LEARNING FROM THE GLOBAL FINANCIAL CRISIS

Creatively, Reliably, and Sustainably

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STANFORD BUSINESS BOOKS
An Imprint of Stanford University Press
Stanford, California

2009 Venice Biennale in which he used a sledgehammer to smash a number of huge mirrors hung in gilded frames.

In the provocatively titled "Hence God Exists," Skip McGoun offers a historically anchored and trenchant critique of the mathematization of finance and its disastrous consequences. He suggests that beginning in the first quarter of the twentieth century and continuing to date, mathematics has moved from being a tool of analysis to being an end in itself. Finance research and practice uncritically use mathematical models to ineffectively represent reality, which leads to false and ideologically biased conclusions. He argues that mathematical equations are not axiomatic laws but rather interpretive metaphors. They are not the truth, although they may express useful ideas. The finance profession needs to recognize the limits of mathematics and the metaphors that have been used to implement mathematics in the management of financial systems.

In "The Art of Finance," Steven S. Taylor picks up this thread and introduces a distinction between art and craft to reflect on the practices associated with accounting and finance. Where craft involves the use of skills in an established process to produce a desired result, art involves engaging the senses as well as the imagination to depart in a new direction. Viewed in this sense, the creation of financial derivatives appears as a form of art, albeit one that has become unmoored from its material and ethical ground to an extent that it has invited both academic critique and moral condemnation. Taylor argues that unless finance can embrace its own roots as a craft that produces sustainable growth for societal stakeholders, we have learned nothing from the crisis.

In "The Play Ethic and the Financial Crisis," Pat Kane considers how bankers and traders have placed the infinite game of creative innovation in the service of the finite game of winner-take-all shareholder capitalism and points out that the increased importance of regulators and arbiters in sports as well as finance is driven by a similar tendency to innovate beyond the application of existing rules. Whereas free-market advocates have tended to rely on game theory and complex adaptive systems theory to justify the evolutionary creation and destruction of specific organizational and institutional forms, Kane raises a series of questions about the ground of play in embodied, materially potentiating human beings. Indeed, what is the healthiest arrangement between the free play of financial speculation and the rule-based structure of financial regulation for human life? In response to this question, Kane frames stakeholder capitalism in terms of the Danish phrase *leg godt* (good play), which he interprets as "sharing nicely."

6 The Play Ethic and the Financial Crisis

Pat Kane

For those of us whose topic is the cultural, psychological, and evolutionary reality of play in the human condition, the financial crash of 2008–2009 only confirms the ambiguous and paradoxical nature of our subject.

One can cite immediately the self-description of many financial agents in this environment as players in the financial game themselves, part of a long tradition of sportive and contestive metaphors in Western business culture.[1] The oeuvre of the journalist Michael Lewis, which moves effortlessly between casino capitalism and sports studies, is exemplary here.[2] In his classic writings on the organization man of midcentury America, William H. Whyte notes that when business uses sports metaphors, "the goal of sports activity is always unambiguous. . . . Participants do not come together to discuss or debate the ends for which the activity has been established, but rather take this end for granted and apply themselves in a single-minded fashion to the task of developing the most efficient means to achieve the predetermined, unchanging and noncontroversial end: winning."[3]

What's interesting in Whyte's quote is the implication that contestive, zero-sum games as a framework for finance are not the only way that participants in a marketplace might come together. Discussion or debate on "the ends for which the activity has been established"[4]—what mainland Europeans might easily call stakeholder capitalism or South East Asians the infinite game of the keiretsu—is not within the autotelic purview of the Anglo-American financial player.[5] They are focused on their own and/or their shareholders' pecuniary victories, with all other social externalities beyond the game simply imperceptible.

And "developing the most efficient means" to maximize shareholder and personal value is a delightfully moderate phrase to apply to the financial "innovations" that brought the transatlantic banking system to its knees. There are a few fascinating parallels between innovative processes in both sports and finance, conducted as finite games in which victory comes at any cost. In both spheres, there is a semicovert pursuit of biotechnical enhancement of human performance, which tests the existing regulatory structures to their limits.

