

7**Cassim's Law****Henrik Schrat**

Fairy tales can be considered a basic narrative grammar of society. The way they unfold and relate the actors can be used as metaphorical key to unlock a different understanding of what is going on today. In this chapter, Ali Baba and the forty thieves is used as template to look at the financial crisis.

Ali hides up a tree as the thieves get closer in the forest. Watching them as they open Mount Simeli, he hears the magic code: "Open, Sesam" After the thieves have left again, he tries his luck and takes a bit home from the stolen goods piling up inside the mountain. The story gathers up speed as Ali's brother Cassim comes into play with his greed. We will see later how it develops.

To say it up front: the comparisons are open, but they all seem to make sense and create a fertile metaphorical ground for reasoning: whether some bankers are the thieves or the greedy brother, or whether the state makes an appearance or the personal egoism of all of us. My text is the corresponding speech at table in a pub: unjust, arrogant, and with a lot of pleasure. Thus, it understands itself as part of the narrative social discourse that it is dealing with.

And, I might be forgiven, there are irony and cynicism at play.



The Merchant and His Story

How is the Ali Baba text embedded in the management literature? It focuses on cultural markers rather than on data, and suggests using a narrative processor to make sense of what is going on in the global economy. Reinhart and Rogoff, in examining quantitative data on crisis developments, have come to the conclusion that in developing an early-warning system for crisis, “the greatest barrier to success is the well-entrenched tendency of policy makers and market participants to treat the signals [of distress] as irrelevant archaic residuals of an out-dated framework, assuming that old rules of valuation no longer apply.”¹ So we focus on this behavior, and look on narrative ways to understand it.

It is clear to Karl Weick that a good story is an essential tool for making sense of what is going on in an organization.² Yiannis Gabriel even opens his book *Storytelling in Organizations*

with the Grimm brothers, who told a version of the Ali Baba story in their collection of tales. The Grimm brothers collected and wrote the oral histories down, which ossified them in a way but also raised their mythical significance to stimulate the imagination, to offer reassurance, to justify, and to explain.³

That is how I suggest looking at them: by negotiating facts as metaphoric placeholders within a story space. In doing so, a different light falls on their mechanics, and a broader perspective on economic processes opens. They become stronger a part of an overall cultural system. In 1994 Pierre Guillet de Monthoux and Barbara Czarniawska already were leading the way in analyzing organizations through literature in *Good Novels, Better Management*,⁴ but our Ali Baba is in a sense much simpler than a novel. The fairy tale operates as the bare bones of metaphorical mechanics, especially the Grimms' straightforward and short version of the tale. In narrative, according to Czarniawska later, understanding can be reconciled with explanation, and hermeneutics and semiotics can be combined in the same way that motives are reconciled with causes in an interpretation of human action.⁵

•Chopped Cassim

In our fairy tale there is one just and sympathetic character with whom we can identify: Ali. He hears the thieves coming, flees up a tree, and witnesses how the words "Open, Sesame" magically open the mountain where the thieves store their treasures. Later, his brother Cassim hears about the treasure. Cassim is already rich; but we know: the more there is the more is asked for, also due to the imperative of counting, as we are going to hear. So he goes, too, to steal more of the thieves' stolen goods. He takes ten mules with him to carry the wealth.

At this point, there are several parallels to reality: one fellow leads the way, and another,

possibly a little dumber, imitates him on a larger scale. With the help of the magic words, Cassim gains entrance to the mountain and starts to fill the cart he brought. However, he is so excited by all the treasure that he forgets the magic words and becomes trapped inside the mountain with all the treasure. The thieves return, kill Cassim, chop him into pieces, and display these as a deterrent to others. So, Cassim doesn't return home. Ali goes to look for him. There is not much to be done anymore: he brings the pieces of his brother back home. To bury his brother properly, Ali blindfolds a tailor, who sews Cassim together again. It was Marjaneh, a female slave, not Ali, who came up with the trick, and she has plenty more in store.



