celebrated example of the discrepancy and contradiction between an apparently use (less) value in terms of vital needs and an exchange value that derives from scarcity, but also from the conflict surrounding the diamond trade, goes alongside the pop culture reference to "a material girl's best friend".

Paradoxically, in places where water is free its exchange value may be inexistent, yet its use

value is unchangeable. Clean drinking water may also be unbelievably scarce, making it, in the very same places on Earth where it's free, a daily challenge to obtain. Thus in the 7th MDG ("To guarantee environmental sustainability") one of the quantifiable targets is the access to clean water: setting the price of water relative to its scarcity will determine how to attain it.

In general, the discrepancy between use and exchange value reflects patterns in supply and demand, which include date of transaction, anticipation of future trends and the evolution of consumer habits. The price reflecting exchange value is observable, while its use value remains subjective. Smith's paradox of water and diamonds and Marx's claim that use value lies outside economics therefore suggest a lack of proportion between what we truly need and what we can pay for.

While exhibiting wealth and status is a natural aspiration in human societies – within and between ancestral isolated tribes, vast urban civilizations or mass social networks on the World Wide Web – people also value, and buy, useless or useful objects exclusively judging their value by how much they cost. In general, this allows for price discrimination. To that extent, the luxury market relies on what game theorists call a "separating equilibrium". The separation between those who can afford luxury goods and

those who cannot actually accelerated the globalization of the luxury market. This reflects the global transfer of wealth to Asia as well as differing levels of social acceptance of conspicuous consumption across time and space.

Influential projections of convergence of the emerging economies with the group of seven more advanced countries were made at the turn of the century by Goldman Sachs' Jim O'Neil in a paper titled *Building better global economic BRICs* (Brazil, Russia, India, China). The projections showed that convergence with the G7 was driven by the expected rise of a middle class, eager to eat meat and own a car. As it turns "dreaming with Brics" (the title of a 2003 sequel to the original paper) implied a fast growth of luxury goods consumption. Sustained income growth in the South and the East provided a base for the optimism that preceded the 2008 crisis. Countries with comparatively low GDP per head have a luxury market comparable to OECD countries because their population is so much larger. Apprehending differences of scale is essential to understanding the global transfer of wealth.

Modeled in a 1978 paper with Pentti Kouri (included in the aforementioned selection) and taken for granted in a 2010 report by the OECD Development Centre, this transfer of wealth from developed to emerging economies is evoked as a question in a paper presented last

Spring by Renato Flôres at a seminar promoted by IICT, NOVASBE and the Lisbon Academy of Sciences, entitled "While the crisis proceeds: A world redistribution of wealth?". In it, the Brazilian economist questions "the righteousness of the *status quo*, in spite of its several misdeeds, and an unquestionable will to restore the game, with due corrections, as it posed itself before the crisis". Flôres asks how the "premature consensus" associated with group think – a concept Krugman prefers to call "incestuous suppression" – has prevailed in both complex financial institutions and their supervisors.

The question of how group think is connected to globalization must take nuances of national and regional mentalities into account and look at niches within generalized populations, which may agree or disagree with the very concept of globalization. Within the vast, virtual but increasingly social reality of the internet, other forms of like-minded tribes emerge regardless of geographic distance. This is creating a proximity that can be mentally driven purely by common interests, causes or even eccentricities in taste and lifestyle.

These possibilities, unheard of before social networks and web bonding became the order of the day, mean that like-minded individuals no longer need to find each other on a physical, geographic level. Nevertheless, virtual

tribes may not be truly independent from geographic tribes: this raises the issue of how regional group think can influence culture, art and design in a globalized world – where all tastes and values can be expressed and retrieved on the World Wide Web.

HAPPINESS, POVERTY AND MUTUAL KNOWLEDGE

Global society is simultaneously being unified and divided into those on the rise and those on the fall in terms of people, firms, nations and continents. Indeed, those who race to the top and those who race to the bottom may find each other along the way – and may not even be aware of the race itself. The global spread of information and financial technologies fosters group think through tribal responses between and within countries, connecting like-minded niches everywhere, dispersing knowledge and fostering specialization in ways classic economists did not even dream of. At the other extreme, no person can be deemed useless and left at the mercy of those for whom human life itself is deprived of value beyond exchange.

