

# Chapter 1

## Introduction

A spectre is haunting the globe – the spectre of the New Economy, a phenomenon for which a definitive name has yet to be found and which for now is hidden behind an uninformative signboard. We are going to take a look at it, to see which human practices, already established or still in the making, characterise it, and which of its tools and institutions hold out most promise.

Many have little enthusiasm for the lifestyle the New Economy has visited upon us. They see it in terms of the deficiencies of mass culture, as emphasising inequalities between people even as it levels down and eradicates the uniqueness of cultures all over the planet. This is difficult to counter. The New Economy brings much that is of value, but even if this is conceded the value it brings is considered shallow and trivial. There is general agreement that the pluses are far from compensating for the minuses. But before deciding whether to condone or condemn the changes it brings, let us take a closer look at its arrangements and give more thought to its ethical dimension.

Let us start by seeing what traditional economic science has to say about it. Much of life is linked to markets, which is why our everyday reality is more accessible to economists than to other social scientists. There is much to be learned from prices and the volume of goods being produced. With the assistance of money the sheer variety of life can be turned into numbers, to enter the jurisdiction of mathematics, and thence proceed to the planners to be administered. Where economic modelling proves successful we can derive a summary vector, the overall resultant of social forces, the thing that turns the millstones of history on the grand (and on a more intimate) scale.

Often, however, we are dealing with a complex, motile, incalculable system of forces which derive from the motivations of groups with differing interests. Although methodologies have been devised to deal with this, more often than not

it is anyone's guess which vector is going to prevail and which direction the ship of state will move in. The result is that much reliance is placed on political intuition, and decisions are taken on the basis of guesswork and hoping for the best. With their schemes of classification, economists do sometimes predict correctly how things will develop, although since the financial crisis they have been looked at askance. There are complaints that they failed to sound the alarm and have yet to come up with a solution. Well, the current standing of economics is not our main concern but it does conveniently lead on to discussion of the New Economy (which could equally well have started from the adverse selection which bedevils cultural markets).

If the general public take the view that economists have dug themselves into a hole, at least that did not result from professional incompetence. Factors they don't monitor rebelled, forces which they know about in the abstract but which current systems for measuring markets can't take proper account of, which economic philosophy doesn't fully understand and therefore leaves out of its calculations. These, for traditional economics, exogenous factors are linked to metamorphoses occurring in the soul of well-fed homo sapiens. Economists don't do a bad job of modelling a hungry man, particularly if he is a European and not too hungry. They are doing much less well in trying to get the measure of homo sapiens when he is enjoying a high level of material satisfaction.

Economists are ignorant of anything outside the domain of the market so they classify it as being of no importance, which means they get their sums seriously wrong. They are often uneasily aware, or at least suspect, that these unknown quantities exist, but what can they do? When society suddenly becomes unpredictable, we know we have entered a danger zone. Much of what is missed by traditional economics – people's motivations, desires and moods, their cognitive resources of memory and attention, the speed of their mental reactions, their cultural codes and values, their aesthetic tastes and so on, which have hitherto been seen as aspects of the psyche and hence the province of social psychology, now come within the purview of the New Economics. The aim of the present book is to show how we can uncover these unknowns and put them to work for the good of society. How are we best to access and process this under-researched knowledge about ourselves and the world around us, which we all have but which we keep to ourselves?

As primarily an information economics, the New Economics is well suited to the job of looking directly at the individual human being. Particular attention is going to be paid, then, to interpersonal communications, primarily on the internet, an environment where many novelties are born. We are going to look at a new way for people to interact, and specifically at a new way for them to cooperate, through collaborative filtering. This is something currently familiar mainly to professionals and advanced internet users, but it is extremely important for the New Economy and the information society as a whole.

Collaborative filtering, which is essentially group filtering, is a system for exchanging subjective experience. It makes it possible to choose objects and information which can be expected to appeal to the tastes and preferences of each individual member of a group. The idea behind it is that groups of like-minded

individuals can be built up on the basis of judgements by a large number of people of the quality of whatever interests them. Their judgements can be registered, for example, by means of rating. Within their group information will be exchanged which will make it possible to use the judgements of certain group members to predict how other group members will respond to goods they have yet to experience. The principle is similar to word of mouth, except that it has been automated and purged of “noise.” Confidence in the value of new recommendations is based on the experience of past success. If one of the group members is the first to find out about something interesting, he can assess it, inform the others, and save them the trouble of each individually repeating the assessment. They in turn may discover something of general interest and reciprocate. Collaborative filtering is really just a universal mechanism for consumer testing the quality of all manner of things: goods, texts, works, – even people. It is indispensable for a society which is being overwhelmed by superabundance. Collaborative filtering, for all its novelty, is only replicating the way anybody acts when faced with the need to make a choice: find someone sensible who has been in the same situation and ask them what they think. Computerising this kind of action was a really major achievement of the turn of the millennium, and the scope of the discovery and the areas to which collaborative filtering can be applied has yet to be appreciated.

People are in constant contact with other people in many connections, and with which people and in which connections underlie the quality of their life. Collaborative filtering is a universal method which enables them to optimise the way they make these links. It facilitates access to knowledge dispersed in society, including our knowledge about each other, and out of this a whole spectrum of institutions, rules and standards can grow to reorganise the way people relate to each other and bring about an overall improvement in the life of society. The quality of our contacts depends on how society divides into groups and on which of them we are capable of belonging to. Much, perhaps everything, in today’s society depends on overt or covert stratification, and that is something to which collaborative filtering is ideally suited.

We shall discuss these issues in three sections: (1) analysis of the fundamental problems and logical options for developing the information society; (2) practical institutional planning to find ways of solving the problems that raises; (3) analysis of examples, including a website which provides a platform for networking and collaboration. Thus we will cover the topic from its basic premises to its implementation in practice. Metaphorically speaking, our task is not merely to describe the laws of aerodynamics, but to show how an aircraft can fly, and then show one, created in accordance with the laws of aerodynamics, rising from the runway to demonstrate convincingly the reality of flight.

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