● **Greed Buried**

At this point, I let the fairy tale rest for a moment and turn to happenings in the market that I wish to apply the tale to. Given the performance of the markets in 2009, the men and women who are partly responsible for the current crisis have been sewn back together, but unlike Cassim, they have not been buried. What in 2008, with everything racing downhill, was different a question, urges us now to change the metaphoric narrative: from Scheherazade to Mary Shelley.

Frankenstein is the classic figure that stands in for a system that is botched back together from different body parts.

The will to execute political influence and the regained popularity of John Maynard Keynes's work is matched on the side of some market actors with this creepy activity: Cassim's law, or the automatism of turning larger wheels than one understands and for personal sake. Ten mules. Keynes wrote in the high times of Modernism. A still-unbroken belief in an overarching metanarrative of growing civilization mediated by reason governed the view on social and economical development. Having this as a legitimation, the political class of the time had a

more comfortable backbone available than it has today.

The balance between Milton Friedman's idea that the market is the best social program, and in the long run the market is the great leveler, and Keynes's idea that in the long run we will all be dead (so the state must intervene) is tending, once again, toward state intervention, thus putting economic issues in the political and public limelight. Demand for political personalities who are not mere clerks for the corporate site of the society has risen at once. Deregulation of the markets, which started with Margaret Thatcher and Ronald Reagan and the retreat of the state has lost its appeal as a solution for society. Local communities that privatized and sold their water supply or waste management services have found themselves in deep trouble with bankrupt investors and owners on the other side of the globe. Cassim's law is not wise a decision in many situations. We basically knew it wasn't true, but we again believed "This time is different." Every vessel has its limits. But have you ever heard somebody say, "No thanks, my bank account is already full"?

So it might be unfair to quote Blythe Masters, and by doing so bringing a face into this text. Masters—an employee of Goldman Sachs, which made credit default swaps popular and marketed them aggressively—said at the Security Industries and Financial Markets Association meeting on October 28, 2008, after the first major slide in the markets: "It's probably safe to say that the image of our industry is at an all-time low. . . . Last time we were dancing to Hootie and the Blowfish, but this time we will listen to the Harlem Boys Choir."⁶ Of course it was not hard to see that the image of the finance industry was at an all-time low, but it is amusing to see the different cultural allocations. At the last meeting, they danced to Hootie and the Blowfish; now the time for the gospel choir from Harlem has come. Another year has passed by, and we are likely to have Hootie and the Blowfish back, given the resurgence of the market, or Marilyn

Manson could be appropriate, too. Banking and finance administration is are exciting jobs—the all-time low does not originate in the profession but in the empty way it was executed.

But back to wallowing in the mire of the crisis and opening up the focus to the general phenomena behind it. And I will be offering more parallels to the Ali Baba story. The step from deriding bankers to greed as such still has to be made, and from there, the step further to the dominance of consumerism and the order to pay. It comes as no surprise that everyone wants more if most socially relevant values are traced back to promises of payment. The Promised Land has been placed in a shop window. Every now and then a window cleaner comes by to wipe away the nose-shaped stains on the glass. Moses, too, was only permitted to view the Promised Land from Mount Nebo, not to enter. The enticement of consumerism behind the window panes is packaged at the bank counter: that is where the money is, or maybe not. In the face of the market we are all equal—that is the great achievement of the market society. But by dint of nature, democracy stops at the bank counter.

And another legend comes to an end at this counter. The diversity of what is consumable is reduced to a binary code: to pay or not to pay. All the talk of the double role of the consumer as cultural decision maker is of little value here. Consumerism has produced the incredible cultural variety of twenty thousand kinds of training shoes. And of course economic processes are governed by symbolic processes and hence related to culture. But at the bank counter, all is countable: all heterogeneous objects are reduced by the market to quantity, and cultural differentiation will be driven by the market only where it can be turned into promise of payment. With *Mehr Geld*, Ralph Heidenreich and Stefan Heidenreich have, in my opinion, written one of the sagest books on the crisis, pinpointing the problem as the counting imperative that always goes up, and hence increases.⁷ One, two, three, four—this cries out for a five-o'clock rock. And

more! More!

