

EDGING TOWARDS A LATER GLOBAL STAGE

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You—may I return to the name Andy?¹—have found, I suspect, some of the twists and turns of the previous essays somewhat curious if not disconcerting. We five writers have been interested, in a committed sense, in inviting you to come to grips with obvious elements in your own activities of giving and receiving credit in all its meanings. Have you given us credit enough to have a decent shot at self-attention, at attending to the dynamics of business, and to the nature of and dynamics of money? Have you begun to notice how that effort points you to a consoling freeing of your liberty, and a disturbing freeing from present religious common sense? And might your new freedom move you towards some level of involvement in shifting that religious common sense towards informed care, and in shifting the ambient context of establishments in economics and education? The shifts, of course, will be minuscule unless you are in a position of influence. But even if you are in a position of influence what can you do? Last week I watched and listened to President Obama addressing Wall St. He might as well have been talking to, well, a Wall St.

Certainly there are ranges of ways of trying to be influential,² but I would have you focus on, e.g., your local school-teacher of economics. Still, perhaps you are in a position to talk to the influential people? I wish you the best of luck and invite something of the deviousness of the Unjust Stewart. There is the sad lesson of Obama, not just his talk to Wall St.—on my mind since I heard it a few days ago—but his bail-out conversations. And need I mention his healthcare talking?

¹*Andrew* recalls a male disciple of Jesus, but *Andy*, male or female, seems handy, since, while it does not reach out globally, it can be read as *And You* or *Andthee*, a device my coauthors have kindly tolerated and even promoted.

²In the final two chapters of *Pastkeynes Pastmodern Economics* I give various suggestions.

So I am not discouraging you in your efforts to reach people of influence, leaders in global politics and economics. However, what our essays invite is bringing ourselves into some level of self-appreciation and of appreciation of the sane self and the sane economics that meshes with that sanity and offers future sanity, each of us then reaching out, “you in your small corner and I in mine”³ in a way that has a decent small statistics of effectiveness. That is what I mean in this essay by “edging towards a later global stage.” In the previous essay of the April *Divyadaan* volume I took a much loftier and briefer run at the matter, but still homed in on the issue of the grade 12 economics teacher.⁴

I hinted at the metaphor of talking to a wall. Better perhaps to think of present establishments in economics and education and government as an integral tsunami wall of water, a brutal “tide in the affairs of men” and women. That establishment is backed by an established literature in all fields, a literature that is subtly arrogant in its taking for granted that “this is the way to go.” Take the simple instance of newspaper-coverage of business. Scan those pages and find that the coverage is not about business but about betting, “buying and selling we lay waste our powers.”

What would a report on business be like? There’s a challenge for your imagination!

But let me take that business of business to the level of learned discourse. I have to hand such a learned reflection which deals with “Investment Strategies for the Age of Global Economic Change.”⁵ There is nothing about business in the book. The question of the nature of investment is never seriously raised, nor is there any venture into nature and purpose of

³I quote the hymn of 1868 by Susan Warner, with music by Edwin Excell. In your small corner, may you not be the butterfly of Japan causing an American storm, or the black swan upsetting expectations?

⁴ P. McShane, “Do You Want a Sane Global Economy?” *Divyadaan* 21/1 (2010) 19-36.

⁵Mohamed A. El-Erian, *When Markets Collide: Investment Strategies for the Age of Global Economic Change* (New York, New Delhi, etc: McGraw Hill, 2008). I refer to this book below as **Markets**.

economic behaviour. On the third last page El-Erian makes the point shamelessly: “So far, the discussion has been about the self-interest of each group of market participants. However, there is another reason for hoping that all will respond appropriately—the need to safeguard the growth and poverty-alleviation potential of the global economy.”⁶

The book has, immediately prior to the title page, two pages of “Advance Praise for *When Markets Collide*,” 13 experts waxing eloquent, beginning with Alan Greenspan and ending with the author of *The Black Swan*. Let’s hear it from Greenspan: “Mohamed A. El-Erian is one of the most gifted and successful risk management practitioners on the world. In this book he combines an academic’s insight into advance risk analysis with a portfolio manager’s grasp of real world economics. This book is an essential read for those who wish to understand the modern world of investing.” Like El-Erian, like Mankiw, like indeed the whole horrid group of establishment writers, Greenspan has no idea of “the modern world of investing.” Our push towards that idea can steal Greenspan’s concluding statement, but apply it to another book, Bernard Lonergan’s *For a New Political Economy*: “this book is an essential read for those who wish to understand the modern world of investing.” But who is going to take me seriously? Certainly not Greenspan, nor Mankiw, nor El-Erian, pseudo-happily boxed into their gross ignorance. Do you, Andy, take me, us, seriously, so giving both of us credit?

