

## Editorial

### *It's not a game*

On Oct. 11, the Royal Swedish Academy of Sciences awarded the Nobel Prize for economics to proponents of Von Neumann and Morgenstern's lunatic game theory. The timing coincided nicely with a free-fall collapse in the Russian ruble. Admittedly the ruble has bounced back, but such wild swings in a currency are indicative of the mortal disease of an economy; and the Russian economy is a showcase of the kind of economic gamesmanship which has just been honored in Sweden.

John C. Harasanyi of Budapest and Berkeley, John F. Nash of Princeton University, and Reinhard Selten of the University of Bonn are the happy recipients of this year's prize. According to press accounts, the three men adapted their theories of economics in large part from studying chess and poker in order to figure out how to win large fortunes on the stock market.

If you think that economics should be about the ability of a society to maintain and expand its physical infrastructure and employ its population productively in order to guarantee an adequate standard of living to its population, and future generations, you are behind the times. According to these pundits it is not expanding productivity, not development of new technologies; no, it is outguessing the market. The most tragic example of this lunacy put to practice is of course the situation in Russia, as this has been reported in recent articles in *New Federalist* newspaper, which are based on information directly from Moscow and St. Petersburg sources:

Infant mortality is soaring. The Oct. 13 *Rossiskaya Gazeta* reports that Russia ranks third in the world in suicide rates and first in abortions. While production as a whole is declining at a 10-20% annual rate, the drop in production in the machine-building industry is staggering 40-50% per year. The number of partially or completely jobless people will reach 10-11 million by the end of 1994, or 14-15% of the active population.

At a moment when it is self-evident that large-scale transport infrastructure holds the key to any future recovery of the vast territories of Russia and the former socialist bloc, the Central Asian Railroad company, which serviced Kazakhstan and four of the Central

Asian republics of the old Soviet Union, ceased to exist on Oct. 1. Yet, the International Monetary Fund is demanding another round of shock therapy from Russia.

The Royal Swedish Academy issued a statement which merely underscores the outrageousness of their choice: "Everyone knows that in these games, players have to think ahead to devise a strategy based on expected counter-moves. Such strategic interaction characterizes many economic situations, and game theory has therefore proved to be very useful in economic analysis."

Game theory allegedly helps explain how people come to make decisions in order to help planners optimize their choices. The seminal work *Theory of Games and Economic Behavior*, by John Von Neumann and Oskar Morgenstern, was first published in 1944 and has been revised since. According to the theory, everything boils down to playing a perception game. The authors define a game as "the totality of rules of play which describe it." For them it is immaterial if one is describing tic-tac-toe or International Monetary Fund conditionalities; checkers or Jeffrey Sachs's so-called shock therapy.

Perhaps not so coincidentally, not only is the theory they endorse insane, but two of the three winners appear to be personally eccentric. According to his biography, John Nash suffered an incidence of mental illness in the late 1950s. Because of this, he was forced to resign his position at the Massachusetts Institute of Technology. He transferred to Princeton, to which he is associated as a "visiting research collaborator," where he leads a quiet life in the community nurtured by friends and associates of the family. Reinhard Selten describes himself as an "idealistic member of the Esperanto movement."

That the Nobel Prize is awarded for quackery is too bad, but much worse, this quackery is now dooming millions of people to abject misery as the world's physical economy continues to spiral downward. It is a mark of the insanity of the times, that there is yet to be a major outcry against the game-masters.