As a rule, the open-sesame code has four digits and must be entered at the automatic teller machine. Ali Baba was the first who spied out pin codes. Why on earth did the thieves not speak in low voices? However, just knowing the code is still no guarantee for success. For one, the cave might be empty. Or, as was the case in the story, one might not be able to find the way out again. Entering the treasure chest is like taking a shot of heroin. People moralize about taking drugs with facial expressions laden with responsibility, but no one even mentions eight-by-ten-meter advertising bills for cars or new phone contracts, in terms of the effect on people's minds nothing short of a drug. Is it all we have to offer from Western democracy than consumerism as capitalism's main argument toward other ideas? Greed as a weapon has turned against ourselves. The crisis might give us a chance to understand what makes people tick, people for whom consumerism is not everything and for whom religion or conviction might come first.

However, buying a car does not seem to jump off the list of desirable things to do. In 2009, you received 2,500 euros for buying a new car in Germany, and many countries had similar policies. This must surely go down as one of the more absurd, cynical ideas in history. If, at least, something meaningful had been subsidized with the money. But cars! I see it as a sort of crisis-welcoming money, like the one hundred welcome-to-the-West deutschmarks I received in 1989 when the Berlin Wall came down. The East in general. This is the moment I cannot help but long for a specific quality of the GDR. Money played no role in the self-understanding of normal people. No one had much anyway, or, if you'd like, everyone had the same amount. I am of course not referring to the macroeconomic untenable nature of the state of things, nor to dictatorship and terror. This is about the mad feeling that money is of no importance. Not because one has too much or too little. The category itself was irrelevant—that is what was so

inimitable and unbelievable, that it was outrageous. It was dangerous. Most of the values that the current crisis is questioning did not even exist in most of the minds of the East Germans back then.

The narrative form values take on in our minds is the way desire and energy are developed. Here lies the abyss. The Credit Default Swaps (CDS) constructions caused perception of the risks to disappear. As Bodo Kirchoff, a well-known German writer, remarked, the relabeling of *loans* as *securities* did not just involve giving them a new name but entailed far-reaching consequences. Such a renaming plays into the cultural sphere of society, and I am sorry to say, but in this respect we had either amateurs or criminals at work who weren't capable of understanding the whole thing, not to speak of their own constructions. Years earlier, Warren Buffet had called financial innovations of this kind means of mass destruction. Not too many companies are working in their backyards uncontrolled on H-bombs. In the case of repackaging loans, Cassim's law was paramount.

●Ways to Look at It: About Smashing Gifts

Here, I introduce a few thoughts of Wilhelm Röpke and George Bataille to braid my approach into a broader history of economic thinking and ultimately pave a way to the final reflection.

Taking a look on how other thinkers have dealt with the subject can equip us with different tools to deal with the situation. It is beneficial to review the ideas of Wilhelm Röpke (1899–1966), an Austrian economist in the first part of the twentieth century. He viewed man as an embodied soul, not as the reductive figure of *Homo economicus*. The telling titles of his books *The Social Crisis of Our Time* (1942), *Civitas Humana* (1944), and *A Humane Economy* (1957), make him one of the forerunners of thinking about responsibility, downsizing, local factors, and

civil society. They also make him one of the masterminds of the *Wirtschaftswunder* after World War II. Although Röpke believed in competition, he was aware of its power to call on the wolf's nature in human beings, and that it is eating into moral (German: *Moralzehrer*). To equate it, building up moral reserves in other parts of life like environment and family was one way for him to go. This might be a deeply romantic idea, but it introduces and links different spheres of social self-understanding to competition and financial gains.⁸ “More than any other thinker in the twentieth century, it would be Röpke who helped to build a bridge between advocates of the free market on the one hand, and Christian humanists and conservatives on the other.”⁹

Besides the renewed discussion on ethics, the crisis has another good side: destruction and waste. And that, yes, is culture. It is a gigantic celebration of potency, an orgiastic overspending. Why don't people finally stop complaining? It is pathetic. The globe winces. It remains to be seen whether the West has taken Viagra and will continue hammering away. Now, a year on, it seems, that the blue pill is in operation indeed. But it is still not clear that, not sleep, but grief and humility will follow. That, too, would be wonderful. Long-forgotten organs would have to be rediscovered to come to terms with the situation.