If I were to review El-Erian’s book I would certainly not get the review published, much less quoted in the august company I mentioned. But a little review may help you to give me—us—credit. In his concluding chapter he picks up on the four combinations of *important and urgent*: as guidelines to organizing your managerial life. “In this book, I have argued that it is important and urgent to understand the nature and implications of the anomalies that have appeared in the global economy.” Well, yes, indeed. A little later he compares the global economy to a plumbing system, and remarks “inadvertently, the world has embarked on a fundamental set of

⁶Markets 296.

changes with a plumbing system....”⁷ Should we not, then, have some understanding of the plumbing system to remedy the inadvertence to this matter of urgency and importance?

The plumbing system is the global economy, and like a plumbing system it has a purpose, a destination. Has the destination changed recently, even radically? Well, that question requires some grip on what the destination is or was. El-Erian rambles, on the first page of his Preface, right into an unknown that remains unknown throughout the book: “what I refer to as a ‘new destination’ for the global economy.” He rambles on through four chapters of discussing the problems of distinguishing signals from noise, or within noise,⁸ but of course he is not talking about the global economy: he is talking about his profession, which has precious little to do with the destination of the global economy. Then he begins chapter 5, “prospects for the journey” with a strange-sounding claim. “Interestingly and counter-intuitively, I am much more certain about what the new economic destination will look like than I am of the nature of the journey that will get us there. Sound strange?” Yes, it does sound strange: but then we are listening here to a one-track minder talking about minding his own business: or rather, his non-business.

⁷**Markets** 292.

⁸In his Introduction El-Erian follows a trail named by his title, “Finding Signals within the Noise.” “The methodology was a simple one: Observe and analyze the underlying causes of the noise; see how these causes relate to a separate and distinct analysis of valuations based on economics and financial fundamentals and market technicals; test the initial findings against the views of experts in the markets; and derive short- and long-term implications for the impacted financial asset valuations and those that are connected through common ownership or other drivers of correlations.” (**Markets** 8) One of the aims of our essays is to show that we are connected by a common ownership of ourselves: we are called to be the drivers of correlations. The other aim is to identify the noise El-Erian is making and find the signals that he and the establishment oppress. The issue is a valuation of valuation and of economic and financial fundamentals.

Need I go on about this narrow discourse on refinements of financial risk-taking? Even with a brief venture into the viewpoint presented by Mike Shute, Pat Brown, Darlene O’Leary and Bill Zanardi you have surely some sense that this fellow is way off the mark. But the point here is to see the present acceptability of that way. Is it in some way credit-worthy? It is certainly not in the same ball park of reflection on credit as the one inhabited by Joseph Schumpeter.⁹ Does El-Erian raise the issue of the meaning of credit, or the character of credit-worthiness? Well, check his index. His interest is in a truncated reflection on credit-rating agencies, their ratings, their re-toolings: all the subtle madnesses that emerged in the past one hundred years.

That, I think, is enough about this quite unfocused book. Or completely focused, depending on what you think. Does business mean buying and selling businesses and monies,¹⁰ or does business mean the global maintenance of the dynamic flow of goods and services? El-Erian has spent his entire life in the

⁹See my earlier essay here, on “The Meaning of Credit,” at notes 15-19.

¹⁰This is a large and tricky zone, the commodification of money, which would need to be considered in a critique of El-Erian. One lengthy quotation gives sufficient expression to the problem. “The recognition that money has become a commodity, or as Richard O’Brien terms it, an ‘information product’ [Richard O’Brien, *Global Financial Integration: The End of Geography* (London: Pinter, 1992) 7] has arisen out of the development of very deep secondary markets, in terms of discounting and futures products, which has been a constituent part of the re-emergence of long-term financing via the issuance of various types of securities. The *promise* to pay which these financial instruments represent is thus increasingly being traded as a commodity according to supply and demand. The impact of this practice on the company or government whose instruments are traded is direct and immediate, and makes further access to financing dependent upon the extent of the commodification of past debt.” (Randall D. Germain, *The International Organization of Credit: States and Global Finance in the World-Economy* [Cambridge: Cambridge University Press, 1997] 126; see also 129, 130.)

