

System tragedy

by Bart Nooteboom

109. Conspiracy, incompetence and system tragedy published 2-9-2013

Internet is rife with conspiracy theories. A classic one concerns the assassination of Kennedy, and a more recent, salient one concerns 9/11. In an extreme form, conspiracy theorists blame every mishap on an evil state that with fiendish competence aims to exploit and oppress 'the people'. The truth is hidden because the media conspire and whistleblowers are scared off or eliminated.

In more moderate forms, there is an eye for facts and arguments that do not rhyme well with official accounts, and the recognition that sometimes state conspiracies are indeed proven. There are awkward facts concerning 9/11: why airspace happened to be undefended precisely on that day, the odd way in which the towers collapsed upon themselves, including a third tower not hit by the planes, apparently falsified identities of the hijackers, suspicious streams of finance, and more. Suspicious also are the exploitation of the disaster to justify severe security measures and a diffuse 'war on terror', and business interests connected to the policy makers involved. And yes: it is widely accepted now that entry into the war in Iraq was based on lies and conspiracy. So, evidently conspiracies do occur.

Conspiracy theorists claim that they are dismissed as cranks because people are psychologically unable to face the fact that the state is against them. That would yield an intolerable feeling of insecurity.

So, what is going on? I do not doubt that there is bad intent among bankers, politicians, managers, traders, etc. in the form of cupidity, egotism, thirst for power, urge to win at all costs, and that critical scrutiny and countervailing power are needed to constrain them.

But more than from pervasive, widespread, and well planned conspiracy I think we suffer from incompetence, in an inability to identify problems correctly, to find good solutions, implement them, and to foresee and control all relevant consequences.

Perhaps most important, in our increasingly complex, interconnected world, is what I would call *system tragedy*. Well-intentioned ideas and actions are laced together in a system of cross-overs and mutations that could not be foreseen and that nobody wanted, let alone intended. Political decision-making is like bumper cars on a fancy fair. This is mingled with personal and institutional interests. Political and institutional logics of consensus and protection of vested interests and positions shove aside more substantive logics about the good and the true. And there is cowardice, in not daring to rock the boat

and in the need to maintain social conformism. I have experienced all this myself in a conceptual battle concerning innovation policy where I succumbed miserably.

I also offer a psychological argument, here against conspiracy theorists. It is even more frightening to face the facts of incompetence and system tragedy than to assume evil intent in conspiracies. Conspirators can be replaced by tapping from the ‘good people’, and measures of control can be adopted. The really frightening thing is that this also mostly fails in system tragedy. The problem lies not only in ‘them the state’ but also in ‘we the people’.

159. System rebellion

published 18-8-2014

Foucault showed how institutions exercise inexorable power (he discussed prisons, hospitals, for example). I discussed this in item 50 of this blog, where I wrote: ‘Foucault showed how cultural systems are internalised, how both those who exert power and those subjected to it may take it as self-evident’.

In item 151 I discussed the work of Rosanvallon, who recalled the *paradox of Bossuet*: In Western society people complain about the consequences (market failures, increasing inequality of income and wealth, tax evasion, favouritism, lobbying and rule bending by large enterprises) of causes they endorse (individual self-realization, singularity). This explains why in spite of their discontent people don’t rise in revolt. A coherent internal conviction is lacking.

In item 109 I discussed *system tragedy*. An example is the recent financial crises. In spite of all the scandals, matters seem to more or less get back to their normal pernicious course. Nested prisoners dilemmas on multiple levels of employees, consumers, banks and governments keep the system locked in.

The main problem with all these insights is that they may result in resignation, the shedding of all hope of changing the system, and consequent renunciation of any effort. Almost as if there is some supernatural, even divine cause at work.

Williams discussed how in classical Greek tragedy the tragic heroes (Agamemnon, Oedipus, ...) are confronted with little choice in conducting bad deeds, subject to the inexorable power of the gods.¹ Rising against the power of the gods, *hubris*, is punishable by torture (as for Prometheus, for stealing the fire from the gods).

In Western Europe, the generation 1968 had ideals for change, found no way to realise them from outside the system, allowed themselves to be co-opted in the system, intending

¹ Bernard Williams, 2008 [1993], *Shame and necessity*, Berkeley, CA: University of California Press.

to accept the challenge of ‘a march through the institutions’ to effect change. They failed, and with the feeble excuse that they ran up against system tragedy they settled into profiting from it, and became the now much maligned managers and financiers that consolidated the system.