In sports, we see subterranean regimes of chemical and surgical enhancements surfacing controversially in every other tournament—and even, with the disabled athlete Oscar Pistorius (known as the "Blade Runner"), a challenge to the very adequacy of the human skeleton.[6] In finance, we see the cognitive and cybernetic enhancements that the "quants" derive from their superpowered computers, which enable the algorithmic trading of minute fractions of debt and currency fluctuation, at speeds largely beyond human deliberation.[7] In both domains, we see the perversion that the theologian James Carse once predicted as the result of an "infinite game put at the service of a finite game"—that is, human possibility and ingenuity harnessed to the ends of supremacy-in-contest, a slip from the autotelic to the autistic.[8]

The perversion comes in the very collapse of the fair-play ideal inherent in both sportive and financial games. The relentless pursuit of personal performative advantage subverts the very regulations and refereeing that gives each game space its legitimacy—that which guarantees that the market or sporting field will be an open, viewable spectacle of evident strategy and meritable effort. Without referees or regulations, each zone of contestation would be a chaos of all against all.

Thus, we see a complex resurgence of the power of regulators in both sport and finance. The soccer referees empowered to penalize divers and fakers in match play themselves were taking advantage of the outlawing of particularly egregious and destructive tackling; the financial regulators across the developed West pressing for greater transparency in, and impedance of, trading—and like the soccer referees—were literally attempting to shape the rhythm and flow of financial transactions.

The subtle balance of the role of conscious regulation vis-à-vis free play in these arenas of transaction and interaction is interesting to note. There has been a strong intellectual alliance between free-market ideology and game-theoretic or complex adaptive systems science for quite a while now. Prepared by Hayek's idea of the market as a "game of catallaxy,"[9] which enables wealth growth as a consequence of the necessarily limited systemic knowledge of the market trader, much of the economic theory that accompanied the networked digital (or so-called new) economy of the 1990s and 2000s had a romance with an evolutionary context for enterprise.

These writings—exemplified by *Wired* magazine and its founding editor and lead theoretician, Kevin Kelly—saw the company as an survival-oriented organism in a ecosystem: relying on its own adaptive resilience and flexibility to progress, probing its niche until it established some local dominance, or otherwise expiring, but in any case excepting itself from wider "discussion or debate about the ends of [its] activity" as epistemologically impossible.[10] If the environment of finance is regarded as a teeming rain forest of biological diversity, rather than something more institutional (and thus regulable), then financial innovations of whatever kind become acceptable in the general creative destruction: a collateralized debt obligation or derivative is mere mulch falling healthily to the forest floor. Two years after the crash of 2008–2009, we know differently.

Yet if we are to think about the relationship between play theory and business or finance more progressively, it might be worthwhile to shift the terms of consilience between economics and biology away from game theory and complex adaptive systems thinking and toward the ethological and psychological studies of the ground of play being conducted by scholars like Stuart Brown, Brian Sutton-Smith, and Marc Bekoff[11]—that is, away from abstracted logics of interaction between entities in a network and toward the actual behaviors of embodied, materially potentiating complex mammals (like us). I would stress that, as an evolutionarily determined psychology, this is far from what behavioral economists describe as the *Homer [Simpson] economicus*, that easily governable human afflicted by short-term perspective and a fatal inability to regulate desire or mood.[12]

I am more interested in how the developmental moment of play in complex mammals, but particularly humans, constitutes our neoteny—that is, the way we extend the flexibilities, enthusiasms, and response abilities of the child at play throughout the span of our adult lives. What are the conditions that support and enable healthy, resilience-building play and install a capacity for adaptive potentiation into humanity? And what might they tell us about the healthiest arrangement between the free play of financial speculation and the structure of financial regulation?

To begin, let me suggest that neoteny's generation of play and play forms throughout the human life span is homologous with the deeply constitutive processes shaping the design, functionality, and culture of the Internet. The Internet could represent an extension of the ground of play that we see across the higher complex mammals—that open but distantly monitored developmental zone of time, space, and resource in which potentiating risks are taken by explorative, energetic organisms, in conditions where scarcity is held at bay.