‘money’ zone, a zone that has increasingly become destructive of the latter flow’s needed controls.¹¹

I used the word truncated, and I would note that it has a pretty refined and wonderfully offensive meaning. I like its normal zoological meaning: “lacking a normal apex.” Might it remind you of someone running around like a headless chicken? But the meaning is actually quite tricky, and it is towards getting you and us a better effective grip on its meaning that these essays have been written.¹²

I return now—in a strategy of pointing you forward that is to emerge as I close off this essay—to El-Erian and to his 13th reviewer, Nassim Nicholas Taleb, author of *The Black Swan*.¹³ Taleb continues the flow of praise: “El-Erian is a doer and a thinker and someone who understands the risks of rare events. I never before saw such a combination in 20 years in the market. Read this book.” And the admiration is mutual, and worth quoting at length for my own probabilistic purposes: “Nassim Taleb’s work is consistent with the hypothesis that the transformations increase the probability of ‘Black Swans’ for which market participants are already ill-equipped to deal with, in part because they are largely under-insured against ‘fat tail’ events. Indeed, his work illustrates the excessive way in which

¹¹Mohamed Abdulla El-Erian (born 1958) is the CEO of PIMCO, the world’s largest bond investor with US \$850 billion of assets under management as of 2009. El-Erian previously worked as the investment manager of Harvard Management Company, Harvard University’s US \$34.9 billion endowment fund. Harvard recruited El-Erian to fill the void left in September 2005 by the departure of 15-year investment chief Jack Meyer, who took almost three dozen Harvard officials to start a Boston-based hedge fund. El-Erian rebuilt the staff and guided the fund to a 23 percent gain in the fiscal year ended 30 June 2007, adding US \$5.7 billion to the world’s biggest university endowment. Busy in this way, how could E-Erian possibly pay attention to the real destination of economics, the real plumbing?

¹²See note 23 below for some further pointers regarding truncated subjectivity and how it is to be detected.

¹³Nassim Nicholas Taleb, *The Black Swan: The Impact of the Highly Improbable* (New York: Random House, 2007). Referred to below as **Black Swan**.

the traditional probabilistic approach to mapping outcomes is blinded by the median and, therefore, underestimates the tail.”¹⁴ Even with the helpful pointers in the footnote, this may not make a great deal of sense to you, but not to worry. Besides I would cheekily claim that neither of these chaps ‘understands the risk of rare events.’¹⁵ What I am interested in is you, Andy, grouped by me as perhaps a less than 2% tail or tale, not being “blinded by the median,” *Fooled by Randomness*.¹⁶

El-Erian has an earlier section titled **Black Swans** which he suggests that we “think back to the contrast I drew between the multiplicity of market aberrations and the initial inclination of many investors to continue operating confidently with their existing models—so much so as to assume even greater risk. This contrast speaks directly to a more general historical observation: Investors tend to underestimate extreme events.”¹⁷

I am led to a more general historical observation that yet twines with you and me, on our < 2% tale. Was the writing of *Take Five* an extreme event, underestimated in the years Dave Brubeck struggled to get it accepted, edging into the 1960s? It took him a few years to get a hearing for it. Now, this year of 2009, indeed this month, he is being honoured, in his 88th year, at the New York Kennedy Centre. We here are suggesting that you **Take Five**, and take them seriously, the five reaches of your own

¹⁴**Markets** 265.

¹⁵This is a complex issue that needs sorting out at various levels. There are simple muddles about reasonable betting; there are more difficult mathematical aspects that relate to measure theory. See Chapter 4, “Reasonable Betting,” and Chapter 8, “Foundations of Statistics,” of P. McShane, *Randomness, Statistics and Emergence* (Dublin: Gill Macmillan, and Notre Dame and London: Notre Dame, 1970). Hedging theory regularly advocates a muddled mathematics of probabilities related to single events.

¹⁶The title of the 2004 book by Taleb: *Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets* (New York: Random House). I would note that **chance** is only loosely described in this book. Lonergan’s analysis of it places it in a precise context of random deviations from probability distributions. See Chapter 6, “Chance” of my *Randomness, Statistics and Emergence*.

