

To experiment or not to experiment – that is the question.

Riel Miller¹, Sunday, October 5th, 2008, Paris

We are living a moment when the swirling clouds of evolutionary complexity part, offering a glimpse of a landscape where three features stand out *and* what needs to be done becomes clear. It is time to embrace experimentalism.

The shocking

The first feature is that the emperor has no clothes. The financial system's detachment from the "real economy" is evident for everyone to see. This is not an artificial divide due to malice of forethought or some particular form of pernicious greed. It is a common event in the history of firms and sectors that get drawn away, initially by innovation and the good profits that go with it, to a point where the core role of what they produce is forgotten. There are famous examples of firms and indeed even whole nations that lose sight of the essential, focusing on doing things that end up being peripheral and ultimately non-resilient.

The routine

The second feature is that every morning, when each of us wakes up and starts about our own day, the "real economy" is still there. This is the continuity of human activity that creates wealth in the form of useful output. It is important, very important and not easy in these queasy days at the end of the industrial era, to admit that wealth creating activity includes not just the familiar physical objects that come off automobile assembly lines or the "white collar" services offered by Wall Street brokerages but also the "unique creation" that defines peer production, experience market events, "do-it-yourself" craft, and co-produced relationships arising in fluid networked communities.

The jackpot

The third feature is a jackpot of riches waiting to be created by reconnecting the "real economy" with the financial system. We face a historically rare opportunity. The emergent "learning intensive society" requires a financial system – one that can do the traditional things a financial system does – specialize in both the allocation of capital and the management of liquidity – in ways that correspond to the present nature of what is being produced and accumulated in the form of assets (capital). Without this essential system the new types of output and the new ways of producing this output, including the emergence of new business models on a viable basis, cannot happen.

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Time to experiment

In this time of crisis the reflex of retrenchment, consolidation and refuge in familiar routines is understandable. But it should also be self-evident that financial system innovation is essential for developing the potential of the present. History is replete with examples.

The invention during the Renaissance, over four centuries ago, of such primordial ingredients of the financial system as double entry bookkeeping and the then exotic financial instrument called a “bill-of-exchange” were critical to enabling new business models and new markets to emerge. It is easy to forget that instruments and institutions that we take for granted today like bonds, stock markets and even central banks did not always exist but had to be invented and refined through experimentation.

What to experiment on

Past experience shows that finding the right fit between the emergent system of wealth creation and an appropriate financial system requires experimentation in at least four underlying socio-economic sub-systems – identity, property rights, transaction systems, and shared meaning. One take² on today’s context suggests experimentation along the following lines:

- **Identity.** The emergent “learning intensive society” is characterized by “unique creation” in highly fluid and diverse networks. If there is no easy way to prove and own your identity in a practically useable form then there are very high costs and low incentives to opening an account, making an investment, accumulating assets or taking responsibility (recognizing liability). Citizenship, birth certificates, social security cards and a panoply of rights that we take for granted now need to be extended into cyberspace – it is time to establish the infrastructure of cyber-citizenship.³
- **Property rights.** The new relationship between property rights and finance needs to be based on accounting systems that rest on clear and operational property rights systems that validate and valorize two key asset classes: i) creativity in all its cumulative and composite richness (copyleft), and ii) human capital as the verified acquisition of competences – things you know how to do – that can be deposited in a “knowbank”.⁴ A willingness to undertake creative experiments equivalent to those of 19th century, like the daring decision to introduce universal compulsory schooling, could easily establish the accounting and assessment methods needed to bring property

² Miller, Riel, (2006), “Equity in a 21st Century Learning Intensive Society: Is Schooling Part of the Solution?”, **Foresight**, Emerald, Volume 8, Issue 4. And, Miller, Riel and Tom Bentley, (2003), **Unique Creation**, National College for School Leadership, UK.

³ Miller, Riel (1997-99), Rules for Radicals, monthly column for ezine, intellectualcapital.com

⁴ Miller, Riel (1996), Measuring What People Know: Human Capital Accounting for the Knowledge Economy, OECD, Paris.