Lion cubs or chimps compelled to diversively play, risking injury and predation, but in a delimited zone with ultimate defenses; children in their local playground, enjoying their rough-and-tumble with solid equipment and open space, under some kind of municipal governance; all of us on the Internet, improvising our sociality and extending our conviviality with powerful communication tools, resting on a complex but (so far) resilient infrastructure—all of these can be cast as complex mammalian grounds of play. They share three conditions: (1) they are loosely but robustly governed; (2) a surplus of time, space, and materials is ensured; (3) failure, risk, and mess are treated as necessary for development.[13]

So the constitutive power of play in humanity—that neoteny-driven potentiation that excites both autonomists and sociobiologists—seems to also require a constitutional dimension: a protocol of governance securing certain material and emotional conditions, to enable a rich plurality of play forms. When Lawrence Lessig speaks of the Internet as an "innovation commons," the resonance with a sociobiological vision of the ground of play is clear.[14] His idea that the Internet represents an architecture of value is also homologous with these conditions for play: both are discernable zones of rough-and-tumble activity in which our social-ethical identities are forged.

Map this over to the tumult of computerized finance, however, and a certain blitheness appears in the presumption that a play ethic is implied by the operations of an end-to-end network like the Web. Tiziana Terranova has looked at how the Internet has come to be blamed for the uncontrollable nature of the financial crash of 2008. Specifically, she examines how the hyper-gossipy "echo chambers" of Web 2.0 had "contaminated" financial capital, scrambling any rational assessment of risk in a "fog of data," itself caused by a widening of financial agency to the everyday chattering traders of social media: "The internet would have therefore brought on an intolerable multiplication of the number of economic operators whose joint behaviour lacks that intrinsic rationality that permits the market to correctly assess commercial value. On the other hand, the ease with which it became possible to buy and sell shares exponentially multiplied the number of transactions that became practically untraceable and consequently increased market volatility."[15]

Terranova cites the famous *Newsweek* article that argues that a new, well-designed simple dashboard must be built to represent global financial transactions on the Internet—an interaction design composed from instantly comprehensible graphs and dials, governed by consistent color codes that can tell all of us, not just Bloomberg-literate traders, "what is currently working properly in financial markets, what isn't, what you should be terrified about."[16] As Karin Knorr Cetina has also noted, this is continuous with the already "visual and scopic" fetish of financial culture—the market "fully visible on screen" producing a "global inter-subjectivity," composed from traders' "immediate, synchronised and temporal continuity" with the activity on their terminals.[17]

But this desire for a visual, even haptic, clarity to financial information strikes me as consonant with the valences of play in the financial game space. Is it any surprise that the *Newsweek* device sounds like some new interactive kids toy by Fisher-Price? As an image for a tool that might enable the sensible regulation of finance trade, it looks like something well engineered for the kindergarten (or if you're an iPad-wielding knowledge worker, for the corner coffee shop with Wi-Fi)—something that's guaranteed as safe and consistent for use by responsible intermediaries.

Add to these toys whatever new raft of rules, impedances, and breakpoints that will result from new postcrash regulatory regimes and the new space of finance capital comes to resemble a developmentally aware kindergarten or early school:[18] where the irrational exuberance of the players is presumed but is forced to engage with standards of civil behavior, with participants (to quote Whyte again) "coming together to discuss or debates the ends for which the activity has been established."[19]

In the open Internet beyond finance, the most communally substantive of activities (i.e., the open-source developer community) self-consciously forges (or source forges, to adapt the title of one of their main institutions) the values that guide their practice. Their open play with code forms comes along with a play ethos that values creativity, participation, and adhered-to common standards and protocols, the rules of their game.[20] What might a comparable play ethic for the financial sector be? Is there a way for the necessary rough-and-tumble of capital markets to be an expression of healthy, diversive neoteny? Can there be a creative destruction that sustains and is sustained by a better-monitored financial system, rather than a perverse pathology of accumulation that unravels the very grounds of its operation?

So am I suggesting that stakeholder capitalism is what the Danes would call *leg godt*, "Lego," or "good play"?[21] Possibly. And it would surely be better than the toxic, testosteronal, autistic play of financialized capitalism that puts infinite invention into the service of finite, zero-sum pecuniary victory. Italian Marxists would say that all contemporary finance is parasitic rent seeking on the productive excess that a communicational society inherently generates, Antonio Negri's "communism of capital" or "value beyond measure."[22] But that is another perspective, for another time, on the game of money under capitalism. For now, Yochai Benkler's parental injunction—and network theology—about "sharing nicely" will suffice.[23]

Notes

1. Micheal Oriard, "'The Game' in Business Fiction," in *Sporting with the Gods: The Rhetoric of Play and Game in American Culture* (Cambridge: Cambridge University Press, 1991); see also Francine Hardaway, "Foul Play: Sports Metaphors as Public Doublespeak," *College English* 38, no. 1 (1976): 78–82.

