

UNDERSTANDING VERSUS INTERPRETING

by Filippo Dal Fiore, PhD*

I reflect upon “The Price of Inequality,” a book by Economics Nobel Prize winner Joseph Stiglitz which I recently read. It never ceases to amaze me how this author is able to present complicated realities clearly in all of their simplicity. Stiglitz seems, in fact, to present how things really work rather than his own ideas about the topic at hand. This got me thinking about the difference between understanding and interpreting: why is it that nearly everyone is all too ready to interpret world phenomena (in one or more aspects), while only a few seem equipped to really understand them (in their “essence”)?

I will start by pointing the etymological derivations of these two important words: “to under-stand” means to stand-under while “to inter-pret” means to move in-between. The former is linked to the causes underpinning a particular phenomenon, the latter to the “trans-lation” of a specific view from one person to others. I tend to agree with those who underline the importance of etymology: scholars need to position themselves very close to a reality in order to understand it, i.e. in a concrete, empirical manner rather than in an abstract, theoretical one.

Let us consider for a moment a complex phenomenon connected to economics: speculative bubbles. A possible interpretation based on a particular theory is that there is a rapid rise in the price of an asset such as a stock when euphoria and emotions prevail over rational reasoning on the part of investors. A possible solution is embedded in this interpretation: investors need to be educated to follow a more rational approach. But I wonder if that solution will really clear away all of the bubbles. I myself doubt that it will because expecting a generic solution to a generic problem to be 100% effective all of the time seems quite pretentious...

When we are approaching world phenomena, I think we need to move beyond interpretations and to try to understand what problems we are really facing here and now. Let us then examine concrete, observable manifestations rather than a loosely defined issue. It is time then to empirically examine the specific speculative bubble linked to the construction frenzy, globalization, subprime mortgages, human greed, money addiction, the advent of derivatives as new financial tools, and who knows how many other mutually interacting factors which led to the burst in 2008.

What gets in the way of understanding is the difficulty of grasping all the causes of a phenomenon. To be able to do that one must be in the right position to observe them through direct access, not only through a second-hand filtered view. One must be a multi-disciplinarian equipped with the tools necessary to identify as many causes as possible and an open, unbiased, empirical searcher of truth. One must not be prejudiced towards or against certain factors or interpretations, in love with a specific theory, or connected to a partisan interest. And one must have common sense and use elementary and commonly shared heuristics and logical nexuses when the complex puzzle of causes has to be composed (through a holistic and synthetic operation). For Stiglitz, common sense is equivalent to the fundamental law of economics: the law of supply and demand. Not by chance, that law is always valid; instead a theory is most likely valid only to different degrees and at certain conditions.

It is hard to overstate the importance of understanding things in their complexity rather than interpreting them using the limited tools at our disposal. Why is my child making such a scene or refuse to speak to me? Why am I unable to find a job? Why did we enter an economic recession? So often we make inopportune or sub-optimized decisions convinced that we have made the very best choice only to face unexpected results, further damage, or unintended consequences. In most cases some pieces of the puzzle needed to fully understand the situation are missing, but this realization requires large doses of preparation and intellectual honesty. Only at a certain point in his life did Socrates recognize that he did not know. And only very recently have I begun to come to terms with what Socrates really meant although I am still struggling to contain my need to show off my elegant interpretations.

The good news is that it is possible to adopt specific strategies which can help widen and deepen our understanding of the world. Based on my limited experience, the following are those that I would recommend:

- Observe phenomena in their most empirical manifestations. In order to understand why a child is making a scene, it is a good idea to observe as closely as possible what situations or conditions are linked to meltdowns. It is also a good idea to go right to the horse's mouth, so to speak: once the child has calmed down he or she can be directly questioned about what happened. In the case of speculative bubbles, investors can be asked to explain why they reacted as they did.
- Use sources of information which are as close as possible to the events and which are the most objective and impartial, staying alert for any signs of interpretative, ideological or emotional filters. A mother who tells about the meltdown, a journalist who overstates facts to sell a better story, an optimist or a pessimist who explains how things work are all examples of filtered information which in many cases is the only data we have access to.
- Take theories "with a grain of salt," but take scientific laws very seriously. Stating that "bankers' behavior is motivated by a money addiction" proposes a theory. Stating that "bankers' behavior is motivated by the law of supply and demand" applies an unavoidable law of economics. The latter will be true always and everywhere. The former may be true (there will most likely be many exceptions), and is in any case one of many possible interpretations; considering it an absolute truth would do little justice to the complexity of the situation and will probably produce resentment, objections, emotional wounds, false myths and, ultimately, disagreement.
- Favor quantitative (i.e. in shades of grey) versus qualitative (i.e. either black or white) hypotheses. Instead of thinking (unrealistically that) bankers are either totally addicted to money or not at all, it is better to consider how addicted they are on a 0 to 100 scale. Instead of labeling a teenager "shy" or "exuberant," it is better to position him/her on an introversion-extroversion scale. Imposing a qualitative judgment (i.e. good versus bad) on a complex situation will do little justice to it and could again lead to resentment or disagreement.

- Favor universally recognized authors versus dogmatic defenders of their own theories. It's probably pretty hard to go wrong if you read the works of ever-lasting and ever-topical works of some Nobel Prize winners and of such great men such as Gandhi and Einstein.

I think that what I am trying to explain here could also be relevant for educational institutions, hence for schools and universities. Unfortunately, just as in many other sectors of life those who make up the scientific world have a great love for theories which are seductive because of their beauty and power to reassure (finally we have an explanation!). We scientist often claim to explain just about anything with theories. But in the end many theories end up becoming artificial realities standing on their own parallel to the real world impeding us from seeing things as they really are. Instead of remaining useful interpretations (truthful when properly contextualized), they can complicate the reality that they are trying to explain, distracting us from it and leading us to error. In my opinion this is the reason why academics and educators who rely only on books and second-hand information and never directly face the reality they are discussing may fall into a trap from which they can only see a simplistic if not distorted point of view on the world. While their aim is to understand and explain a reality, they do not find themselves in the best condition to do so. Even if potentially and professionally endowed with emotional distance and an impartial approach, they can be quite limited as their access to and experience of events is not direct. Historians in this respect are probably the most unfortunate of all scientists...

I think that these considerations have touched upon an important topic as in the final analysis it is one of major reasons why the people of the world often do not understand one another. Most of us, including and sometimes especially the highly educated, claim to have a theory on how things do and should work. We waste our time quarrelling, trying to convince others to embrace our theories. While all of us are to some extent right, we systematically fail to fully contextualize, exemplify, specify and objectively link our thought to empirical evidence (or personal emotional conditions). While all of us feel the need to understand the world that surrounds us, all that we really know is the little corner that belongs to us, that is what we have experienced in first person through our intellect and emotions, what we have read about in books and magazines, what we have seen through the media, or heard about through persons with whom we come into contact.

Our thought process is the outcome of our experiences. And it is exactly this personal "historical" knowledge which impedes us from understanding one another's points of view on the world, even if many opinions are more similar to what we are willing to recognize. I often have the impression that people are really saying the same things and that we would agree if we could only fully understand the reality behind the different point of views. If only we could recognize the intrinsic limits of our own point of view by fully specifying and exemplifying what we are saying and linking it to our personal experiences and knowledge. If only we could learn to stay silent and to ask others for help instead of generalizing our positions to make us feel more important. Accepting our ignorance is probably the best thing we can do to advance our understanding.

***About the author**

Filippo Dal Fiore holds a PhD in applied economics and is a research affiliate at the MIT Senseable City Laboratory. He has conducted empirical research on the social and economic impacts of emerging information technologies from a variety of disciplinary angles, and has initiated two MIT spin-offs. His plans for the future include the launch of a new research foundation with the mission of experimenting novel ways to reconcile academic disciplines and professional worldviews.

www.filippodalfiore.com