

Thursday, July 12, 2007

Another day, another singularity

I've been pondering a post for sometime about the pure implausibility of capital-C Conspiracies. The one's where everything under the sun is orchestrated and executed by a behind-the-scenes power block "at the top" THAT CONTROLS EVERYTHING.

Bear in mind that everything is relative: One man's knitting circle is another's shadowy cabal.

Whether it was Alfred Pike meticulously planning three world wars over two hundred years ago, William Guy Carr's Luciferian-Communist conspiracy which engineered every significant event of the 20-th century, or even David Icke's "we really do live in a Matrix controlled by lizards" fantasy, there was an obvious impossibility to it that I was having a hard time articulating.

Then I saw a reference on Boing Boing to fiction themed around a "post-singularity" of some sort from authors like Verner Vinge (Not being a huge SF fan, I've only read his True Names anthology) and after doing a little reading on what the technological singularity is supposed to be, it finally occurred to me:

Various types of "singularities" have already occurred throughout history, and they make Capital-C "Conspiracies" impossible. Sure, various people will try to control the world, but it can't be done. Nobody is doing it. Nobody has ever done it. The world is by its nature, uncontrollable. We live in an out-of-control world.

The one line descriptor of a singularity, courtesy of Wikipedia is:

"a theoretical point in the development of a scientific civilization at which technological progress accelerates into infinity or beyond prediction"

The fallout of this can be described appropriately in the following two passages:

1) It is a point where our old models must be discarded and a new reality rules.
(Verner Vinge)

and

2) In futures studies, a technological singularity represents a hypothetical "event horizon" in the predictability of human technological development. Past this event horizon, following the creation of strong artificial intelligence or the amplification of human intelligence, existing models of the future cease to give reliable or accurate answers.

[...]

as one approaches the Singularity, models of the future become less reliable, just as conventional models of physics break down as one approaches a gravitational singularity.

Both courtesy of The Singularity is Nonsense

There are entire movements both pro and con debating whether an approaching technological singularity, or rather The Approaching Technological Singularity is a Good Thing(tm) or a Bad Thing(tm). The argument revolves around AI (artificial intelligence), and the theory/fetish/dread of a moment when it emerges and begins a self-iterating feedback loop, supplanting human intelligence in a few measly billion cycles.

Personally, I think if you distill a singularity down to it's basic feature, it is a buildup and escalation of events to a point after which nothing is ever the same, and beyond which prior conventional wisdom breaks down. Perhaps we are really

talking about seminal moments and their unexpected consequences after they play out over time, especially if they feedback on themselves. Technologies that become so ubiquitous nobody can imagine, life before it emerged. (i.e. "How did people survive without radio, telephones, television, fax machines, email, ipods?")

If we look at singularities this way, then as the old detergent commercial used to remark: "You're soaking in it". Singularities are another word for history. Or maybe a subset of history called revolutions.

H.R Clements called the discovery of "perspective" as the context shift which touched off the Renaissance and spelled the end of feudalism and the Church as the central power structure of the day. They weren't too happy about it, (hence the Inquisition) but by the time they realized there was something to be unhappy about, it was already too late. The singularity had already happened and the writing was on the wall.

So if there were any wide ranging conspiracies to control all facets of mankind's existence, even if they were enjoying a degree of success at the time, they were turned on their ear by the discovery of perspective, and the accompanying context shift. The Matrix of the day was upended by it. Any plans the shadowy cabal had for the future of mankind had become meaningless, and in retrospect, almost comical. Best laid plans, and all that.

Future historians may reflect that today's War on Terror is the modern parallel to the Inquisition. Breathy tech evangelists may gush "yes! the internet is the singularity which spells the end of the nation state!", but they're wrong. It was the invention of the Corporation, hundreds of years ago, which started that snowball rolling.

That creation out of thin air, of a separate legal person, created a logic of it's own, and once capital formation and investment began their long iterative feedback loops into the future, the days of the nation states became numbered. It was only a matter of time before Corporate entities emerged with GDPs larger than countries. Analogous to the fictional Aspen Research Corporation in Brian Fawcett's 1990 Public Eye: An Investigation in to the Disappearance of the World - after awhile a logic of its own asserted itself into the affairs of men and of nation states. The corporate twin imperatives increase profits and minimize taxation spun out a multitude of strategems and tactics which iterated over the fiscal years, and if successful, compounded. Placed into the primordial soup of an ostensibly free market the feedback loops reinforced themselves (and each other) and it's making national sovereignty as obsolete as fealty.

