

Finance as a design

Artur Borcuch

Institute of Management the Jan Kochanowski University in Kielce Poland.

Abstract

Critical finance approach implies a collection of heterogeneous elements, including finance, philosophy, ethics and art. In this regard design deserves special attention.

Presently, design starts being main theme of contemporary, everyday life. Design is about looking at everyday things with new eyes and working out how they can be made better. Design practice is being affected by far-reaching changes in technology, cultures and markets (economics and finance). Design cannot remain isolated from these wider patterns, especially finance.

The association between design and finance (or more general economics) discovers new areas of research. This perspective causes, that design could be defined as: an economic activity or more general as the translation of the ideas generated by creativity into new products and processes and the shaping (or transformation) of ideas into new products and processes. From the “micro” perspective design is one of the main characteristics of what is an essential determinant of the quality of human life. It affects everyone in every detail of every aspect of what they do throughout each day. From the “macro” perspective, design in a key driver of countries’ competitiveness.

The main purpose of this article is analyze the relation between design and problems solving of financial human existence.

Keywords: Finance, design, innovation

1. Introduction

Critical finance approach implies a collection of heterogeneous elements, including finance, philosophy, ethics and art (Forsslund and Bay, 2009) [6]. In this regard design deserves special attention.

For some reason, the discipline of finance does not acknowledge design. To be fair it must also be agreed that the discipline of design is deficient in communicating its financial role. In the shadow remained challenges posed by the financial markets globalization and the ability of crisis contagion of the centers of the world on its periphery.

Presently a critical analysis of the financial system integration takes the form of a total rejection of the global financial casino (Royrvik, 2011) [11]. There are statements of the need to return to the human scale of the financial sector and anchoring its functioning in the real sector of the economy. In the national economy reality, with significant savings gap, we are doomed to import spare parts of savings from abroad. Our contribution in the global financial market cannot be limited to passive internationalization. We need to take care of the balance between passive and active internationalization of our financial (especially banking) system (Solarz, 2008) [20].

The crucial goal of any financial system in the face of globalization is to minimize transaction costs (de Haan *et al.*, 2009) [9]. And financial intermediaries and ensure smooth financing of everyday life. Everyday life faces two sides of the same reality, banks and households. These “institutions” must meet each other to ensure the harmonious development of integrating financial systems. The integration of financial systems is not restricted to the creation of transnational capital groups. This process applies financial instruments involving (either direct or indirect) households from the most distant regions of the world. Enlargement a critical analysis of the integration of financial systems to their stakeholders undermines their ownership determinism.

Market, or generally speaking financial market, cannot be designed. That was F. von Hayek opinion. He viewed the free price system not as a conscious intention (designed by man), but as spontaneous order. Hayek said: “the curious task of economics is to demonstrate to men how little they really know about what they imagine the can design”.

In my opinion, in the world of finances the design is possible (or even necessary) but the type of conditions is a matter of discussion. Design starts being main theme of contemporary, everyday life. Design is about looking at everyday things with new eyes and working out how they can be made better. Design practice is being affected by far-reaching changes in technology, cultures and markets (economics and finance). Design cannot remain isolated from these wider patterns, especially finance. The thesis of this article is as follows:

- Design is now more about solving problems of financial human existence;

The paper is organised as follows: section 2 describes critical approach to finance and design definitions related to the micro and macro perspective; section 3 describes finance and design from the historical perspective; section 4 identifies design as a financial performance. Section 5 concludes.

2. Critical approach to finance and design

Finance can be broken into three sub categories: public finance, corporate finance and personal finance. Taking into consideration financial theory, there can be distinguished branches: financial economics, financial mathematics, experimental finance, behavioral finance and intangible asset finance. Generally speaking, finance is the study of how people allocate scarce resources over time (Schindler, 2007) [18]. Under conditions of certainty and uncertainty. The main feature of finance is that it is concerned with the mobilization of monetary resources (Evans, 2009) [4].

Present-day, critical approach to finance contains the problem underlying the current financial crisis ^[1]. After the financial crisis of 2007, a rich seem of ‘alternative’ views of finance. It ranges from systematic criticism, such as works of J. A. Hobson, J. M. Keynes and H. Minsky (Toporowski and Michell, 2012) ^[23]. It is difficult to offer solution for crisis because finance is about a lot more than just money. Financial crisis is actually a result of the failure of some parts of society. Based on insights about shortfalls of e.g. design it is worth to analyse possibilities in this area.