The *Occupy* movement refused to fall into that trap of becoming embedded and sidetracked in the existing political process, but as a result they locked themselves out from perceived relevance, and apart from symbolic value seem to have no significant, lasting, structural effect on the system, which simply grinds on. They seem to have evaporated.

So what to do now? It is decadent to resign and renounce rebellion, in the same way that responding to nihilism with indifference or hedonism is decadent, as discussed in item 147.

If it is impossible to change the system from within, and soft power of protest from outside has no effect, turns out to have no power, is it a matter of waiting for revolution to erupt?

Or will the system collapse under the onslaught of rival, more vital ideologies, new or old, that have a more vigorous, consistent and forceful internal conviction, no matter how evil that may be? Is that what we see happening now?

Is the demise of the Enlightenment to be followed by a new dark age?

The only hopeful alternative that I can see is the grasp of new forms of equality, individualism and solidarity that I set out in items 150-154. There is no convincing sign that this will happen any time soon. It probably cannot budge the system. But that is no reason to give up.

187. System tragedy

published 28-2-2015

I continue the preceding discussion of the notion of a script as a composition of nodes that can each be filled in from a repertoire of alternatives that can substitute for each other in that node, in that script.

This repertoire is limited by the need to preserve the function of the node in the overall script. Something that would jeopardize that role and hence threaten the integrity of the script would not be permitted. All scripts, of action, bodies, sentence, type, style, building, theory, or organization impose limitations on what can be substituted in nodes.

Taking a seat and waiting to be served will not work in a self-service restaurant. Poison destroys a body. Poetic license in putting words in strange places creates wonder or

confusion. Prior to impressionism paintings were made in studios and going into nature to sit and paint was odd. Postmodernism evoked ridicule in mixing styles. The wrong kind of concrete will cause a building to collapse. Offering taxi services by private car owners upsets the taxi industry.

The script of established theory, with basic core assumptions, established methodology and logic, and underlying ethics, is called a 'paradigm'. In economics it is utilitarian ethics, methodological individualism, rational choice, and the 'spirit of geometry' with the use of mathematical models.

In items 33 and 34 of this blog I discussed how scripts yield prototypes as a template for recognition. That makes for efficiency in human action and interaction, but it does constitute a form of prejudice. The practice of non-linguistic scripts is accompanied by what Wittgenstein called 'language games', socially and often tacitly accepted linguistic scripts, and, vice versa, language can be understood as being embedded in scripts of practice, in Wittgenstein's doctrine of 'meaning as use'.

This perspective yields one way of looking at conservatism and at what elsewhere (item 109) I called 'system tragedy'. Often, justified as they may seem, things are ruled out because they threaten the integrity of the wider system, or are ignored or simply not perceived when they do not fit in a script that is relevant to the situation. Worse, operating outside the established language game one is seen to speak nonsense. Innovation and reform have a hard time when not fitting in established scripts.

How to break out of that? For this I proposed a 'cycle of invention' in item 31. To escape from the conservatism of the established order one has to break out into a new 'selection environment' with different scripts and corresponding nodes. There, one may have to make new local substitutions into some nodes of the script, or bring in entire new nodes, in order to survive in the new environment. That, in turn, puts pressure on the larger order of the script and may trigger or necessitate its restructuring, in experiments with new structures of old and new nodes.

Self-service forced such change in restaurants, poets force new meanings by bringing in words in odd places, artificial limbs produce new body scripts, impressionists went outside, in nature and outside established academies and galleries, and after struggle came in triumphantly, nylon replaced sisal in ropes, plastics replaced cotton.

So, to escape from system tragedy, one must challenge the system with novel conditions in novel contexts, and allow for opposition and competition from niches outside the established order. There lies the merit of markets and democracies, with all their imperfections and perversities. A flourishing life is a game of breaking up scripts.

How to account for the perverse behaviour of banks in recent financial crises?
Were the bankers irrational? Were they lacking in morality? In pursuit of high profits
They hived off the risks to society: the state is forced to save a bank when it defaults,
because it is 'too big' or 'too connected' to fail, bringing down the whole financial sector.

