



The Price Of Fish

transcript of a talk by
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and
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Today, Ian and I are sharing our book, *The Price of Fish: A New Approach to Wicked Economics and Better Decisions*, which we wrote because we care about two big social challenges. The first big social challenge is evident doubt about our own sustainability. The second big social challenge is evident doubt over the sensibleness of our governments and our economies. The drama of the recent financial crises provides many opportunities for tragic heroes, from hedge funds to crooks to big bank chairmen to politicians to regulators.

The physicist David Deutsch remembers the wonder of being told as a small child “that in ancient times it was still possible for a very learned person to know *everything that was known*.” He points out that a good interpretation of *everything* was that the very learned person should have the right concepts, explanations and theories to understand and explain the fabric of reality. In *The Price of Fish*, we try to make sense of the way the world really works. Sir Thomas Gresham founded Gresham College, our favourite Tudor Open University, in order to promote the New Learning of Natural Philosophy. In over 30 lectures at Gresham College, Ian and I explored New Learning in Commerce leading to this book.

We suggest four streams of knowledge need to be integrated in order to understand and explain everything that has to do with the price of fish, i.e. Real Commerce:

- ◆ choice: understanding how people develop knowledge and biases and how these perceptions affect behaviour;
- ◆ economics: pondering models of exchange between people and expanding the debate about the role of government and social institutions;
- ◆ systems: examining complex systems and sub-systems with interlinked information loops of feed-forward and feed-back;
- ◆ evolution: some problems that can't be solved, just evolved towards incomplete solutions.

Our book concludes that we need a consilience of ideas from all four streams and economics based on catallactics. The humanist biologist Edward O Wilson revived the term consilience from the Greek, describing a synthesis of inductive reasoning from several disciplines. Hayek said that catallactics “was derived from the Greek verb *katallatein* (or *katallasein*) which meant, significantly, not only ‘to exchange’ but also ‘to admit into the community’ and ‘to change from enemy into friend.’” Indeed, Hayek even suggests that



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someone who studies exchange or commerce might be called a catallactist rather than an economist. Consilience and communities matter.

We live in a strange world where, after millennia, we still don't know the price of fish. If we knew the correct price of fish, one-third of the world's fisheries wouldn't have collapsed and we wouldn't be projecting total global fisheries collapse within the next fifty years while the seas grow increasingly acidic.

There is an old financial markets story about how fish trading works. Back in the early 1900's, on rumours that sardines had disappeared from their traditional waters in Monterey, California, commodity traders started to bid up the price of tinned sardines; a vibrant market ensued and the price of a tin of sardines soared. A classic bubble. This fervent trading went on for some time. One day after some successful trade a buyer chose to treat himself to an expensive snack; he actually opened a tin and ate the sardines. They tasted awful and made him feel ill, so the buyer called the seller and told him the sardines were no good. The seller said, 'You don't understand. Those are not eating sardines, they are trading sardines.' Ultimately, sardines off California were fished out by the 1950s.

First, this story illustrates our frequent ignorance about the price of fish. Had people really known the price of fish over space and time, they wouldn't have overfished the North Sea, the Grand Banks of Newfoundland and other fishing stocks including Monterey's. Second, we need a consilience of conceptual frameworks to help understand what is happening in the supply and demand for fish, technology, politics, and global market pressures on fishing. As with all systems, it's not so simple. There are yet more complex interactions among fishermen, sardines and the Pacific Decadal Oscillation. Third, catallactics, communities, matter.

On our way to a sustainable and equitable world we encounter wicked problems, messy, circular and aggressive problems, not the comparatively tame problems most decision theorists study, for example chess, game theory or puzzle solving. According to Laurence J Peter of The Peter Principle fame, "Some problems are so complex that you have to be highly intelligent and well informed just to be undecided about them." In the book we apply our risk/reward approach to wicked problems and make suggestions such as confidence accounting, using BET%, options markets for intellectual property, how to measure liquidity or risk-based natural resource insurances.

French thinker, Claude Lévi-Strauss, once concluded that, "The learned man is not the man who provides the correct responses, rather he is the man who poses the right questions." Hopefully, our story doesn't end with this book. We continue to ask childlike questions.

In 2007, we began giving a running presentation to our clients and friends on the "Credit Scrunch", asking the punch question – "when would we know our financial system is working?" The question provoked answers such as "when a 20-year-old can responsibly enter into a financial structure for retirement", a 100 year question, and "when normal investors can safely fund a 75 to 100 year forestry project." We began using the term Long Finance, in recognition of related thinking at Long Now. Long Finance has held numerous events with Brian Eno, Neal Stephenson, Stewart Brand, and others, and published several reports, on the Road to Long Finance, the Eternal Coin, the future of mortgages, pensions, index linked carbon bonds, forestry, water and biodiversity. Participate.



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Markets are fascinating. As a former scientist, the one thing that clearly distinguishes social systems from physical systems is intelligence. Intelligence gives commercial systems the ability to predict their own behaviour, but prediction is often wrong and can lead to perverse consequences.

Once upon a time there was a man who ran a fish and chip shop. This man ran one of the finest fish and chip shops in the whole of the country. People came from miles around to get tasty fish that was freely covered in thick egg-batter including his secret ingredient (beer) and thick-cut chips with plentiful sauces. In fact, the man was so successful that he could afford to send his son to complete an MBA at a top business school. After graduation, the son came back to work with his dad. “Dad”, he said, “based on the current economic statistics, we’re heading for a recession. You’ve got to stop using all that thick batter, and you dish out ketchup as if it was free.” The father was torn. He’d always been generous to his customers, but his very bright boy didn’t get all that education for nothing. So, reluctantly, dad cut back on the egg-batter and the sauces. His son even convinced him to leave that pricy beer out of the batter. It was just in time, because it turned out his son was right – dad’s business took a real dive.

My father told me that story. I love to embellish it a little, but the underlying truths in that tale are timeless and most prescient in our troubled commercial times. The ability of people’s opinions to affect other people’s opinions has everything to do with the price of fish, and chips. We call this feed-forward or positive feedback – and it’s a large part of the reason that why markets have fat tails, black swan events and unpredictable prices that diverge from long-term values.

Commercial transactions and money are inextricably linked to trust in the community. Antiseptic, neutral exchanges of currency don’t exist. Each transaction with another person links us just a little bit more to the other person’s societal mores, them to ours, and both of us to the future. Without aspirations, our communities have no future, and our coins no value. This leads to our Long Finance koan – “If you have some trust, I shall give you trust. If you have no trust, I shall take it away from you.” Long Finance seeks to balance trust across space and time. We need to create a Long Finance system which uses intelligence and feed-forward to lock in on a sustainable future.

So what is “The Price of Fish”? Douglas Adams quips, “You can tune a guitar, but you can’t tuna fish. Unless of course, you play bass.” But can you price a fish? Well, if you believe in our big themes of population growth and resource scarcity, the price has been too low for too long. If you’re a pessimist, you terrifyingly believe the demand will shrink to empty. If you’re an optimist, then you believe the supply and demand might just be half full. If you’re like us, you’ll be an optimist, because pessimism is for better times.