The concept of design has been connected in different ways – craft design, industrial art, commercial art, engineering design, product design, graphic design and interactive design (Heskett, 2005) ^[11]. The Industrial Design Society of America defines design as “the creation and development of concepts and specifications that optimize the functions, and value the appearance of products and systems for the mutual benefit of users and manufacturers” (Creative Economy, 2010) ^[2]. In the Business Dictionary we find that design is a “realization of a concept or idea into a configuration, drawing, model, mould, pattern or specification (on which the actual or commercial production of an item is based) and which helps to achieve the item’s designated objective(s)” (Design, 2013). For H. Simon design is a devise course of action aimed at changing existing situations, into preferred ones (Simon, 1996). V. Papanek (1996) states that design is basic to all human activities—the placing and patterning of any act towards a desired goal constitutes a design process. In general terms design deals with the creation of forms and the appearance of products. Creative design is expressed in several ways: through the creation of jewellery, by the architectural design of a building (uniqueness of a functional service), or an interior object (utilitarian mass-produced goods) (Creative Economy, 2010) ^[2].

Critical approach to design refers to unified, uniform mass-produced goods (that’s why the Art and Craft (Vieteberg, 2005) ^[25]. Revival is so important). In this regard meaningful is a term of McDonaldisation (90ties of the XX century). Where Max Weber used to model of the bureaucracy to represent the direction of this changing society, George Ritzer saw a culture possessed the characteristics of a fast-food restaurant.

The association between design and finance (or more general economics) discovers new areas of research.

This perspective causes, that design could be defined as:

- an economic activity or more general as the translation of the ideas generated by creativity into new products and processes;
- The shaping (or transformation) of ideas into new products and processes (Hollanders and van Cruysen, 2009) ^[12].

From the “micro” perspective design in all its implications profoundly influences life on many levels (Heskett, 2005) ^[11]. It means that, design is one of the main characteristics of what is an essential determinant of the quality of human life. It affects everyone in every detail of every aspect of what they

do throughout each day. Very few aspects of the material environment are incapable of improvement in some significant way by greater attention being paid to their design. Inadequate lighting, machines that are not user-friendly, badly formatted information, are just a few examples of bad design that create Cumulative problems and tensions (Heskett, 2005) ^[11].

Everyday finance indicates that everyone has to manage (his or her) personal finance. Some tend to save a lot, some like to spend all monthly salary. Households are not homogenous group but rather individuals with various financial practices. Therefore it is important to distinguish selected aspects of financial affairs such as routines and attitudes to gain insights towards significant behavioral patterns.

From the “macro” perspective, design in a key driver of countries’ competitiveness. It fosters national competitiveness by contributing to general creativity and the image of countries as a brand. For example, countries such as Denmark, Finland, Ireland, Spain and the UK have all developed national design policies and invested in design excellence, as a mean of producing unique and globally competitive products and services, a differentiator and driver of national competitiveness (Hollanders and van Cruysen, 2009) ^[12].

3. Design and finance in historical perspective

Innumerable crafts around the world have been widely displaced by industrial manufactures from their central role in cultures and economies. This crafts have found new roles, such as supplying the particular global market segment known as Arts and Crafts (Heskett, 2005) ^[11].

In Great Britain, in late-nineteenth-century, formed the Arts and Crafts Movement, which promulgated the role of the craftsman-designer as a means of reviving a lost unity of design practice and social standards (Heskett, 2005) ^[11].

At the same time, in the United States, a new scale of industrial technology and organization evolved by the 1920s and deeply changed design practices. Through mass production based on huge capital investments, was generated a wave of innovative products that fundamentally changed every aspect of life and culture in America, with echoes across the globe. To stimulate markets, products needed to be improved constantly, with mass advertising campaigns pressing consumers to buy them (Heskett, 2005) ^[11].

Taking into consideration finance, the last 20 to 30 years, has been striking, with three main developments:

- a very major growth in the scale of financial activities relative to the real economy;
- an explosion of the complexity of financial products and services, in particular linked to the development of securitised credit and of credit and other derivatives;
- A rise in intellectual confidence that this growth in scale and complexity was adding economic value, making the global economy both more efficient and less risky (Turner, 2010) ^[24].