¹⁷**Markets** 78.

frustrated search for life: the reaches for beauty, for understanding, for truth, for adventure, and for ultimacy.¹⁸ It is frustrated because investors in pseudo-thinking in economics and education “continue operating confidently with their existing models,” models that are destructive of global life in its reach for bread and beauty, a reach that is fundamentally aesthetic.

What we want to communicate here, what Lonergan wants to communicate in his writing on the missing arts of economic care, the missing aesthetics longed for in our daily doings.... but let him speak for himself, in reasonable and relevant fullness: I quote the entire **Conclusion** of a lecture by him on Art.

What I want to communicate in this talk about art is the notion that art is relevant to concrete living. That exploration is extremely important in our age, when philosophers for at least two centuries, through doctrines on politics, economics, education, and through ever further doctrines, have been trying to remake man, and have done not a little to make human life unlivable. The great task that is demanded if we are to make it livable again is the re-creation of the liberty of the subject, the recognition of the freedom of consciousness. Normally, we think of freedom as freedom of the will, as something that happens within consciousness. But the freedom of the will is a control over the orientation of the flow of consciousness, and that flow is not determined either by environment, external objects, or by neurobiological demands of the subject. It has its own free component. Art is a fundamental element in the freedom of consciousness itself. Thinking about art helps us think, too, about exploring the full freedom of our ways of feeling and perceiving.¹⁹

¹⁸I note that here I am decompacting Lonergan’s transcendentals. As he expresses them on page 53 of *Method in Theology* he shows a preference for adventure: “being intelligent includes a grasp of hitherto unnoticed or unrealized possibilities,” and that is our central interest in this volume, the adventure of noticing unrealized possibilities in ourselves and in the economy. On the modal distinction between two generic what-questions see Appendix A of Lonergan, *Phenomenology and Logic* (Toronto: University of Toronto Press, 2001), *CWL* 18.

¹⁹Lonergan, *Topics in Education* (Toronto: University of Toronto Press, 1993), *CWL* 10:232.

Let us think, then, in, within, our present conclusion about art, but within our concrete aesthetic loneliness, whether that loneliness is cousin to the Beatles or Beethoven, raga or tala, African masandra or Japanese Honkyoku. I invite you, then, or rather now, in memory, to reach such a zone, “thinking about art,” but within an art in which you find home.²⁰ It is far away from **Markets**, and indeed from **Black Swan**. But it is your way, your version of “Swann’s Way.”²¹

Like M. Swann, you too have and “had another almost secret existence of a wholly different kind.”²² That secret existence rebels, in every dance and song, against the brutal narrativity of Wall St. and Main Street economics. In his section titled “Remembrance of Things not Quite Past,” Taleb makes some relevant points, but they stand paradoxically against his own and

²⁰The question of finding home, or enlightenment, is a vastly difficult one. Our natural home is being at home in the demands mentioned at note 17. “But in another sense it is quite difficult to be at home in transcendental method.” (Lonergan, *Method in Theology* 14). And in that more difficult sense one “has to be at home in modern science, modern scholarship and modern philosophy.” (*Ibid.* 350) But are you, Andy, the one? We do not ask you to be: we ask only that you take seriously the invitation to advert earnestly to the possibility of freeing your own and your children’s consciousness. The front line struggle against market madness must be “elitist: it is difficult, as also are mathematics, science, scholarship, philosophy. But the difficulty is worth meeting. If one does not attain, on the level of one’s age, an understanding of the realities in which one believes, one will simply be at the mercy of the psychologists, the sociologists, the philosophers, that will not hesitate to tell believers what it really is in which they believe.” (*Ibid.* 351). The frontline needs the ground movement of *The Revolt of the Masses* which Ortega y Gasset wrote about seventy years ago. And then perhaps, if we turn your attention to your home-yearnings, may not only meet that need, but slowly move to stir 10,000 villages.

²¹The title of the first volume of Marcel Proust’s great work, *Remembrance of Times Past*. My recent copy is a new translation, *In Search of Lost Time*, by C.K. Scott Moncrieff and Terence Kilmartin, revised by D.J. Enright, 6 volumes (New York: The Modern Library, 1998). I shall refer to it simply as, e.g., Proust IV.