Arthur Wassenbergⁱ proposed that economics neglects social processes of interdependence and thereby fails to understand the crises. In banking, actors are not autonomous, as assumed in the 'methodological individualism' of economic science, but form systems of interdependence, complicity, shared interests, imitation, accommodation, lobbying, and the 'revolving door' through which career makers move between the industry and the regulatory agencies of government.

Here also, one might use the notion of scripts. One can see a script for banks, with nodes for their divisions and subscripts for the activities performed there, and superscripts of the industry and political structures. Bank scripts share nodes, in shared activities, shareholders, supervisory boards, and lobbies.

There are 'nested games', 'prisoners dilemmas', of workers in banks, banks in the Financial industry and capital markets, and government policy with respect to banks.

Individual workers might feel the appeal for morally more acceptable conduct but are Willing to adopt it only if colleagues do so as well, not to lose out in the internal Competition for positions and rewards.

Bank leadership may want to reform their conduct, but only if other banks do so as well, on the pain of being fired by shareholders or taken over by financial raiders on the look out for businesses that leave profit opportunities unused.

National regulators do not dare to restrain banks unless other countries do so as well, for fear of driving out their financial sector.

Here we are back at the 'system tragedy', discussed before. The system produces outcomes that are neither intended nor desired. In the interconnections there is 'loss of traceable and attributable responsibility'.

What to do? A moral turnaround of bankers is necessary but will not have the desired effect until also a break of the system is achieved.

The classic answer to prisoners dilemmas is government intervention to impose the solution where everyone complies with desired conduct.

That happened in the tobacco industry, with a ban on a certain form of advertising. Producers had been wasting money on it, since advertising hardly increased consumption and was needed only to maintain market share. Each producer by himself could not afford to stop, for fear of losing market share. The ban on advertising broke through the dilemma, was welcomed by the industry, and profits rose.

But in banking, on the highest level, the PD between countries, there is no overarching authority, though in the EU attempts are made to arrive at joint regulation.

In terms of scripts, breaking the system entails cutting nodes loose from the script, and allowing them to operate separately or to reconfigure them differently. Think of how nodes in the script of a service restaurant were re-configured in the script of a self-service restaurant.

One might break up banks into savings-and-loans banks and investment banks. Yet the old system tragedy seems to persist, ineradicably. Perhaps rather than trying to reform the system this is best done in the emergence of a new, outside, competing system. That is what happened in history when systems were unable to reform from inside.

We see signs of this. Fed up with the banks, people are developing alternative forms of finance, outside banks, in 'crowd sourcing' or in investors and entrepreneurs seeking each other out locally, on the basis of local reputations. These small scale local activities are no longer too big or too connected to fail.

To conclude, I make a connection with the preceding item in this blog. While in the old system bankers view what workers and customers do 'from the outside', instrumentally, as nodes in their script, in the emerging system those components can act from their own perspective, as independent nodes, and let the resulting script emerge from that.

206. Ideology and language games in the Greek crisis published 8-7-2015

What would Foucault have made of the Greek crisis? An important feature of his work is the claim that systems of knowledge are entangled in wider systems of power and authority, forming an ideology. Such systems produce knowledge, but new knowledge, once established, spawns its own institutions, vested with power and authority. Issues of truth become issues of morality. Neo-liberal market ideology is an example.

Wittgenstein proposed the notion of *language games*. According to his view of *meaning as use*, meaning is not given outside action but is formed and legitimized in it, in a context that constitutes a *form of life*. Having been brought up in that, one takes the rules of the language game for granted, as self-evident. Non-adherence to the rules is cause of rejection and retribution, and severe punishment when persevered in.

The Greeks and the EU are playing different language games, in different forms of life. With the EU it is the game of mainstream economics, with the Greeks it is a game of social justice.

The problem is worsened by the fact that the different language games are played in different national settings and cultures (Germany, Netherlands, ... versus Greece), so that *parochial altruism* also kicks in (see the preceding item in this blog), with internal Greek solidarity and outside suspicion increasing together.

As I have argued elsewhere in this blog (item 180), mainstream economics is not value free, as it claims. It is rooted in a utilitarian ethic, adopted from the English philosophers J.S. Mill and Jeremy Bentham. It looks only at outcomes of utility/prosperity, not at the quality of motives or at processes, and assumes that different dimensions of value can be brought together under a single, joint measure (utility). It appeals to liberals because it does not meddle in processes and intentions.