Present-day, significant trend is the effect of new technologies, such as information technology and flexible manufacturing, opening up possibilities of customized products designed in detail for small niche markets. Furthermore, interactive design for electronic media faces new Problems for users of information excess (Heskett, 2005) ^[11]. Similar phenomena we can observe in the “civilization of Finance”. ICTs have been crucial to the finance (Tonkiss,

¹ According to A. Nölke, the subprime crisis of 2007 proves that we are live in the era of financialization. A. Nölke, *The Rise of the ‘B(R) IC Variety of Capitalism’ – Towards a New Phase of Organized Capitalism?* [in:] *Neoliberalism in Crisis*, ed. H. Overbeek, B. van Apeldoorn, Palgrave Macmillan, London - New York 2012, p. 119.

2006) [22] the controversy revolves around what R. Solow called in 1987 a “computer paradox”: computers are visible everywhere except in the final output. Actually, the period of enormous IT investment in the 1980s coincided with a productivity slowdown, particularly apparent in services in the 2000 (Goldfinger, 2002) [7].

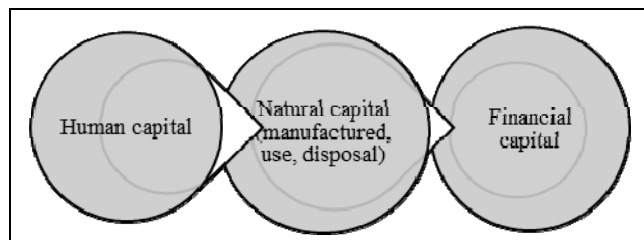
It leads to designing for experience that means designers’ response to technologically qualified lifestyles. Advances in the technologies connect and integrate a range of individual products, hardware, spaces and services such as mobile digital services or systems of linked elements such as experienced when using public transport (Williams, Wellbourne-Wood, 2006) [26]. Exponential developments in computers and information technology are not only creating exciting new possibilities in interactive design, but are also transforming the ways in which products and services are conceived and produced (Heskett, 2005) [11].

4. Best practices for finance and design conversion

The work of H. Simon, Nobel Laureate in Economics in 1978, is an example of design being considered as a factor in economic theory. His starting point was acknowledging that the world we inhabit is increasingly artificial, created by human beings. For Simon design was not restricted to making material artefacts, but was a fundamental professional competence extending to policy-making and practices of many kinds and on many levels (Heskett, 2009) [10].

Implicit in Simon’s reasoning is an emphasis on design as a thought-process underpinning all kinds of professional activities. He did indicate, however, why design is so rarely

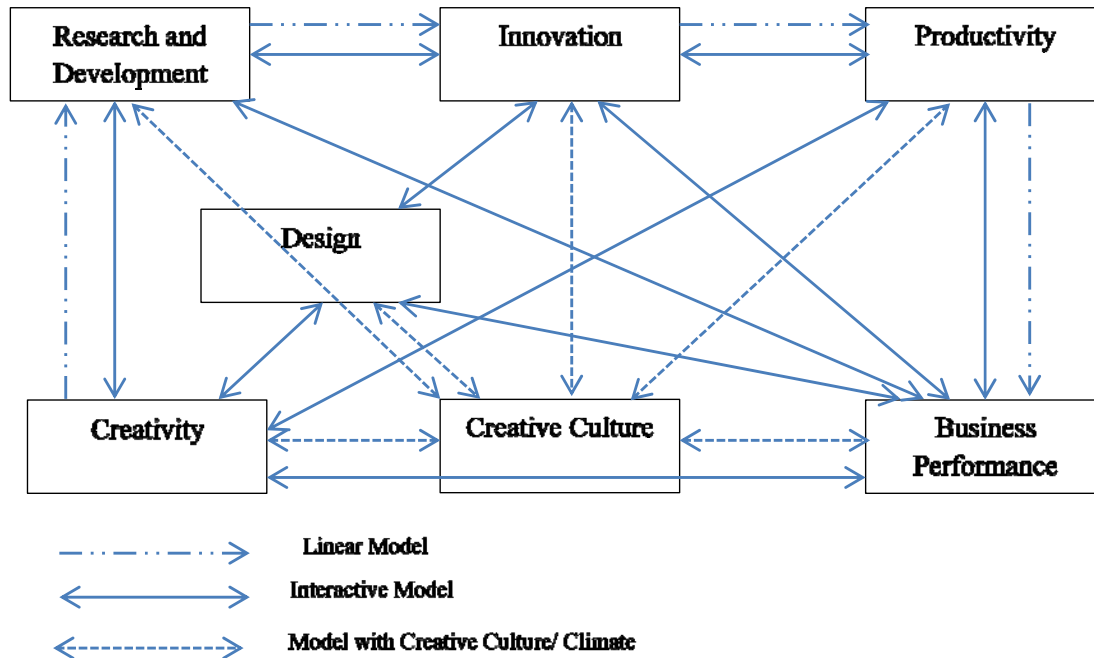
considered in economic theory. Economics, he stated, works on three levels, those of the individual; the market; and the entire economy. The centre of concentration in traditional economics is markets. A serious problem is thereby raised at the outset: two important considerations relating to design - how goods and services are developed for the market place and how they are used - receive scant attention (Heskett, 2009) [10].



