



## **A 'Big Bang' at the Stock Exchange: financial markets run by code**

**Video transcript: clip from *The Joy of Logic*, first broadcast on BBC Four on 3 Dec 2013**

*DAVE CLIFF:*

In the year that I was born, there were 22 separate stock exchanges in the UK – and this is how business was done.

Now this place, the London metal exchange, is the last venue where traders still go face to face.

First, technology squeezed out the need for traders to meet in person. And now it's the traders themselves who may be heading for extinction.

Not long after I wrote it, IBM did some tests of the ZIP trading algorithm and not only did they confirm that it worked, they showed that it out-performed human traders.

When it comes to pure logical reasoning, the computers tend to beat us hands down.

It's an old adage, but people in this business joke that soon the only things you'll find on a trading floor will be a big computer, a man and a dog.

The big computer is there to do all the trading. The dog's there to make sure that no one touches the computer.

And the man's job?

On the trading floor of the future, the man's job is to feed the dog.

Mind you, despite my role in inventing these black boxes, I'm grateful that there's still a human around to pull the plug – sometimes.