KROEBER ANTHROPOLOGICAL
SOCIETY, 102(1): 25-32

Anthropology and the Global Financial Crisis

Gillian Tett

Transcribed from a talk given March 9, 2012 at the
Anthropology in the World Symposium
in honor of Laura Nader

I am passionate about the value of anthropology and the way that I define the value of anthropology is quite similar to what Ralph Nader just said (Nader, this volume): it's not defined so much by the location of where you study; it's not defined so much by the theories you ascribe to. In my mind, it's defined by at least three core things. First, that anthropologists tend to look at power structures; second, that anthropologists look a lot at discourse and rhetoric; and third, that anthropologists tend to take a very joined-up view of the world—partly because they tend to look at the world from the bottom-up as a result of participant observation, and they tend to not be captured so much by tunnel vision; they tend to look at how the different pieces of a social system tend to interact. Those three elements of anthropology are fantastically important and valuable in trying to understand the world.

Although I started my career as an anthropologist, and did fieldwork in western China and in the former Soviet Union up in the high mountains in a village, when I joined *Financial Times* and started working in financial journalism, I have to admit that I tended to rather skip over—if not conceal—my unusual background because I was traveling around the world, writing about high finance, writing about government, financial politics and economics. Most people who I met back then looked at anthropology—as a senior banker once said to me—as a rather "hippie" discipline. And although being a hippie might be a rather good thing at Berkeley, it certainly wasn't the usual kind of thing that one should acclaim in Wall Street, Washington, or in the FT. But the key thing is that since 2007, I think that attitude and that perception has started to change.

Before 2007, there was a very strong presumption in the corridors of power in the financial markets that anything that really mattered were numbers. If you couldn't put it into a computer's spreadsheet, if you couldn't make a clever computer calculation or model with it, then it didn't really count. The kind of degrees that commanded respect were things like economics, MBAs, astrophysics, etc. But since 2007, since the great financial crash, it's becoming increasingly clear that there was a reason why the credit markets come from the Latin word credit, or rather from *credere*, meaning to believe: a fundamentally social construct. Finance without faith simply doesn't work. Numbers matter in the sense that numbers are a part of economics and money makes the world go around, as they say, and at the end of the day numbers have to be

---

Gillian Tett is an author and journalist at the *Financial Times.* She holds a PhD in social anthropology from Clare College, Cambridge.

analyzed to understand how the world works. But at the same time, an appreciation of the social fabric, of political systems, of cognitive maps, is incredibly important. In particular, if you go back to those three points I raised in terms of the defining features of anthropology (namely, an emphasis on power structures, on rhetoric ideology, and in attempts to try to look at the world in a joined-up way) all of those three factors are very helpful in trying to understand how and why the financial crisis came about. Yes, on the one hand you can look at the financial crisis in terms of an enormous financial bubble that was stoked up by too much liquidity in the system and some crazy lending practices. The numbers, as I said, matter, but you can also go back and look at the way the power structures essentially allowed an elite group of bankers and financiers to exercise incredible untrammeled power in terms of rent seeking—or "plunder," if you like, in terms of what Professor Laura Nader was talking about—and essentially capture a system to their benefit. A number of anthropologists have looked to this with great effect, such as David Graeber's work that I admire enormously, that five thousand years have led to the way that credit has structured creditor relationships that are embedded in power structures, and create and continue to perpetuate power structures. Keith Hart is another anthropologist who has done some very interesting work looking at power structures, and Karen Zou is another person who has looked at Wall Street and tried to analyze power structures there.