While it may be more profitable to kill and sell organs on the black market than to preserve human life, there is an absolute ethical rejection and a growing concern about poverty and the absence of development prospects in

large parts of the world. This has accompanied a criticism of usual measures of collective well-being, which has created another paradox: the one between market price and social happiness. Does this imply that in the traditional capitalist system, acquiring an expensive object is a valuable act in and of itself, and that our empathic consciousness as human beings is disregarded? Certainly the answer from economic analysis which lumps those effects into the costs of the transaction needs further deconstruction. Indeed we are on the brink of the philosophical question: where do use and exchange values meet in an integrated reality? Where does some kind of social-status placebo effect come into play? Does questioning the literal use value in terms of genuine happiness, in proportion to the exchange value set by the market, trigger a reformulation of what is still a global economic system of capitalism? Are conspicuously detrimental acquisitions mere attempts to affirm social status based on principles that are no longer sustainable? The answer, beyond the scope of this essay, may emerge from the conceptual exhibition described below.

For a time, concerns about poor countries were germane to attempts at isolating them from international trade in goods, services and assets. But Amartya Sen's definition of poverty as capability-deprivation reflected the inability of

the poor to access markets where goods and services are exchanged. Similarly, seeing hunger as an extremely high discount of future consumption has helped shift the focus on the causes of and remedies for uneven development across space and time.

This is where the Stiglitz report comes in. Launched two years ago at the “Grand Amphithéâtre de La Sorbonne” in Paris, this report was put together by the Commission on the Measurement of Economic Performance and Social Progress, led by Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi, at the request of French President, Nicolas Sarkozy. Christine Lagarde, then Minister of Finance, commended the work of what she called the “Commission du Bonheur”, or Happiness Commission.

While mostly directed at advanced economies, the report revealed a growing concern about differences in standards of living across time and space, even against the backdrop of accelerating trade and financial globalization in the 1990s and early 2000s. Because of the visibility of its authors and sponsor, the report has led to an increased awareness of existing so-called “happiness research”. Sites like www.trackyourhappiness.org beep volunteers and asks them to describe what they were doing, with whom, and how happy they were. One of these findings is that “being in the present increases

your happiness” but the high discount of the future that this happiness implies is in stark contrast with the impatience which applies to those in absolute poverty. While all agree that happiness is subjective, governments in the UK, Bhutan, Canada and France have started to regularly measure this concept (a literature review by John Lloyd appeared in the *Financial Times* of July 30/31 under the title “Proof positive”).

Scarcity, pollution, limited natural resources and overpopulation have lead us into a massive global trend emphasizing the demand for greater environmental and social responsibility both from consumers and manufacturers, let alone governments.

Sharing with our community takes on a different meaning through the new relationships and communication brought about by social media and virtual networks. We may now consider it more pleasurable to share goods with our community, as witnessed on free or sharing social networks, than to individually exhibit our wealth, something now seen in some circles as conspicuously vain self-promotion.

And here we return to one of the main concepts of use(less) value in economics and design – *less as more*, a well known precept for contemporary product designers preoccupied with sustainability, less largely accepted in economic theory where trade-offs are a basic form of social

and financial interaction. Beyond the global crisis, we may promote the rise of a collective consciousness, and engage in the economics of happiness, by minimizing poverty, waste and superfluous production, and maximizing durability, quality of manufacturing and general well-being. This trend reinforces efforts for the common good, such as the implementation of the MDGs used in the title of this essay.

This influence brings about multilateralism within an economically and environmentally sustainable perspective. Yet, at the root of the “digital divide” specifically addressed in one of the targets underlying the 8th MDG, we sense a deeper ‘development divide’ that breaks up the globalized collective into highly stratified groups, which in turn may be influenced by radically different opinion makers.

