Never mind the swans, listen closely to the canaries.

A response to ‘Black Swan of Cairo,’ by Nassim Nicolas Taleb and Mark Blyth.

By Catherine Fieschi

In the May-June issue of Foreign Affairs, Taleb and Blyth open with this provocative question: Why is surprise the permanent condition of the U.S. political and economic elite? Having reached the end of the piece, two answers sprang to mind. The first was that this condition extends to elites well-beyond the US border. The second though, was that this so called condition is in large part the product of far too much attention lavished on the authors’ brand of risk analysis. Yes, we should privilege variation over stability, but you need to look for the right kind of variation. And know where to look for it.

Don’t get me wrong, their central argument — that we have been ‘seduced by stability’ and that our obsession with suppressing volatility has created extremely fragile systems (political ones, economic ones) — is, itself, seductive. It makes theoretical sense: privilege control, restrict risk and you quash the variations that should act as alarm systems. In other words, by refusing to allow for the possibility of risk, we have taken the canary out of the mine and have lost the very source of information that would allow us to navigate complex systems.

There are two ways of interpreting the argument—and there is a sleight of hand on behalf of the authors (one which I sense might have something to do with their place in their respective disciplines) as to what exactly they are asserting. Are they arguing that both the Arab Spring and the financial crash of 2007-2008 were the result of over-constrained systems in the sense that we systematically marginalized risk? If so, then this is not very interesting: yes, we propped up dictators in the name of stability and allowed untenable pressure to build up thereby creating a pressure cooker-situation. Yes, we kept re-setting monetary policy in order to stabilise financial systems and finally created a bubble in asset-markets. Nothing terribly new here—control, and the illusion of control, breed chaos.

The more interesting argument, which I would like to believe they are making, is that neither of these systems was particularly regulated but because our knee-jerk reaction is to look for stability (after all that is why we create institutions), we were unable to interpret their evolution; we looked only at some of the data, and only insofar as it confirmed us in our need to see stability. Looking back at the OECD data on Egypt for instance (on education, youth unemployment, mobility), the only explanation for our failure to foresee a
version of Tahrir Square is that we no longer knew how to read this information. Or actively chose not to.

Yet despite their exhortations to look for variation and not let ourselves be seduced by the promise of stability, the analysis that follows is so extraordinarily abstract and ethereal that one can’t imagine it allowing for the kind of attention to detail and texture that complex systems demand. It isn’t enough to argue that complex systems are complex and that we need to avoid dampening down their dynamic properties. Surely, the next step is avoid being seduced by complexity and delve deeper into the dynamics of that complexity. Never mind not hearing the canary; from where they stand, Taleb and Blyth can’t even see the minefield. In this respect, the piece completely loses any grip on the reality of uncertainty (what actually makes things uncertain: the buried facts, the small events, the minute evolutions in habits and conventions, the half-baked stories, the institutions that operate with unintended consequences, and yet extraordinary regularity). Yes, as the authors claim, it is indeed systems and their fragility and not the events that must be studied, but in order to do that one somehow has to leave the realm of the theoretical and grapple with the actual components of the system.

This is a case of the authors taking a leaf from their own book: if these systems are man-made, non-linear and complex, then reducing them — at least in this instance — to a set of hyper-formalised institutions and a balletic but very theoretical chaos, isn’t going to capture reality. The point of these complex systems, including political systems, is that (as any good neo-institutionalist scholar such as Mark Blyth should tell you) formal institutions are only the tip of the iceberg — habits, conventions, informal networks need to be factored in. Behaviour, myths, collective narratives... all these feed into the system and make it very difficult to read it usefully in this abstract, hyper-systemic way.

The proof of the disconnection from reality in all its human messiness, is that toward the end of the piece we have Italy cited as an exemplar of a stable system because ‘despite its much maligned cabinet instability, it is economically and politically stable’. To be able, only a few months after the events of Tahrir Square to deliver such a verdict on Italy is simply extraordinary. More recently, Italy has appeared perched on the precipice of a sovereign debt crisis, forcing through emergency austerity measures. The authors may not have been seduced by stability, but they have been seduced by soft-focus. Lean in closer and have a look at the stable Italian institutions being evoked: much as the Egyptian ones, they are no more than a shell.

Yes, Italy has weathered this for longer (Ian Bremmer’s J Curve tells us why — it takes a long time for systems like Italy’s to become unstable), but it is teetering on the brink of disaster and whether or not the institutions crumble now, they have been hollowed out so effectively (and without a black swan in sight) that their collapse may come with a whimper rather than bang. The most striking thing about Italy right now is that the complaints and frustrations vented by young people are those of a developing nation: I can’t get a job, I can’t afford to move out, I can’t afford to start a family. We have heard this before: all across the Middle East for the past several decades. This is the same sort of youth
(educated, articulate, frustrated by a corrupt elite) that took matters into its own hands in parts of the Middle East. My hunch is that we need to watch this space.

As for the current Greek tragedy, the explosion of the Greeks as an angry people on Syntagma Square marks the transformation of an economic crisis seemingly played out in the banks and back-rooms of Europe into a political and social crisis that has been taking shape in cafes and living rooms for months if not years.

Peering into networks and neighbourhoods, listening for stories and gossip, for resentment and frustration, not just in their ideational or theoretical form but in their practical, embodied, routinised, ritualised ways — that’s the stuff of risk analysis in complex systems. Never mind the swans, listen closely to the canaries.

Dr Catherine Fieschi is the Director of Counterpoint, a London-based organisation specialising in analysing the dynamics of cultural risk.

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