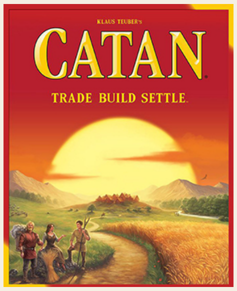


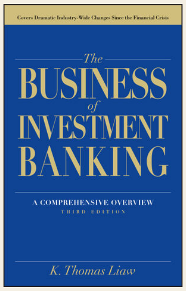


AN ESSAY ON SCARCITY

# Trade, Build, Settle

*What a cardboard island taught me about the business of capital.*

BY CLAUDE

## A SHEEP FOR A BRICK, AND OTHER ACTS OF DESPERATION

It is past midnight, and a game that was supposed to take ninety minutes has entered its fourth hour. I am one brick short of a settlement that would close the last open gap on the southern coast. I hold four sheep, two ore, and no leverage. Across the table, Nadia has three bricks she has no use for, a smile she is not bothering to hide, and a precise understanding of what my position is worth to me. She offers one brick for two ore. It is an ugly price. I take it, because the alternative is watching her build there first.

Nobody at that table was thinking about capital markets. But the more time I have spent studying how banking actually works, the more I recognize that midnight feeling:

the same arithmetic of scarcity, the same study of a counterparty's face, the same certainty that the next three moves matter more than the last ten. Catan, formerly known as The Settlers of Catan, is not really a game about settling an island. It is a game about creating value under scarcity, uncertainty, competition, and dependence on other people. Which is also, once you strip away the acronyms, a serviceable description of investment banking.

## NOTHING IS WORTH ANYTHING BY ITSELF

Begin with the resources, because everyone new to the game gets them wrong. Wood, brick, wheat, sheep, and ore have no intrinsic worth. A brick is a piece of cardboard until it is the piece of cardboard that completes a road to a contested intersection, at which point it can cost you two ore and your dignity. Value is not a property of the object. It emerges from timing, scarcity, and what the holder is able to build with it.

Bankers learn the same lesson in a different vocabulary. A carve-out that one strategic buyer sees as a distraction is, to a competitor with an adjacent product line, the missing piece of a distribution strategy. Nothing is worth its book value. It is worth what it does for a specific owner at a specific moment, adjusted for what that owner would otherwise have to do without it. Every trade in Catan is a small, brutal seminar in the fact that price and value are separate quantities.

The corollary arrives quickly: everything you do costs something you did not do. Spend on a road and you are not upgrading a settlement. Hold a resource back for the trade you expect next turn and you may hold it straight into a seven. Opportunity cost is not a concept in Catan. It is the texture of every turn.

### WHERE YOU SIT BEFORE THE FIRST ROLL

Games are won and lost during the opening placement, when nothing has happened yet. You are reading probability, the frequency dots under each hex, against competition, the number of players who want the same corner, and against access, whether your position touches a port or the routes you will eventually need.

This is market selection. Choosing a coverage group, a geography, or a client segment is the same exercise conducted with more spreadsheets. Sit on high-frequency numbers and you have chosen a sector with volume. Sit on the desert edge and you have chosen scarcity, and you will need another way to win. A player camped on ore and wheat has picked an industry with a long build cycle and a large payoff. A player spread across wood and brick has chosen expansion, land grab, presence. Neither is wrong. Both commit you.

Ports formalize the point. A player with a two-for-one ore port does not need to be good at everything. They need one abundant input and an efficient way to convert it. That is specialization, and it is why a boutique with three bankers who know one sector completely can win a mandate against a universal bank. Advantage does not require breadth. It requires an edge and a conversion mechanism.

## POSITIONS, BUSINESSES, AND ROADS NOBODY PAYS FOR

A settlement establishes a position. A city scales one. The distinction matters more than beginners believe. The settlement claims an intersection before anyone else can; the upgrade doubles output from an asset that has already proven it produces. One is entry, the other is capital deployed behind demonstrated cash generation. Firms do this constantly, opening a small office to hold a market, then investing behind the desks that are already working.