Source: (The Natural Capitalism, 2009).

Fig 1: The Natural Capitalism framework

P. Swann and D. Birke (2009) distinguished three different models linking creativity and design to innovation. In the linear model, creativity has a positive effect on R&D which in turn has a positive effect on innovation. The interactive model not only includes feedback effects between the different elements of the linear model but also acknowledges the importance of design. Creativity relates directly with design and design relates directly with innovation. In the third and most complete model the creative climate takes a central position.



Source: (Hollanders and van Cruysen, 2009) [12].

Fig 2: Linking creativity, innovation and design

Creativity, innovation and design are disciplines that span boundaries, and need to be understood in an integrated manner. Today, more business are starting to realize that each topic is needed to thrive and grow to be productive companies.

The business implications for creativity, innovation and design include information technology. Design is about challenging existing technology and methods. If technology is indeed to be humanized, it is necessary to

recognize that it is designers who determine the detailed interfaces in all their forms that implement technology in everyday life. To what extent the values their designs embody will be primarily intended to generate profits (Heskett, 2005) ^[11].

The idea finance as a design should be analyzed in the perspective of objectivity (object of analysis) and subjectivity (subject of analysis).

An example of objectivity is the automated teller machines (ATMs) that have become such a common feature across much of the globe. They exist as a point of delivery for financial services. The physical structure needs above all to protect the money contained inside. The key element for users, on the other hand, is the software, the interactive program enabling them to obtain cash. It is, therefore, the interface with the computerized system that requires thought-through design solutions (Heskett, 2005) ^[11].

An example of subjectivity are poverty (Cooper, 2005) ^[1]. And the financial exclusion (Guérin *et al.*, 2009) ^[8]. That usually merge. This phenomenon especially in industrialized countries require an attention, to which design can potentially contribute. Such as:

- Improving educational provision for the poor and unskilled (Sachs, 2005) ^[17]. (in the USA and the United Kingdom, around a quarter of the population is functionally illiterate);
- mitigating the problems of unemployment by creating opportunities to retrain frequently in a constantly changing economic climate;
- addressing the needs of ageing populations; creating more flexible welfare and medical provision;
- Addressing environmental questions, not just large ecological concerns, but more immediate problems such as noise pollution and stress in human environments (Heskett, 2005) ^[11].

The growth of globalization and industrial development and urbanization in the so-called ‘Third World’, in ‘Developing’ or ‘Peripheral’ countries – accounting for some 90 per cent of the world’s population – also raises pressing questions regarding the economic and cultural role of design (Heskett, 2005) ^[11] not forgetting of financial role.

5. Summary

Present-day, it is an increasingly important the idea of studying the effect of design on global economies and how different countries could benefit from promoting their own cultural designs. We live on “planet finance” (Ferguson, 2008) or “civilization of transaction”. In this regard meaningful is “financialization” that generally means an exchange of relations into transactions. Critical analysis of finance from the design perspective discovers new area of research.

For example, Craft and Art movement (value added of design) changes perception of global finance (perspective of global financial crisis) into the idea of everyday finance. Macroeconomic perspective shows, that design is a strategic tool to drive innovation and growth and is a key driver of countries’ competitiveness. Concluding, finance is not a “house without windows” (Keasey and Hudson, 2007) ^[13], and one of an unexplored window is design.

6. References

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