Georges Bataille, the French writer and philosopher, would have been thrilled. He surely is the patron of what is happening. To come to a close, I have to pay tribute to his ideas. His economic theory is one of the strangest, but surely one of the most inspiring and far-reaching thought buildings around the economic aspects of society. As laid out in his 1947 book *The Accursed Share*, he deliberately termed his subject matter *general economy* to mark a broader approach. Bataille takes off with the distinction between productive and unproductive expenditure. The ideal of utility says that activity is only of worth if it can be traced back “to the fundamental demands of production and preservation.”¹⁰ Unproductive expenditure, however,

deals with the surplus that cannot be reinvested. Yet it is that part that defines us as cultural beings, for better or worse. It finds its way in art, luxury, mourning ceremonies, games—or it is destroyed in wars and catastrophic events, thus threatening the prevailing system. According to Bataille, the problem lies in the combination of (cosmic) excessive energy and limited growth: “The living organism . . . ordinarily receives more energy than is necessary for maintaining life; the excess energy (wealth) can be used for the growth of a system (e.g., an organism); if the system can no longer grow, or if the excess cannot be completely absorbed in its growth, it must necessarily be lost without profit; it must be spent, willingly or not, gloriously or catastrophically.”¹¹

Money born as credit can be produced ad infinitum; it has something of unlimited excessive energy about it in the uncoupling from growth—comparable to Bataille’s wasteful cosmic energy.

Credit as cosmic energy—not bad. So remember next time, do not play with things like this! At least, get a priest into play, or someone whose ethical horizon is a bit wider than what we can deduce for a lot of economic actors who were in the driver’s seat in the past years. Ethics is not just a manual for rewriting codes of conduct; it is a key for understanding complexities of cultural systems and economy as an essential part of it. Bataille asks for a Copernican turn in moving restricted economic thinking toward general economy, going along with a reversal in its ethical foundation. Big words for big problems.

He uses the metaphor of changing a tire to explain trying to fix the complex system. Changing a tire on a car is of limited use if there is no road. As long as we don’t think about the roads and what they require, we should stay clear of building cars altogether.

We have witnessed this catastrophic event of destruction. The use of CDS is a war

declaration against civil society, but let's grant their inventors access to another community. Salvation is at the doorstep. At this point I can—indeed, must—inform Blythe Masters that with CDS she created a performative artwork of the highest order. We might see it at the next Documenta. It is a fascinating construction but is executed in the wrong place.

To shed light on this claim, I have kept an image, which has strongly influenced Bataille, to the end. It is a custom attributed to the indigenous peoples of the islands off the Pacific Northwest of the United States, made known by Marcel Mauss's book *The Gift*.¹² The custom consists of symbolic trade between tribes. A tribe works on a present for a year, a present for a neighboring village. A finely carved, fragile object is forged over thousands and thousands of working hours. On the celebration day the tribe makes its way to the neighboring village in a procession led by the chief carrying the delicate, precious present himself. The neighboring village is expecting them. The chiefs come face-to-face with each other, and the gifts are marveled at with many oohs and aahs. Then the one chief dashes the gift on the ground in front of the feet of the other chief. "Dash!" as Donald Duck, that great critic of capitalism, would put it—and he would have continued, "Better an end with horror, than horror without end."

So it is a grand gesture, this crisis. But is there any other village at all? At whose feet is all this being dashed? It is at our own feet. And this—yes, this—is true greatness. *Dash!*

Is there anything besides irony or nihilism in all that? Already that would be enough, if it gets our brains moving. But there is more to it. If parts of the financial system are dashed, the easiest way to open a route to progress is to relate the problem to the most-quoted economic paradigm, Schumpeter's destruction for making new things¹³. Its an ancient concept, something is smashed to pieces to give room to a new approach, to give way, to ease out and to let go. It hurts, mostly, hurts and helps. The way risk disappears in a construction like the CDS is

ironically a good simile for delegated responsibilities. Responsibility decreased as form of social coherence.