Power structures turn out to be critical to the financial crisis but in addition to that the question of rhetoric or ideology was also central. When doing my academic work I was deeply influenced by the writings of Pierre Bourdieu, a French anthropologist and intellectual, who made the very basic point that the way that any elite stays in power, the way that a power structure maintains itself over time, is not by controlling the means of production, but also by controlling the way that people think. Also, what matters most is not simply what people say but also what they don't say, the social silences; again it's a point that Ralph Nader made earlier on. Looking at what people say, the dominant rhetoric, or rather what they don't say, is once again incredibly important in terms of understanding what happened with the financial crisis. Back in about 2004-2005, at the *Financial Times*, I first stumbled into the world of complex credit—in many ways it was a bit like going into Tajikistan to do my studies back as an anthropologist. I crashed into a world that not many people were looking at or knew much about, a world marked by a very strong sense of its own identity, its own networks and language, if you like. I used to joke that if I could learn to speak Tajik then I could very well learn CDO speak, though I think in some ways financial speak is harder than Tajik. But it was a world that had a very strongly defined sense of its own cognitive map, rhetoric, and ideology, and looking back, what's fascinating today is that in many ways that rhetoric and ideology which was so very important in stoking out the financial crisis was marked by some huge intellectual contradictions. Just to give you a couple of them: back in 2005-2006, Wall Street used to wrap its behavior very much in the cloak of free market ideology (with reference to the great Adam Smith). If you go back to Adam Smith and look at how he actually wrote about capitalism and markets, he used to point out that there were at least three defining traits of them: you had to have elision of ownership and management in companies, free access to markets, and free access to market prices. Of course, if you go back to Wall Street in 2005-2006, what you see is that almost none of the three factors are actually present. You didn't have free access to markets—you had a pretty dominant cartel of banks controlling many types of financial flows. You didn't have effective elision of management and ownership, in the sense that bank shareholders were pretty irrelevant, and you also didn't have free access to market prices in many key areas. There was a fundamental intellectual contradiction.

Another example that I cover in a book I wrote about the credit derivatives markets, was that much of the development of financial technology, much of the innovation in finance that occurred after 2000 was justified by this wonderful phrase "market completion". It was a concept developed initially by people like JP Morgan. There was this idea that if you innovated enough, you could create products that would create the perfect free market, and credit risk could be traded across the world—in a way that actually would reflect the perfect owners of that risk—and allow everything to be part of a perfect liquid market. Karen Zou does fantastic work in looking at this ideology that was used to justify so much of this activity. The problem, though, was that by 2005-2006 many of the products that had been created as a result of this innovation had become so fantastically complex that actually it was impossible to trade them at all. If you looked at CDO, CDO-Squared, all these bits of jargon which came to dominate the industry, the reality though is they were so complex, there was almost no free market in them because of such a small pool of traders. So, although banks and hedge funds were operating according to so-called market principles, they actually had to use models to price these instruments, because there were not enough markets to actually get proper market prices. There was a fundamental contradiction in the ideology that was actually used to justify so much of the financial revolution and so much of the bubble. If you look back and say "Well, why do these contradictions happen? Was it because the bankers were all evil, greedy, and mad, and they cooked up some kind of rhetoric, a bit like the Soviet Union, to kind of justify what they were doing?" It's very tempting to sit there and say this is all part of a plot. In fact, I don't think it was really a part of a plot because, again to go back to Bourdieu, so much of what was going on was sort of semi-conscious. As that wonderful quote from Upton Sinclair, the novelist, says, "It is difficult to get a man to understand something, when his salary depends upon his not understanding it" (1994). Social silence, the act of turning your eyes away, the act of living with half-truths which go unchallenged, was absolutely central to what was going on.