- rights and accounting systems back into realignment with the emergent systems of wealth creation.
- **Transaction systems.** Composite creative works that are formed from a collage of accumulated inputs and spontaneous teams that coalesce for joint activities/joint production of utility (social, business, personal) can only work if there is an easy way to measure value and make payments. For a variety of reasons, including inadequate identity and property rights systems as noted just above, the development of a state backed token that can be used for peer-to-peer payments has not emerged. The problems are not technological but institutional.⁵ Central banks did not take initiatives in this direction at the time of the dot.com boom for fear of destabilizing financial sector business models. Now that the sector has to be rebuilt anyhow what better moment to experiment with new forms of payment that can help create new valuation markets and facilitate the viability of new business models in a broad, global-local transaction economy.
 - **Shared meaning.** Language is an obvious enabler of networking but it is the kind of standard that takes centuries and innovations like nation states and compulsory public schooling to become ubiquitous. The equivalent challenge today is to establish a more rapid, task and context specific ability to arrive at shared meanings. This is a key enabler of a learning intensive networked society. Already much grass roots experimentation is happening with what some are calling the “semantic web”, a glimmer of what might be imagined as Web 3.0. Now is the time to be more explicit in encouraging experiments in achieving transparency (finding what you need not just what you already know).

Resistance to experimentation

Collective action to introduce experimentation along these lines provokes resolute and often nasty defensive reactions. This is a normal reaction since the emergence of new systems that function on the basis of different logics reshuffles the stocks and flows of capital and power.

A recent rather low key but costly example of this resistance to change happened during the dot.com boom. This explosion of creative and risky ideas both inflated too fast and collapsed because powerful interests not only protected existing systems of property rights, payment, valuation, and accounting – but also, maybe more importantly, stymied experimentation with alternatives. During the dot.com boom experimentation was fenced-in to a narrow range of “wild entrepreneurialism” that left institutions, accounting practices and power untouched.

Some might say that the current context is different. Given the breadth and depth of the failure of the existing systems the choice of experimentalism may seem like a “no brainer”. Turning to experimentalism could even appear like a good way to show

⁵ Miller, Riel, Wolfgang Michalski and Barrie Stevens, (2002), “The Future of Money”, OECD, Paris.

some regret over how things turned out and a willingness to try something new. “Hey, let’s run a few pilot projects to see if they work. What have we got to lose?”

Fear of experimentalism

Plenty. Embracing experimentalism, as defined here, means abandoning administration. This is a huge and frightening loss. Administrative systems use simplification in conjunction with command and control to achieve planned outcomes and manage risk. Administration has been brilliantly, wildly successful, but at a price.

Using administrative methods to address the reality of complex evolving systems entails a loss of information and freedom.⁶ By resting on the “Newtonian” worldview that the universe can be explained, predicted and planned, the administrative approach – even in its most reflective mode – contains two insurmountable limitations: first the premise of predictability means that failure is due to inadequate planning and hence logically failure is avoidable, failure is someone’s fault, and fear of failure inhibits learning through experimentation⁷; and second the presumption that the future of complex systems can be explained undercuts the modesty and imagination needed to question the assumptions that limit our perceptions of the potential of the present.⁸

To embrace experimentalism is to let go of the organizational forms and practices of planning and administration that are logically at odds with failure and hence, fundamentally at odds with learning. It is to take another, more spontaneous, diversified, fluid and open path to achieving our goals and managing risk.

The courage to do it

Today we look back at the crash of 1929, the immense costs of the Great Depression, and denounce what now seem like pointless political conflicts, obvious policy blunders and the excruciatingly slow pace of institutional innovation.

Will history repeat itself? What will our epitaph be? Will hindsight’s verdict in fifty years be that we systematically and purposefully sought out experimentalism as a new way to take advantage of the opportunities created by the complex evolutionary processes within which we live? Or will they once again lament our inability to imagine changes in the conditions of change and do something about it?

At least our choice is simple – will we embrace experimentalism or not?

⁶ Miller, Riel, (2006), “From Trends to Futures Literacy: Reclaiming the Future”, Centre for Strategic Education, Seminar Series Papers, No. 160, Melbourne, Australia.

⁷ In an administrative system the verdict of success or failure, hence the dynamics of experimentation occurs most tellingly through the birth and death of organizations. This is too “lumpy”, too limited by the administrative form, for unique, networked, co-creation activities.

⁸ Miller, Riel (2007), “Futures Literacy: A Hybrid Strategic Scenario Method”, **Futures**: the journal of policy, planning and future studies, 39, Elsevier, Pp. 341-362.