

Transcript: Philosophy VIDEO 2.4 – Too Big To Fail? Learning Outcomes

In the last video I said something weird. Two weird things. Maybe more. But two in particular may have stuck out. I tried to list reasons why this module might fail.

Remember, I spelled out a rule, like in that card game:

The Rule: **If you take Q -> you will get smarter.**

This rule better be good, or else it's bad that this module is required.

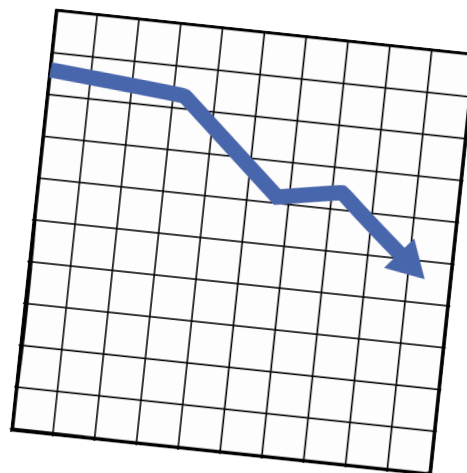
I said there's two reasons the rule might break.

- 1) It might turn out to be wrong that the university is made of questions, and individual disciplines defined by the way they ask questions.
- 2) it might turn out that there is no way to teach Q.

Now the weird thing is not so much these thoughts but the very fact that I am vocalizing them. In all modesty, it's a bit weird for a professor to come out and say: if this turns out to be a bad module—here's how it will be bad.

But why is it weird to accentuate the negative?

It is very standard for professors to list learning outcomes for modules. And all the learning outcomes are always positive—yay! This will be a great class! But, honestly, what the point of canvassing the upside without also peering into the depths of the dark downside. Any module that lists learning outcomes should weigh downside risk that you will be misinformed, or confused, or just your time will be wasted. There are other modules you could be taking. Or you could be sitting home on your couch, playing video games, which would be fun, and fun is good. But instead you are watching me. That's what economists call: opportunity cost. Speaking of economics: if you want to invest your money in some company, you expect to hear about profit but also risk profile. To make money you've got to risk losing it.



Even so, it would be pretty weird if every module came with learning outcomes that read like a warning label. But maybe that would be better. If stuff would be bad, if you put it in your mouth, the store usually puts a warning on the box. TOXIC: KEEP AWAY FROM CHILDREN. If stuff might be wrong, if you put it in your head, you could at least mention it.

We have an econs segment coming up in a couple weeks. Let me say something more about econs, and some difficulties some people have imagining downside risk.

Let me tell you about an article in the *New Yorker* I liked. It was published on April 20, 2016, and the title was: “Why the Big Banks Can’t Imagine Their Own Demises”.

First, I like it already because the title includes the plural of ‘demise’—‘demises’—a word that doesn’t get used that often. For every one of us, it seems like one demise is enough, right?

It reminds me of a line from *Buffy, the Vampire Slayer*, from Season 4, the episode “A New Man”. Buffy has a new boyfriend, Riley, and Riley is only just getting used to Buffy’s whole save-the-world-every-week lifestyle:

“When I saw you stop the world from, you know, ending, I just assumed that was a big week for you. It turns out I suddenly find myself needing to know the plural of apocalypse.”

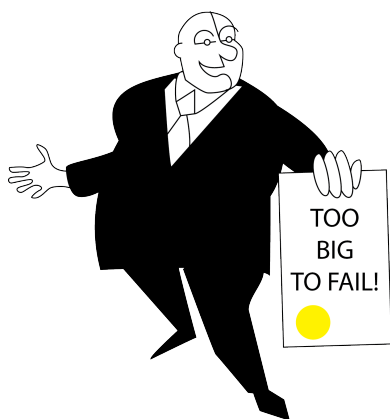
Apocalypses. Demises. Now, back to Big Bankses. On the one hand, death is a big deal. You should only have to do it once. On the other hand, failure is a part of life that happens over and over and over. It seems we should have, not only the ability to imagine our own demises, but to theorize our potentially multitudinous demises.

That’s going to be my new emo band name: Our Potentially Multitudinous Demises.

One other thing. The *New Yorker* article was written by a friend of mine—guy named Dan Davies. So, full disclosure: I’m biased. I only ask you to consider it on the merits.