But there was another factor too which was absolutely central (which again is where anthropology comes in): a complete inability to take a joined-up view of what was actually going on in finance. Finance on almost every level back then was marked by sense of tunnel vision, a sense of siloization. Silos were absolutely prevalent everywhere across the system. You had silos in the structure of banks, which made it very hard for any individual bank to take a joined-up view of risk. Across the market as a whole you had competing banks, which meant that essentially it was very hard for anyone to look at flows across the entire marketplace. The regulatory structures which were supposed to be monitoring the financial system echoed that fragmentation and intensified it. You had regulators and central banks that were incredibly fragmented, and once again made it very hard for anyone to actually take a joined-up view of what was going on. They all just bought these fundamental intellectual contradictions at the heart of the rhetoric that was used to justify so much of the financial activity. In a sense what were needed so badly were basic anthropological tools. If there were people in the system who were looking at power structures, at how the rhetoric and ideology was being used to perpetuate those power structures, and trying to take a joined-up view, the type of deadly tunnel vision that occurred wouldn't have become quite so dangerous, and I really think the financial bubble would not have spun so badly out of control. But it's not just the story of the past. As I said, I happen to think a few more anthropologists around in finance could have done wonders to try to pierce the bubble and pierce some of the self-deception that was going on. Today if you look at the financial system and you look at economics, I think there's a tremendous need for anthropologists to get involved and try to bring their unique perspective and framework to bear in trying to make sense of what's going on.

There are three particular areas where I think that anthropological understanding could help enormously in trying to understand the world. In addition to the kind of areas that Ralph Nader talked about, that are linked to specific policy issues, and are linked to social justice. I like to call them the three C's: one is a question of credit in the most basic sense, meaning the question of trust, to go back to the Latin term. Something I find fascinating today is that you can look back at the last few years of financial crisis as very much the story of the decline of trust in institutions, and decline of trust in society. But for 2007, something that was quite dramatically striking about the financial system was just how much trust was placed in a tiny coterie of technical experts, i.e. bankers. In a sense it was blind trust, because most people did not have any idea of what those bankers were actually doing. And yet they somehow trusted that it was going to be good for everyone, and good for the system as a whole.

Since 2007, what you've seen is a very dramatic unraveling of trust, first in the models and the tools of structured finance, and financial innovation, then unraveling of trust in the banks themselves, unraveling of trust in the regulators, and now to a certain extent, unraveling of trust in government and in particular central banks and the governments who pumped money into the system to try and keep modern finance going. If you look at surveys, in terms of how a population does and does not trust its institutions, it's very striking to see the level of decline that's taken place, not just back in 2007, 2008, and 2009, but today as well. There was a fascinating survey recently put out by a group named Edelman (2012), which shows that there's been a really quite extraordinary decline of trust in government in the last year following on from the earlier decline in trust in banks, both in the Western world and in emerging markets. The only area where trust has actually risen has been in terms of people's trust in "people like us", i.e. social networks, their peer group, and trust in technology. There's been quite a rise in trust in technology which again I find fascinating. But these are very fundamental questions or they raise very fundamental questions around how societies operate, in terms of how they function. Societies where there is no trust are societies which are plagued by very big problems, and the question if you look at the global economy today or even if you just look at America or the Western world is "how do you recreate trust?" and "how is trust shifting?" because as someone like Professor Aihwa Ong points out, culture of trust, or culture [itself] is not a static thing. Cultural assumptions [and] cognitive maps shift, and [so] anthropological perspectives in terms of how trust is currently developing in a country like America would be truly fascinating, not just for anthropologists, but also for wider academics as well. And they also have wider public policy messages, too.

The second area where anthropologists' insights have a lot to offer is on the issue of cohesion. Again, that's a kind of word which was almost never batted around in economic circles, in financial circles before 2007. And yet the question of cohesion, and how it does or does not operate is absolutely critical in terms of trying to look at economic policy and look at governments, and look at how societies are developing. Back in the late 1990s, I worked in Japan during the Japanese financial crisis, and something that used to strike me very forcefully then was that in many ways Japan as a society had a tremendously powerful set of cultural tools and techniques for maintaining social cohesion even under pressure. And there was a very strong sense of burden sharing, of shared sacrifice. There was a very well developed ability to share out pain and ensure that everyone continued to buy into that society. And that played out in many levels.