This stands in contrast with a virtue ethic, going back to the Greek philosopher Aristotle, which looks at outcomes but also intentions and processes, and recognizes multiple dimensions of value, which are not necessarily measurable and commensurable. That requires debate beyond measurement. Could it be that this is the perspective of the Greeks, going back to their own philosopher?

Is some compromise or unification possible?

In my work (see items 31, 35 in this blog) I have developed a theory (if it can be called that) of how invention arises, in a cycle of moving away from established, institutionalized knowledge, into novel contexts of application, adapting it to new demands and opportunities there, adopting elements from the novel context, experimenting with hybrids, to arrive at a more fundamental re-orientation of structures or logics with novel and old elements.

When mainstream economic thought moves into Greece, could it transform itself along such lines? The assumption in the logic is that in order to survive in the new context, the incoming perspective has to meet and accept its limitations or failures there, to be forced to adapt and absorb local elements, as a step towards transformation. But if its power is so large that it can impose the full force of its views, and need not adapt, that will not happen, and learning and discovery will not take place. That is what seems to be happening. Even the resounding 'no' from the Greek plebiscite could not sway that power.

Earlier in this blog (item 180), and in a recent bookⁱ, I pleaded for a shift from utilitarian ethics to virtue ethics as the basis for a new economics. But even the Greek crisis appears not to be able to force that issue. Perhaps that will require a revolution.

266 Rebellion

published 18-6-2016

Previously in this blog, I discussed the problem of how to escape from the tangle of social systems. Here I present two cases, illustrations of it.

In a recent speechⁱ, Yanis Varoufakis, the former Greek minister of finance, narrated his conflict with the committee of EU finance ministers concerning the Greek debt. They wanted to compel Greece to repay the full debt, with severe measures of austerity. Varoufakis argued that this would be self-defeating, since ongoing austerity would demolish the economic basis for repaying the debt. The only viable approach, which would repay at least some of the debt, would be to cancel part of it.

Informally, everyone agreed that he was right, but EU leaders could not sell it to their electorates, and it would damage the northern EU banks that had extended the debt. There was no way that Varoufakis could get his way.ⁱⁱ

To the point for the present discussion, he was told by an insider that he could only survive in the negotiations if he gave in to the austerity game. Do not go against the stream as a matter of principle, but tag along and see what you can achieve in the margins, was the advice. If he stuck to his guns, he would be dropped, forced out. And that is what he chose.

Another case is from my own experience. As a scholar of innovation and member of the main think tank for the Dutch governmentⁱⁱⁱ, I headed a team of researchers to produce an advisory report on innovation policy. Our advice went against established policy of planning innovation for selected strong industries. That, we argued, would have a conservative effect of profiting and maintaining established interests and raising entry barriers for newcomers. At best, it would yield improvement of established technologies and their application rather than yielding genuine novelty.

This criticism was not well received. I had previously been welcome at the Ministry of Economic Affairs, participating in seminars and advisory committees, but now, I heard from contacts within the ministry, I was a *persona non grata*, no longer welcome.

The policy I criticised was ideal from the following perspectives. First, it reduced the risk of spending public money on risky innovation that did not deliver, which would get the

ⁱ Arthur Wassenberg, *Capitalist discipline: On the orchestration of corporate games*, Palgrave-MacMillan, 2013. ⁱⁱ Bart Nooteboom, 2014, *How markets work and fail, and what to make of them*, Edward Elgar.

minister in trouble with parliament, for ‘wasting public funds’, while it could still be called innovation in some form, thus satisfying the hype of innovation. Second, it satisfied pressures from established (large) business not to engage in ‘creative destruction’ of established positions and investments. My advice was spoiling a game that in a truce between government, a risk-averse parliament and established business was too good to be spoiled.

I appealed to high-placed colleague professors: the then president of the Academy of Sciences, and the then director of the Science Foundation that distributed funds for research. They were both members of the state committee for innovation policy. In private, they conceded that I was right, that my arguments were valid. However, they were facing the choice: go along with my opposition and risk being side-tracked (like me), or going along with the momentum of the policy in force, to protect the interests of the institutions they stood for, which depended on public funding.