Personally accepted responsibilities do not only reduce the risk for societies at large but also give meaning to what one does. Beyond food and shelter, money does not have any meaning and cannot give us values. Most of us have learned that in school, I guess, but have long forgotten it. So keep an eye on Cassim's law, so watch out, if you are about to expand beyond the borders where you cannot control the impact, and where your personality disappears.

Bit by bit I have introduced a fairy tale as a metaphorical springboard to an understanding of what happened in the crisis. On one hand, this is a creative technique for dissecting and rereading the incidents in the market to achieve an enriched understanding.

On the other hand, based on their deep origin in culture, tales offer eye-level access and suggest images of highly abstract processes. They open ways to meet the incidents on a level of personal responsibility. Transgressing deliberately the field of personal responsibility leads to what I have called Cassim's law. Greed, consumerism, and the counting imperative as pickets have helped to map the terrain. Ultimately, Wilhelm Röpke and George Bataille have been sketched out as connecting points to a broader, off-the-beaten-track history of thinking.

•Who Are You?

To close the text, I return to Ali Baba. The Grimm brothers tell a much shorter version of the tale than that of Ali Baba in the Arabian Nights tales. The Grimms end with the greedy brother's head being chopped off by the thieves. The bad guy has lost every sense of proportion by his intoxication with money. Hence, he gets killed. Mission accomplished. In the Arabian Nights

version, that is the moment when the real problem starts. What is essential is Ali's responsibility for a socially acceptable funeral. It is all to be negotiated against a backdrop of society including Allah. After the tailor has Cassim cobbled together, Cassim is buried. That is what Ali cares for. But the tailor's role triggers the next problem. The thieves come to town, and the tailor tells them that he had a strange job recently: he was blindfolded, brought to a house, and then sewed a chopped-off head back onto a body. But go and read the story yourself. Its worth it.

And then try to find out who in the story represents the Securities and Exchange Commission, the rating agencies, the banks, and foremost you.

¹ Carmen M. Reinhardt and Kenneth S. Rogoff, *This Time Is Different: Eight Centuries of Financial Folly* (Princeton, NJ: Princeton University Press, 2009).

² Karl Weick, *Sensemaking in Organizations* (Thousand Oaks, CA: Sage Publications, 1995), 60–61.

³ Yiannis Gabriel, *Storytelling in Organizations: Facts, Fictions and Fantasies* (Oxford: Oxford University Press, 2000), 9.

⁴ Barbara Czarniawska and Pierre Guillet de Monthoux, eds., *Good Novels, Better Management* (Chur, Switzerland: Harwood Academic Publishers, 1994).

⁵ Barbara Czarniawska, *A Narrative Approach to Organization Studies* (London: Sage Publications, 1998), 4.

⁶ Blythe Masters, speech at the Security Industries and Financial Markets Association meeting, October 28, 2008, <http://events.sifma.org/2008/292/event.aspx?id=8566>.

⁷ Ralph Heidenreich and Stefan Heidenreich, *Mehr Geld* (Berlin: Merve, 2008).

⁸ Wilhelm Röpke, *Jenseits von Angebot und Nachfrage* (Düsseldorf: Verlagsanstalt Handwerk, 2009).

⁹ A well-written book on Wilhelm Röpke is John Zmirak, *Wilhelm Ropke: Swiss Localist, Global Economist* (Wilmington, DE: ISI Books, 2001).

¹⁰ Georges Bataille, *Die Aufhebung der Ökonomie* (Munich: Rogner and Bernhard, 1975), 10.

¹¹ Georges Bataille, *The Accursed Share* (New York: Zone Books, 1998), 21.

¹² Marcel Mauss, *The Gift* (London, Routledge, 2002).

¹³ Joseph Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper Perennial Modern Classics, 2008)