I remember going to talk to a senior Japanese banker during the Japanese financial crisis, who told me that he had to cut 20 percent of his wage bill. And he turned around and said, "Well, of course I'm going to cut everybody's salary by 20 percent, and my salary by 30 percent." And I said, "Of course." And there was a pause. He went [*sharp inhaled breath*] "Well, if it was England I suppose I'd cut 20 percent of the workforce." And there was another pause, and he said [*sharp inhaled breath*] "Well, if it was America I suppose I'd cut 30 percent of the workforce, and pay myself 20 percent more." A culture which has a very strong idea that resources are limited, finite, also tends to be a culture which develops traditions and practices that try and share out those limited resources. America, by contrast, is in many ways at the opposite end of the spectrum. A country founded by pioneers that came to America very much believing that the sky's the limit, that there's no such thing as resource constraint. If you run out of land in the east, you just "go west, young man" (Greeley 1850) and keep going. And there's always more. You can always use immigrants or innovation or conquest to get more lands to create more and more resources. And if you have a history of always focusing on expanding that pie you never need to worry too much on how to survive when the pie has run out. You assume that the pie will always get bigger, and everybody will kind of get swept along.

In many ways American cultures today, at least insofar as it plays out in Washington, seem to have a real paucity of institutions, the mechanisms to address the issue of how to divide up a pie if it's stagnant or shrinking. It's very hard to talk about allocating pain in America today, within the political discourse, because there's been in some ways very little tradition of doing that. And that plays into the question about the fiscal debate. That plays into many of the questions that economists are looking at. And it's again an area where anthropologists could actually offer a lot of insights particularly in talking to economists. Europe is in many ways an even more mixed bag of the issues, and even more pertinent because not only is the question of social cohesion critical inside countries, and it's playing out in very different ways between countries like Ireland at one end of the spectrum which do have a high level of cohesion, and in places like Greece which have far less cohesion, but also the question of cohesion across the Eurozone is becoming increasingly important too, particularly when you look at what is going to happen in the development of the euro.

But a third area, where anthropologists can play very valuable role in stimulating debate, is on the issue of complexity: the third of my three C's. Because one of the great paradoxes in the world today in my view is that one the one hand we live in a social system in a world where things are increasingly interconnected. If you look around at the world today and the systems that have developed look at global supply chains, look at financial markets, look at telecommunications, and you see a world in which we're so interconnected, if something goes wrong in one corner the shock could be transported across the system very rapidly. But the great paradox is that while we're living in an interconnected world, we're also living in a world that's marked by increasing fragmentation, both structurally and cognitively. In the sense that you got fragmentation between different interest groups, you've got people using social media to only talk to people like themselves, you've got fragmentation between technical experts and elite who understand issues no one else understands, and as the world gets more and more complex.

The ability to actually master the level of knowledge you need to actually understand all the different corners is getting harder and harder. That creates huge dangers. The financial sector and what happened with the financial crisis in recent years, epitomizes this in an extreme way. You had a tiny group of bankers scurrying around, creating these innovations that almost nobody else understood, nobody else was watching and yet when it went wrong, it managed to affect the entire system with a speed that took almost everyone by surprise. But, it is not just a problem of finance. If you look at the energy sector, you see once again a tiny coterie of experts with knowledge that almost nobody else understands who are doing things that no one else knows about until it goes wrong and affects us all. How many of you in the room had the foggiest idea what BP was up to on the seabed of the Gulf of Mexico before it all went horribly wrong? How many of you have the foggiest idea today of what's actually happening in the laboratories doing all kinds of genetic engineering, all kinds of biomedical experiments etc? We may not know until that goes horribly wrong, and we suddenly wake up and see the systemic implications. How many of you actually, if you go back to the issue of trust in your Blackberrys or trust in technology, how many of you really understand what's happening in the Internet? And if the Blackberry system all went down tomorrow, or your iPhones, how many of you would actually know what to do to replace it?