I could not blame them. But it illustrates the deep ‘problem of Foucault’ that I discussed earlier in this blog.

268 Heidegger, Foucault, Wittgenstein, and how to rebel
published 26-6-2016

Here I resume a brief series on rebellion

In his ‘Being and time’, Heidegger proposed the view, taken also throughout this blog, that the self is not a bystander with pre-formed ideas, looking out on the world, but is ‘thrown into the world’, being constituted by it. As a result, one is ‘fallen’ (‘Verfallen’, in German), caught, in the grips of ‘das Man’, the collective, or the ‘One’ in the sense of ‘that is how ONE behaves’. The problem then is how to get free from that grip, to achieve authenticity.

This is very close, I propose, to Foucault’s idea that we are caught in ‘regimes of truth’. One could, I think, capture ‘das Man’ as well as the ‘regime of truth’ in the notion of an ‘institutional system’, with its rules, roles, positions and doctrine. How, then to escape from it?

Both Heidegger and Foucault recognized that we need an institutional system as an enabling system, from which the self forms itself. And we need it to take things for granted, in order to function, not to have to wrangle agreement at every step (e.g. in a language community, division of labour, trade, traffic, in a political system, ...). System power is not only negative, constraining choice, but also positive, in providing options for choice. The issue, according to Foucault, is to accept, to value and to exert, positive power, while maintaining the ability of resisting or counteracting the negative power of suppression.

But how to both use the system to function and deviate from it to develop authenticity? Foucault said that we should 'shape our life as a work of art'. Yes, but how is that done?

One can find or form a smaller community of more like-minded people, but that yields its own constraints and in any case one is still part of a larger system.

Heidegger said that awareness of the horizon of death, in 'being unto death' impels us to commit to a choice to form an individual self, as part of a whole of life, in 'disclosing oneself' ('Entschlossenheit'). The horizon compels us to choose or else waste the potential of life. Fine, but the question still is: how to both employ and escape the system?

Here, I employ Wittgenstein's notion of a 'language game'. As I did in a discussion of the handling of the Greek financial crisis, in item 206 of this blog. If an institutional system entails one or more language games, what room is there within these rules or for changing the rules?

Earlier, in item 170, I discussed the room left in discourse from the fact that meanings of words are not delimited strictly. Public meanings allow for private connotations. Meanings are open, subject to shift, in individual language use, as is most pronounced in poetry.

Rules of the game leave room for individual technique and style. Take Muhammad Ali: he obeyed the rules of boxing but developed his own style to 'float like a butterfly and sting like bee'. Some authenticity is possible within the rules.

Still, from inside the game it is difficult to change the rules, and as an outsider one would be simply ignored, not taken seriously. However, by being an expert, superb player, one can use the reputation to make controversial, deviant statements. Muhammad Ali did that, to criticise racism and discrimination.

Another example, in economics, is Kenneth Arrow. As a reputed scholar he earned attention for a fundamental insight that challenged economic doctrine.^{iv}

However, even then it is difficult to rebel and change the rules radically from inside. Arrow showed that an important part of economics as we knew it does not work, but not how a new economics would work.

Apart from pressure from others in the system to conform, it is difficult, intellectually and morally, for oneself to retain and enact independence of thought, to change the system. In fighting the system one may destroy one's reputation built on it.

To radically change the rules, in creative destruction, one has to accept ostracism, being an outcast. One has to struggle in the desert to get one's deserts. To have novelty adopted one needs to show that 'it works', to those, often a novel generation, that are open to it. Often recognition does not arrive in 'being unto death' but after it. The commitment to leave something behind, beyond death, according to the best of one's talents, should carry its own reward.

An alternative, which I reject but is increasingly adopted even by scholars, is to leave the arena of rational debate, fire up the rhetoric and mobilize the populace, appealing to emotions and 'gut feeling' to win the day.

ⁱ <https://www.youtube.com/watch?v=ihVcrnFag1s>

ⁱⁱ A little later, the IMF went along with the logic of cancelling part of the debt. As an independent agency, they did not need to cater to the prejudices and emotions of an electorate.

ⁱⁱⁱ The WRR: Scientific Council for Government Policy.

^{iv} In his theorem of the 'impossibility of majority voting': the impossibility to aggregate individual preferences into a well-behaved collective preference ordering.