²²Proust I:21

El-Erian's tales of history. "Narrativity can viciously affect the remembrance of past events.... Conventional wisdom holds that memory is like a serial recording device like a computer diskette."²³ For all his fancy footwork, Taleb is conventional, and certainly El-Erian is.²⁴ Neither is tuned to the discomfiting rhythms of the secret existence of Swann and you and me, a consciousness that is twined into "the order of the universe" and shares "that order's dynamic joy and zeal."²⁵ It shares it molecularly, fermenting forward as conscious quest and mindful questing. Yet it is not *it*, but you and I. Such a quest and questing have really no place in the worlds of these two authors: they represent, re-present, however colourfully, the Establishment, "the monster that has stood forth in our day."²⁶ Bergson offers us two views of memory: a memory that catalogues and a memory that re-lives: these two authors are in the catalogue department. Proust and we, here, pick up on the memory that relives, a memory that would freshly taste tea or be expanded by a "little phrase" in a sonata, as Proust's hero was. The "little phrase" haunts Proust's book, haunts Swann, "expanding his soul."²⁷

²³ **Black Swan** 70-71.

²⁴ In a technical sense, noted by Lonergan with brutal clarity, El-Erian and Taleb are truncated subjects. "The neglected subject does not know himself. The truncated subject not only does not know himself, but also is unaware of his ignorance and so, on one way or another concludes that what he does not know does not exist" (Lonergan, "The Subject," *A Second Collection* [London: Darton, Longman and Todd, 1974] 71.) The source of significant black swans in history, or in innovations of economics, is the human quest, the question. A handy way of detecting authors' interest in that dynamic is the entries in their indices under *Q*. El-Erian has *Qatar*; Taleb lists *quant*, *Quetelet* and *Quine*. Books on psychology and education and the study of children generally have only proper names listed under *Q*, and perhaps *questionnaire*. *Questions*, the black swans of our economic concern here, are the black sheep of present pseudo-scientific human studies.

²⁵ Lonergan, *Insight*, *CWL* 3:722.

²⁶ Lonergan, *Method in Theology* 40.

²⁷ Proust, I:295. At the beginning of chapter 6 of *Pastkeynes Pastmodern Economics* I recalled the start of Marx's *Communist Manifesto*, "A spectre is haunting economics" and go on also to recall

We have asked you to taste freshly your own lonely consciousness. If you do, you will slowly become an oddity in this culture, like the person at the end of the last volume of Proust's work "as it were on giant stilts."²⁸ But we also ask you, if you suspect that you might be a member of the "less than 2%" that have a bent towards our black swan project—black swan: for it is definitely at the thin end of the probability curve!—to contact any of us about it. All five of us are members of the strange new society, The Society for the Globalization of Effective Methods of Evolving, **SGEME** [pronounced, suitably, scheme]. You can easily find us, and indeed you are welcome to join us.²⁹

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Derrida's hauntology. What has haunted these past centuries? So we can muse over black swans and creative remembrance of violence in education and economics, but it would be too much of a distraction to enter into the massive holocaust in modern times, by economic idiocy, of the working classes and the third world. Here we can but insist that there must emerge a new positive haunting in global culture, seeded by people like you.

²⁸The concluding paragraph of *Remembrance of Things Past*.

²⁹I recall, and indeed partially repeat, points made in note 8 of my first essay here. For information check SGEME.org. Secretary Bob Henman may be contacted at rohenman50@hotmail.com, and I can be contacted for light or guidance at pmcshane@shaw.ca. The Society was formed at the Halifax, Canada, Lonergan Conference of July 2009 with the particular intention of meeting the neglected task of collaborative implementation in Lonergan's idea of genuine philosophy. This volume clearly fits into that demand, but genuine philosophy has to get a grip on the streets and the banks and the world organizations. The grip depends on you and I getting a grip on our selves and our own lives. How luminous is the grip to be? For starters, you need only have a suspicion that we are on the right track regarding the mess of economic theory and practice. But we appeal to you to make some effective noise about it in your small corner of history.

ABSTRACT

The objective of this essay is to illustrate patterns of present distraction from the meaningful objectives of global business: the provision of local standards of living through collaborative care both of innovative structures of local improvements and for the global distribution of generic consumer benefits. Such distractions are as obvious as media attention, in pseudo-business discussions, to the neurotic and greedy patterns of gambling symbolized by the name *Wall St.* But overlaid on this silly devotion to casino-dynamics are varieties of supposedly learned discourse that are, in the main, locked into those same patterns. They need to be exposed.