To evaluate what is useful and what is useless leads us to question value and values. We need an interdisciplinary approach to achieve paradigm transformation. Given the interdependence of all diversity, we are quickly being forced to realize that we need to join forces, through mutual knowledge and mutual friendship, if we are to face the challenges of recreating sustainable communities. This may indeed be the engine of a global redistribution of wealth from the North to the South, from the West to the East. The often forgotten fact that Karl Marx feared

the brake capitalist China and India could exert on socialist Britain is relevant here. His *Grundrisse der Kritik der Politischen Ökonomie* (Outline of the Critique of Political Economy) written from 1857-61 as a rough draft for *Das Kapital* was not published in German until 1939-41. We close with another serendipity, from the South rather than from the North: the first ever translation of the *Grundrisse* into Portuguese was launched a few days ago thanks to Boitempo Editorial and Universidade Federal do Rio de Janeiro Press.

This translation underscores the crucial role of the best example we know of culture-based multilateralism. This is the Bissau declaration on MDGs, put forward in 2006 by the Community of Portuguese Speaking Countries (CPLP). This declaration explicitly mentions “mutual knowledge” as a lever, alongside political will and financial clout, for the management of culture-based multilateralism. The attempt at increasing mutual knowledge between eight very diverse countries that share a common history and language tries to challenge the nature of group think within organizations and nations, where there is a general neglect of culture in multilateral affairs. It also provides a fitting undertow to an essay concerning economic progress and the increase of collective welfare.

USELESS CONCEPTUAL EXHIBITION

Entitled “I’m USELESS?!”, this conceptual design installation is an interpretative application of the economic theory of use(less) value of objects and financial assets to the human use value of individual realization and “returns” in the sense of contribution to collective consciousness and welfare. The question and exclamation marks speak of being or feeling literally or emotionally useless, while expressing an invitation for introspection, through the identification or ethical repulsion of illustrative and symbolic emotional masks from around the globe, which represent primary emotions and metaphors of personality and values.

To illustrate diversity of human identities, egos and avatars, I (AM) devised a concept around the theme of global emotional masks. These “emoticon masks”, which simultaneously represent cultural diversity and different stages of economic and social development, refer to marketing stereotypes as well as virtual, theatrical and literal tribes that resort to masks for self-expression and identity transformation. Excessive and unsustainable consumption provoked individuals into postmodern emptiness of questioning the uselessness of existence and identity itself, which in turn may lead to generalized unhappiness, lack of self-actualization and social and economic crisis.

The goal of this installation is to lead visitors to reflect upon their own usefulness, their position in the world, and the imperative of engaging in more social and environmental activism through an awareness of wealth distribution disparities. The MDGs underscore a planetary aspiration toward the eradication of hunger and extreme poverty, the establishment of environmental sustainability and to the fostering of global partnerships for development, among other collectively beneficial and useful goals.

The use value of our own life purpose is a form of social engagement, in an aspirational paradigm where happiness and development are complementary. The “emoticon masks” symbolize different social and emotional realities on an artistic and ethnological level, around the themes of identity (corporal, metaphysical, theatrical, ritualistic), happiness, wealth, status, ostentation and materialism. The masks also refer to the volatility of the aesthetic canon within what we call here the ‘development divide’: obesity in America is associated with poverty and decadence, while in Africa for example, being overweight is regarded as a sign not only of wealth, but also of beauty and fertility. Conversely, in the fashion industry models often suffer from anorexia in the hope of maintaining beauty and status while in countries struck by poverty this denotes hunger. The acknowledgement of these

geographical and temporal contrasts of the aesthetic canons may liberate those metaphorically or literally victimized by fashion dictatorships on beauty.

The insecurity of feeling use (less) due to not corresponding to locally consensual parameters of attractiveness may disappear, serving as an incentive for self empowerment and usefulness.

In the installation, the provocative and disquieting question “I’m useless?!” represents a disintegration of a collapsing system where use and value may still be above the inalienable rights of human beings: (such as stated in the United States declaration of independence – the only (?) country with these actual expressions in it’s constitution) life, freedom and the pursuit of *happiness*.

The global contrasts of values and aesthetics will be illustrated by a giant planisphere where the “emoticon masks” will be geographically placed according to their associated origin. Graphically they serve to communicate and raise awareness on cultural myths of beauty and emotion, and also how the use(less) value of our role in consumer society may lead to the aspiration of a more cooperative and aware global community.