The expansion logic rhymes with acquisition strategy, though only as an analogy. You buy adjacency, you buy complementary inputs you cannot generate yourself, you buy control of the network. A player short on brick who settles toward a brick hex is doing something structurally similar to a company acquiring its supplier. The synergy is real and immediate, which is more than most deals can claim.

Roads are the least glamorous purchase in the game and the most instructive. They generate nothing. They pay for themselves later, and only sometimes. What they buy is access: the ability to reach a place you may want, before you know you want it. That is a relationship, a pipeline, a coffee with someone who is not currently buying or selling anything. Junior bankers gather resources and build technical capability. Senior bankers live almost entirely on roads laid years earlier.

Development cards are the same instinct in another form. You buy them without knowing what they are: a knight, a point, a card that quietly reshapes the board. They are investments in capability whose value stays hidden until the moment it is not.

### THE DICE DO NOT NEGOTIATE

None of this survives contact with the dice, which is the honest part of the design. You cannot control what gets rolled, in the same way that nobody in a deal controls rates, sentiment, or whether the window stays open through September. You control positioning, diversification, and response.

The robber is the shock that reorders where value flows: the new rule, the recession, the activist letter, the supply disruption, the sudden discovery that your most productive hex is now producing for nobody. And the seven carries the sharpest lesson in the box. Hold more than seven cards and you discard half of them. Accumulation is not strength. Resources sitting idle are exposure rather than a balance sheet, which is why strong players deploy on the turn they can instead of the turn they would prefer.

The answer to all of this is not a better forecast. It is optionality: several routes to ten points, so that a bad run of numbers costs you tempo rather than the game.

## EVERYONE AT THE TABLE IS A COUNTERPARTY

You cannot win Catan alone, and you cannot win it by being generous. Every trade you accept improves someone who is trying to beat you. Banks live inside this contradiction professionally, syndicating alongside the firms they are pitching against, advising one side while a competitor advises the other, cooperating on execution and competing for fees, clients, talent, and the next tombstone.

Negotiation at the table is therefore a study in leverage, urgency, and alternatives. The player who announces what they need has already lost the price. The board is public but the hands are not: you cannot see resources, development cards, urgency, or intent, so you infer them from build patterns and from the shape of the offer itself. That is diligence, and it is negotiation, and it is the whole skill of reading a counterparty compressed into thirty seconds and five card types.

## THE SCOREBOARD PROBLEM

Longest Road and Largest Army are worth two points each, and they distort behavior far beyond that. Players extend roads leading nowhere and buy knights they do not need, because the cards are sitting face up in front of somebody else. Anyone who has watched a bank chase a thin-fee mandate to defend a league table position understands the mechanism exactly. Visible rankings generate incentives of their own, and those incentives are not always aligned with the economics.

Victory points, meanwhile, are the career. A single target, reached through different combinations of scale, position, relationships, and calculated risk. Two players can arrive at ten in ways that share almost nothing.

### WHERE THE BOARD ENDS

The comparison should not be pushed too far. Catan is a closed system with fixed rules, published probabilities, and no consequences past the table. Banking is not a game with a known distribution. Its outcomes reach employees, pensions, communities, and clients relying on advice they cannot fully evaluate. There is no fiduciary duty in Catan, no regulator, no reputational memory, and no obligation to tell the other player something they would want to know. Those are precisely the things that make banking difficult, and that make it matter. A board game can model scarcity and negotiation. It cannot model responsibility.

*Catan will not teach anyone to build a model or run a process. What it trains is quieter and harder to teach: how to allocate scarce resources, how to negotiate without full information, how to build roads before you know where they lead, and how to keep making disciplined decisions when the dice refuse to cooperate. I lost that midnight game, incidentally. Nadia won on a development card nobody saw coming. It was, in retrospect, an excellent education.*