2. See Michael Lewis, "The End," *Portfolio*, November 11, 2008, http://www.portfolio.com/news-markets/national-news/portfolio/2008/11/11/The-End-of-Wall-Streets-Boom/index.html.

3. William H. Whyte Jr., "The Language of Business," in *Technological and Professional Writing*, ed. Herman A. Estrin (New York: Harcourt, Brace, and World, 1963), 83.

4. Ibid.

5. Gavin Kelly, Dominic Kelly, and Andrew Gamble, eds., *Stakeholder Capitalism* (New York: Macmillan, 1997); Charles Hampden-Turner and Fons Trompenaars, *Mastering the Infinite Game* (Chichester, U.K.: Capstone, 1997).

6. See Oscar Pistorius's Web site (http://www.oscarpistorius.com); see also "Oscar Pistorius Eyes London 2012 with New Personal Best," *BBC Sport*, March 24, 2011, http://news.bbc.co.uk/sport1/hi/other_sports/disability_sport/9434999.stm.

7. Rob Curran and Geoffrey Rogow, "Rise of the (Market) Machines," *Wall Street Journal*, June 19, 2009, http://blogs.wsj.com/marketbeat/2009/06/19/rise-of-the-market-machines/.

8. James Carse, *Finite and Infinite Games* (New York: Ballantine, 1976).

9. Friedrich Hayek, *Law, Legislation and Liberty* (Chicago: University of Chicago Press, 1978), 115, http://bit.ly/afhZoV (Google Books).

10. See Kevin Kelly, *New Rules for the New Economy* (London: Penguin Books, 1999), http://www.kk.org/newrules/contents.php.

11. Stuart Brown, *Play* (New York: Avery, 2009); Brian Sutton-Smith, *The Ambiguity of Play* (Cambridge, MA: Harvard University Press, 1997); Marc Bekoff, ed., *Animal Play: Evolutionary, Comparative and Ecological Perspectives* (Cambridge: Cambridge University Press, 1998).

12. Alan Wolfe, "Hedonic Man," *New Republic*, July 9, 2008, http://www.tnr.com/article/books/hedonic-man.

13. Pat Kane, "Play, Potentiality and the Constitution of the Net," *Play Ethic*, November 13, 2009, http://www.theplayethic.com/2009/11/play-potentiality-and-the-constitution-of-the-net.html (paper presented at the conference "Internet as Factory and Playground," New School, New York, November 12–14, 2009; available at http://digitallabor.org/speakers1/pat_kane).

14. Lawrence Lessig, *The Future of Ideas: The Fate of the Commons in a Connected World* (New York: Random House, 2001), 23.

15. Tiziana Terranova, "New Economy, Financialization and Social Production in Web 2.0," in *Crisis in the Global Economy*, ed. A. Fumagalli and S. Mezzadra (New York: Semiotext(e), 2010).

16. Paul Kedrosky, "The First Disaster of the Internet Age," *Newsweek*, October 18, 2008, http://www.newsweek.com/id/164588.

17. Karin Knorr Cetina, "The Market," *Theory Culture and Society* 23, nos. 2–3 (2006): 551–56.

18. Pat Kane, "Wisdom Lovers: An Education for Players," *The Play Ethic: A Manifesto for a Different Way of Living* (London: Macmillan, 2004), 183–216.

19. Whyte, "The Language of Business," 83.

20. John Markoff, *What the Dormouse Said* (New York: Viking, 2005); Fred Turner, *From Counterculture to Cyberculture* (Chicago: University of Chicago Press, 2006).

21. Richard Roberts and David Kynaston, "The Rout of the Stakeholders," *New Statesman*, September 17, 2001, http://www.newstatesman.com/200109170017.

22. Antonio Negri, "No New Deal Is Possible," *Radical Philosophy*, May–June 2009, http://www.radicalphilosophy.com/default.asp?channel_id=2187&editorial_id=27980.

23. Yochai Benkler, "'Sharing Nicely': On Shareable Goods and the Emergence of Sharing as a Modality of Economic Production," *Yale Law Journal* 114 (2004): 273.