

SOCIAL ASPIRATIONS
AND OPTIMALITY

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If coming in alphabetical sequence is ever unfavorable, here you have an instance. Professor Machlup has stolen most of my thunder, so I will have to rely on a few remarks which involve more the technical aspects of the underlying questions which have been raised by our two distinguished speakers. I shall start with Professor Bergson who has given a most interesting discussion of a very complicated situation. He has shown a healthy skepticism with regard to the validity of the data with which he has to operate. But I feel that in the gradual development of his argument he has placed more and more reliance on exactly those facts which he has classified as rather doubtful at the beginning.

In addition to this, there is a question which I think is of singular importance. There has been

an emphasis on "productivity," but productivity has been described essentially for physical output and physical processes. But if you compare various countries, at present, or the same country, say, the United States, over a long period of time, you discover that in some countries physical output is still very important, while in others, as in the United States now, about 60 percent of the total national income is generated by activities in which physical output is a most unfathomable and intangible entity. Services predominate rather than physical output, and the notion of productivity in regard to service industries is one of the weakest concepts in economics and thus should be used in this particular connection only with greatest restraint.

So I find there is a considerable difference here in the general outlook. It is also not clear to me to what extent, for example, management has a role in explaining the differences which he has shown to be of significant character for the United States and in other countries, particularly the Soviet Union.

In general, therefore, I find that Professor Bergson has touched a very difficult area, which it is very desirable to do. We are clearly not in the comfortable situation as one is in the physical sciences or at least in parts of it, but even there, for example, Einstein has observed that most people seem to think it is pretty clear what one should

observe and how one should observe it. Here we are in an area in which this issue must be raised, since the notion of productivity is still subject to so many great doubts.

Let me turn to Professor Tinbergen, with whom, as was the case for Professor Machlup, the differences go deeper than with Professor Bergson. A discussant, I think, has of course the duty to show where he differs rather than where he agrees. Now the first point is to say that behind everything that Professor Tinbergen described there lie extremely difficult abstract questions.

For example, the notion of an "optimum" seems to be a very clear concept, but it is far from it. To describe what an optimum is requires a very precise statement, if possible, in a mathematical and even axiomatic form, and I have seen nothing of this kind in Professor Tinbergen's discussion and no evidence that it is based on such investigations. He has taken optimum as something that is intuitively immediate and clear. But one has made many studies lately in economic theory from which it has resulted that it is not too difficult to show situations for which it can be proved that an optimum, however specifically defined, just does not exist.

That result then is in the nature of a counter-example. It works, as for example, in regard to those people who say all swans are white, and you

show them a black swan, and thus the general statement is false. Therefore to talk about the existence of an optimum without proving that the particular optimum actually exists is a very questionable matter.

The next point is that there is an attempt in all these efforts to formalize society. But once more, I think it has also been shown lately that it is in principle impossible to formalize society. The attempts of this nature immediately run afoul of some principle or of some other opinion and the choice between opinion and these attempts of formalization becomes a very major issue.

Next, the fundamental equality of man is again a very dubious matter. In fact, I notice, that some, as Professor Tinbergen, get the Nobel prize, which doesn't make them exactly equal to the rest of us, and therefore if we were to equalize, we must impose changes which may cause great displeasure to some. The great, actual differentiation of incomes in socialist countries, to which Professor Machlup also referred, was driven home to me last year when I happened to be in Leningrad and was taken by a distinguished Russian scientist through the streets, and I pointed out various apartment houses, and asked who lives in this type of building and who lives in that type of building, and he said: "I cannot even begin to explain to you the differentiation that exists in the

Soviet Union among classes of people." And that in a country to which these studies have referred!

Another point of great importance is the following: Suppose we were to equalize incomes, how stable is the situation? What will hold equal incomes really equal in the long run? Would it not be necessary to interfere constantly if there should be tendencies to reestablish inequalities which, we think, are the consequence of the gifts people have regarding their capability to create incomes for themselves, which is, indeed, a great gift? There are differences among gifts of the kind possessed by great mathematicians, by great singers, by great artists—and by many others. Are there interferences needed and which would be required in order to attain the goal of equal incomes—acceptable to us? Would it not require imposition of some sort of dictatorship? Who determines whether equality should be maintained and even be attempted to be established?

It has also been shown that on the same physical background, one can establish various social organizations, each one having its own inner stability but all of them differing among each other. Choices from among these different alternative organizations, posed on the same physical background, become impossible without the introduction of views which are outside the particular system. That means, in this case, that views which

are of an ethical, moral, or political character are called for. There is no scientific reason why one system should be preferred over the other. I do not think that it is as simple to resolve this issue by the devices which Professor Tinbergen proposed at the beginning of his talk: namely, simply to postulate a particular value system which we should use, all of us, without any mechanism shown as to how this common agreement could be reached in a free society.

Society's preferences must be stated. We would certainly want to exclude dictatorship. There must be a process of free creation of systems of social preferences, and they will, I believe, certainly not lead to the idea of an equal distribution of incomes as a stable system, and we cannot prove the workability of such a hypothetical system scientifically by a long shot.

To summarize, I would say one is reminded of an idea which is very old and goes back to Nicholas Cusanus, that what is wanted is to adjust our inner thoughts and wishes to an ever better understood world in which we live. And that is to say, we must have aspirations and develop aspirations which are possible.

What we do in the physical world depends on our growing knowledge of physical phenomena. This determines the bounds of our activities. But where are the bounds of the social world in

which we want to live? They do not only depend on our knowledge but also on our values and preferences and these differ over time and from country to country. Whatever emerges, I do not think it will be the world, at least in my view, in which Professor Tinbergen wants to live.