A bit of finance background for this article. In 2008 there was a huge, world-wide financial meltdown—maybe you remember. And in the aftermath of that, some legislation was passed in the US. It’s called Dodd-Frank. Not that you need to remember that name.

The object of the legislation is to ensure that no financial institutions are ‘too big to fail’.



What does ‘too big to fail’ mean? If YOU are too big to fail, that means that, if you die, everyone dies. For banks, if you go bankrupt, the world collapses, financially. People or things that are too big to fail can, in effect, hold themselves hostage. A bank that is too big to fail can hold a gun to its own head, threatening to die unless the government gives it a big bailout. A bank that knows the government will bail it out, if it loses too much money, is a bank that is gambling with other peoples’ money, in effect. The word for that sort of thing is: moral hazard. It’s considered very bad. Philosophies of the ethics of gambling differ but everyone agrees that, if it’s going to be morally on the up-and-up, then you should have to do it with your own money.

Clear? So what Dodd-Frank does, in part, is mandate certification that banks can decently—safely—pass on to that great negative ledger in the sky. The article is about how hard it has proven to get banks to do this. They are legally obliged to write financial ‘living wills’. Quoting from the article:

These documents (the technical term is “resolution plans”) specify everything from how subsidiaries might continue to operate after a head office has declared bankruptcy to how I.T.-service contracts can be transferred to new ownership. Their larger aim is to insure that, in the event of a 2008-level crisis, the big banks can die with dignity, so to speak, instead of requiring taxpayers to bail them out.

And now we get to the fun part. The banks have found this really, really, really hard to do. Why would that be? Quoting from the article:

There are a few possible explanations for why the banks have collectively failed, thus far, to file credible living wills. The banks themselves say ... that the living wills are unprecedentedly big and difficult compliance exercises and that the requirements weren’t made clear enough. Another possibility is that the big banks are obfuscating, in the belief that the political will won’t really be there to break them up. (Why provide regulators with the recipe for hemlock juice when champagne will be back on the menu once election season is over?) But there is, too, the existential question of contemplating one’s own mortality: the notion that the banks might find it hard to acknowledge and address the conditions under which they might need to be broken up. In some respects, this is the most distressing of the three, because it suggests an

endemic and intractable cultural problem, in which the banks are trying to comply but aren't able to do so.

If you are like me, i.e. you are not personally a bank so large that if you die, the world dies, you probably don't feel so sorry for the poor, filthy rich banks that have to produce these living wills. Boo-hoo. You're so rich that your money threatens to collapse into a black hole of pure 'I'm rich, I'm rich!' Talk about first-world problems.

But, then again, I can sort of sympathize. We all have something we could fail at that would be ... well, really embarrassing if we failed at it. If this module is bad, I will be very embarrassed. So I don't like to think about that. But I really should. Every instructor should plan both for good learning outcomes and for bad. We instructors should all try hard to know what we don't know, as a result of which trying to help other know better might go worse.

Let me give you a real simple example of how this affects you—messes with your head, probably. You are at University. Someone's going to ask you to write a paper pretty quick, I'll bet. You have to argue for something, so you argue for X. Very often, because it seems like a bit of a game—academic exercise—you just pick something. Maybe you are taking a Shakespeare module. And so, in a moment of blind inspiration, you end up writing a sentence like this:

"In this essay I will argue that Hamlet's indecision is a symbol for the crisis of skepticism posed by modernity and modern science."

So you whip up some plausible-sounding arguments to back that up. And you're done. Right? Wrong. Don't DO that. The most important thing you can do in a paper like that is write a kind of living will for your own thesis: why might that be a wrong—or even stupid—thing to argue? You can't really argue it's smart if you haven't stared into the face of its potential stupidity. But there is a huge psychological barrier to doing that. No one wants to stare at their own stupid face. It's easier to hope that, if there's some problem, the grader will have mercy, or miss it. See: when you write papers, you are like a Big Bank. You are too big to fail ... your module. Don't be like that.

Now, it might seem like our module—Asking Questions—is particularly at risk here, given all that I have said. I don't really think so. Times are tough all over. We humans are seriously fallible. Anyway, here's my living will for Q.

Worst case scenario, it turns out we have no workable theory of how questioning works generally or how to teach the skill of questioning, in general. Well, that's a bummer, if it comes to that.

But even if it does, negative results are, as I said, results. And this one would, I think, be a pretty interesting negative result. It would show, for example, that we don't really know what science is. Which would be interesting. Because there's a science faculty. You would have thought we knew what they did there.