What all this means is that it is inherently impossible to project any kind of control structure forward indefinitely. Sooner or later something comes along that makes it impossible to keep a plan on the rails. There may well be Freemasons, Illuminati, Bilderbergers, Trilateralists, little grey aliens and reptilian overlords running around trying to control things. But they don't have the ability to assert control over the next paradigm's control structures because nobody knows what they're going to be until it's already happened.

A new conspiracy could be initiated when these bifurcation points occur, but they won't be Capital-C Conspiracies, they'll just be little baby small-c conspiracies. Small-c conspirators compete in an open market like anything else. Whether it be P2, PNAC, Triads, Al-Queda, biker gangs or the Flat Earth Society: these small-c conspirators may become powerful, for a time. But none of them will ever achieve Total World Domination.

Because singularities happen.

The emergence of perspective in European art created a context shift which made feudalism unworkable, gave rise to a merchant class and ended the hegemony of the church.

The advent of an organizational singularity: the corporation eventually made it impossible for nation states to "make reliable or accurate assessments about the future" (which is why I always chuckle when I see straight faced congressional testimony about how best to "manage" things like the macro economy).

Not to leave the breathy tech evangelists flat from my earlier remark, an informational singularity did occur on the internet. With the advent of dynamically created web pages, cross site API's, XML, SOAP et al, the number of web pages in existence has at some point become essentially infinite, and I couldn't tell you what the other end of that looks like, it's still pretty new and I'm no futurist - I'm just along for the ride.

But at the end of the day, if a tree falls in the forest, or a plane crashes, or you got passed over for that promotion at work, it isn't because some all-seeing, all-powerful cabal has ordained it.

If these entities truly did exist and truly "ran the world", we would have never seen things like the free enterprise, capitalism, freedom of speech, property rights, private savings or the internet. The hegemon would simply run a well-oiled command economy, leaving nobody any illusions about their ostensible freedoms. There would also be no

conflicts, anywhere.

Conflict means disagreement and as long as they occur, it means nobody is really truly "king of the world". Fortunately.

It appears as though we're faced with another one of those paradoxical tradeoffs which define the human condition. I've read that the ultimate price of sexual reproduction was death, (as opposed to those asexual reproducers which spawn perfect copies of themselves and have a type of de facto immortality as a result), the presence of worldwide freedom brings with it out-of-control conflict everywhere you look.

The old maxim is true, don't ascribe to conspiracy what can be explained by stupidity.

Posted by Mark Jeftovic in Life, the Universe and Everything at 14:23

Tuesday, July 3, 2007

Wave of private equity IPOs the final stage of distribution?

First Blackstone went public, not to be outdone, the Carlyle Group decided to follow suit, and now KKR is jumping on the band wagon.

If the first part of '07 could be characterized by an orgy of private equity deals (subprime woes aside), and it looks like the back half of the year will be all about private equity IPOs (does that make them public equity funds?)

On the surface this looks like a fantastic buying opportunity! Now joe-six-pack can play in the big league, being co-owners with the high rolling Bush clan and Bin Laden's brothers (who are or were investors in the Carlyle Group) and if you jumped on that Blackstone IPO, don't fret that your shares are trading below issue price, you're the proud new owner of Hilton Hotels (and the 7 billion in debt that comes with it)

Now that the subprime meltdown has officially killed the housing bubble, it appears as though a wave of private equity IPOs may be the last house on the block of a global "investment" mania floating atop a veritable deluge of excess liquidity.

Fissures are already appearing in this private equity wave. As I already mentioned, Blackstone is already trading below issue price, Carlyle had to tone down their IPO prospectus, citing "market headwinds".

The paranoiac in me reads some of the fine print and begins to get a different take on this. When you consider that Carlyle's to-be-public fund Carlyle Capital, "will mainly invest in AAA-rated residential mortgage-backed securities, but also in loans, junk bonds and collateralized debt obligations." and that not even a week ago Bear Stearn failed in their efforts to unwind two of their hedge funds' portfolios of subprime sludge in an asset auction, a different picture emerges. One in which private equity funds are spinning off publicly traded funds to create a market for otherwise unmovable CDOs and other high risk debt.

This new private equity bubble could play some pernicious roles including

inflating yet another asset bubble to keep the equities party going
create a market to unwind the subprime sludge and the rapidly deteriorating repackaged CDOs
allow Wall Street insiders possibly their last chance to get their money off the table and their paper into the hands of the lumpeninvestor and joe-six-packs

The ratio of insider selling to buying has been north of 30-to-1 for years, and for some reason this smells like a blow-off distribution near the end of a crack-up boom. At the end of it, the average investor in the street will have been enticed into funds holding otherwise unmarketable debt and complex derivatives, who else to end up holding the bag?

Posted by Mark Jeftovic in Venture Capital at 23:17