Once again we are thrown back onto the issue of credit, trust, and we're also thrown into the issue of cohesion and the question of what keeps society glued together today. And these are all areas where anthropologists can make incredibly valuable contributions. So credit, cohesion, and complexity, in my mind are three areas where there's an urgent need for more anthropological input into discourse and into public policy and debate. Doing that, in an anthropologist's profession, is pretty hard for two reasons. First, because academia tends to be marked by silos, it's not just banks that have silos, government bureaucracies that have silos: universities have silos. And breaking down those silos is incredibly difficult. That's partly because of prejudice, I used to joke that economists thought that anthropologists were rather weird and didn't want to talk to them because they were all hippie and grubby. An economist friend of mine used to joke to me about that. I think equally as many anthropologists might look at economists saying they don't really want to talk to economists because they're all a bit morally grubby in the sense that they're busy talking about money, and money is seen as being a rather grubby thing, and they're too closely aligned with power and policy and things like that. But we have to break down those prejudices if we're actually going to start having a meaningful discussion. Tribalism within academia is as unhelpful as tribalism in other parts of life. Another big problem of course is the structure of university careers and the fact that most departments, most universities, most academic milieux, do not reward the interdisciplinary debate and interdisciplinary connections. People tend to rise through universities if they pursue one career track and don't jump around. It's very hard. Again there needs to be much more articulation of the problem and much more of an attempt to try and break down those barriers and get meaningful interdisciplinary studying.

I think the other problem, ironically, is the nature of anthropology itself and anthropologists. What makes a great anthropologist is somebody who can effectively sit quietly and listen and observe. Anthropologists at their best are brilliant comedians. At their best they're very good at looking at power structures and being rather cynical about governments. At their best anthropologists tend not to want to project themselves onto a stage, they want to kind of sit in the bushes, or behind the curtains, and basically watch everyone else. in many ways they are the polar opposite of economists who tend to have extraordinary certainty in their views, as opposed to anthropologists who are constantly hedging and being modest, and who tend to want to put themselves on center stage, and then to project their ideas on everyone else. Now, all of those qualities that make a great anthropologist and make the great observers also make for incredibly bad public policy people. Anthropologists tend to be very bad at advocating the values of their own discipline, partly because most anthropologists would rather die than go to Washington and stand up on a stage and actually engage with a grubby government, or actually engage with a kind of sound bite culture which is modern media today. But in many ways, if anthropology wants to get out of there and actually has some impact, there has to be some compromise. There has to be an attempt to engage and actually do what anthropologists feel very uncomfortable about, and actually stand up and insert themselves into public policy and discourse in a much more active way.

In my own small way I've tried to do that in my own career. It's involved many compromises; many of you can see the shortcomings of the modern media world. And believe me I can see it even more clearly as someone who is living it every single day. and I've spent my life in a rather schizophrenic way—half of my brain is sitting there as an anthropologist trying to analyze how the media works, the other half is actually trying to get out there and do a media job and be engaged in that media world. So, it involves a lot of compromises. But I, for one, believe that there is value in trying to make those compromises and get anthropology onto center stage. Anthropology has fundamentally informed the way that I approach financial journalism and I hope it's made me a slightly better journalist. For my own part, I hope that having a platform as a financial journalist has helped to advance the cause of anthropology in terms of putting it out there at least a bit on the public stage. Laura Nader spoke a lot about trying to get anthropology in the world and it's something that frankly I think we all need to be engaged with now more than ever. Not just because it's going to make better journalists, not just because it's going to make better financiers or a better financial system, but because I think it's going to make anthropology a better discipline too.

REFERENCES

Edelman
2012 Edelman Trust Barometer: Global Deck. http://www.slideshare.net/EdelmanInsights/2012-edelman-trust-barometer-global-deck.

Greeley, Horace
1850 Hints Toward Reforms. *In* Lectures, Addresses, and Other Writings. New York: Harper and Brothers.

Sinclair, Upton
1994[1935] I, Candidate for Governor: And How I Got Licked. University of California Press, Berkeley.